New Issue/Book-Entry-Only

Ratings: Moody's: Aa1
S&P: AA+
(See "RATINGS" herein)

$42,375,000
CITY OF ASHEVILLE, NORTH CAROLINA
Water System Revenue Bonds
Series 2026

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

This Official Statement has been prepared by the North Carolina Local Government Commission and the City of Asheville, North Carolina (the "City") to provide information in connection with the sale and issuance of the bonds offered hereby (the "2026 Bonds"). Selected information is presented on this cover page for convenience of the user. To make an informed decision regarding the purchase of the 2026 Bonds, prospective investors should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

Security:	The 2026 Bonds will be special obligations of the City secured by and payable from the Net Revenues of the City's Water System and, under certain circumstances, the proceeds of the 2026 Bonds, investment earnings and certain net insurance and other proceeds. **The credit and taxing power of the City is not pledged for payment of the 2026 Bonds, and no owner of the 2026 Bonds has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default thereon or to apply any funds other than the Net Revenues for the payment of the 2026 Bonds.** See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS" herein.
Tax Treatment:	In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law (1) assuming compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such 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 2026 Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.
Redemption:	The 2026 Bonds are subject to optional and mandatory redemption as described herein.
Purpose:	The 2026 Bonds are being issued for the purpose of providing funds, together with other available funds, (1) to finance the costs of extensions, additions and capital improvements to, or the acquisition, renewal or replacement of capital assets of, or purchasing and installing new equipment for the water system owned by the City, (2) to refund all of the City's outstanding Water System Revenue Refunding Bonds, Series 2015 and (3) to pay the costs of issuing the 2026 Bonds.
Interest Payment Date:	February 1 and August 1, commencing August 1, 2026.
Denominations:	$5,000 or any integral multiple thereof. The 2026 Bonds initially will be issued as fully registered bonds and when delivered will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, Jersey City, New Jersey. See Appendix F hereto.
Expected Closing:	June 17, 2026.
Bond Counsel:	Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina.
City Attorney:	Brad Branham, Esq., Asheville, North Carolina.
Underwriter's Counsel:	Womble Bond Dickinson (US) LLP, Raleigh, North Carolina.
Municipal Advisor:	DEC Associates, Inc., Charlotte, North Carolina.

BofA Securities

June 3, 2026

MATURITY SCHEDULE

Due August 1	Principal Amount	Interest Rate	Yield	Price	CUSIP®†
2026	$2,010,000	5.00%	2.40%	100.311%	044074 FU1
2027	2,235,000	5.00	2.39	102.870	044074 FV9
2028	2,350,000	5.00	2.41	105.324	044074 FW7
2029	2,475,000	5.00	2.48	107.523	044074 FX5
2030	2,600,000	5.00	2.55	109.526	044074 FY3
2031	2,735,000	5.00	2.64	111.234	044074 FZ0
2032	2,875,000	5.00	2.75	112.595	044074 GA4
2033	555,000	5.00	2.80	114.113	044074 GB2
2034	585,000	5.00	2.87	115.331	044074 GC0
2035	615,000	5.00	2.96	116.200	044074 GD8
2036	645,000	5.00	3.02	117.154	044074 GE6
2037	680,000	5.00	3.16[C]	115.830	044074 GF3
2038	710,000	5.00	3.27[C]	114.802	044074 GG1
2039	750,000	5.00	3.37[C]	113.877	044074 GH9
2040	785,000	5.00	3.41[C]	113.510	044074 GJ5
2041	825,000	5.00	3.48[C]	112.870	044074 GK2
2042	870,000	5.00	3.56[C]	112.145	044074 GL0
2043	915,000	5.00	3.65[C]	111.335	044074 GM8
2044	960,000	5.00	3.75[C]	110.443	044074 GN6
2045	1,010,000	5.00	3.85[C]	109.560	044074 GP1
2046	1,060,000	5.00	3.95[C]	108.686	044074 GQ9

$6,185,000 5.00% Term 2026 Bonds due August 1, 2051, Yield 4.24%[C], Price 106.197% CUSIP 044074 GR7®†

$7,945,000 5.00% Term 2026 Bonds due August 1, 2056, Yield 4.41% [C], Price 104.770% CUSIP 044074 GS5®†

[C] Yield to August 1, 2036 call date at 100%.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2026 CUSIP Global Services. All rights reserved. The City, the Underwriters and the LGC 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 2026 Bonds may be changed to a new replacement number.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2026 Bonds by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and other sources that are deemed to be reliable.

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2026 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The 2026 Bonds shall not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

The information set forth herein has been obtained from sources which are believed to be reliable and is in form deemed final by the City for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)).

None of the 2026 Bonds, the General Indenture, as hereinafter defined, or the Series Indenture, as hereinafter defined, have been registered or qualified with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of the 2026 Bonds, the General Indenture and the Series Indenture in accordance with applicable provisions of securities laws of the states in which the 2026 Bonds, the General Indenture and the Series Indenture have been registered or qualified, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2026 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and

circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward looking statements. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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$42,375,000
CITY OF ASHEVILLE, NORTH CAROLINA
Water System Revenue Bonds,
Series 2026

INTRODUCTION

This Official Statement, including the cover page and the Appendices, is intended to furnish information in connection with the issuance by the City of Asheville, North Carolina (the "City"), of $42,375,000 aggregate principal amount of its Water System Revenue Bonds, Series 2026 (the "2026 Bonds").

The 2026 Bonds are being issued pursuant to the laws of the State of North Carolina (the "State"), including the State and Local Government Revenue Bond Act, as amended (the "Act"). Capitalized terms used herein, unless otherwise defined herein, shall have the same meaning set forth in "DEFINITION OF CERTAIN TERMS" in Appendix C hereto and in the Indenture (as defined below).

The City owns and currently operates a water system (the "Water System") which provides water resources for the City, Buncombe County, North Carolina (the "County") and a portion of Henderson County, North Carolina.

The 2026 Bonds are being issued by the City for the purpose of providing funds, together with other funds, (1) to finance the costs of extensions, additions and capital improvements to, or the acquisition, renewal or replacement of capital assets of, or purchasing and installing new equipment for the water system owned by the City (the "2026 Projects"), (2) to refund all of the outstanding City of Asheville, North Carolina Water System Revenue Refunding Bonds, Series 2015 (the "2015 Bonds"), and (3) to pay the costs of issuing the 2026 Bonds.

The 2026 Bonds will be issued and secured pursuant to the Act and by a bond order and resolution adopted by the City Council of the City and pursuant to (1) an Amended and Restated General Trust Indenture, dated as of September 1, 2021 (the "General Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A., (f/k/a The Bank of New York Trust Company, N.A.) as trustee (the "Trustee"), and (2) a Series Indenture, Number 7, dated as of June 1, 2026 (the "Series Indenture"), between the City and the Trustee. The General Indenture and the Series Indenture are sometimes collectively referred to herein as the "Indenture." The Indenture requires the City to make payments sufficient to pay principal of, premium, if any, and interest on the 2026 Bonds to the Trustee as the same become due and payable in accordance with their terms and provisions and the terms and provisions of the Indenture. Pursuant to the Indenture, the City has pledged to the Trustee the Net Revenues from the operation of the Water System for the benefit of the Owners of the 2026 Bonds.

The pledge of Net Revenues securing the 2026 Bonds is on parity with the pledge securing the City's outstanding Water System Revenue Refunding Bonds, Series 2021, which are currently outstanding in the principal amount of $35,030,000, and the City's outstanding Water System Revenue

Bonds, Series 2024, which are currently outstanding in the principal amount of $26,100,000 (collectively, the "Existing Bonds"). The 2015 Bonds, which are currently outstanding in the principal amount of $15,385,000, will be refunded on the issuance date of the 2026 Bonds and will no longer be outstanding. Additional Bonds secured as to the lien on Net Revenues on a parity basis with the Existing Bonds and the 2026 Bonds may be issued on terms as provided in the Indenture. The Existing Bonds, the 2026 Bonds and any Additional Bonds are hereinafter referred to collectively as the "Bonds." The City also has three outstanding, interest-free loans from the State (the "State Loans") payable from and secured by revenues of the Water System which, as of the date of this Official Statement, have an outstanding balance of $658,108. The State Loans constitute Subordinate Indebtedness pursuant to the Indenture. For more information on the debt service requirements on the State Loans, see "WATER SYSTEM DEBT SERVICE REQUIREMENTS" herein.

A brief description of the 2026 Bonds is included herein. Such description and information does not purport to be comprehensive or definitive. All statements made herein with respect to the Indenture and the 2026 Bonds are qualified in their entirety by reference to such documents and, in particular, statements made herein regarding 2026 Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto included in the aforementioned documents, copies of which are available for inspection at the designated corporate trust office of the Trustee, 4655 Salisbury Road, Suite 300, Jacksonville, Florida 32256, Attention: Corporate Trust Carolinas Unit. Copies of annual financial statements of the City are available upon request from the Finance Director of the City, Tony McDowell, City of Asheville, P.O. Box 7148, Asheville, North Carolina 28802.

The City has undertaken in the Series Indenture to assist the Underwriter in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof, by providing annual financial information and material event notices required by the Rule. See "CONTINUING DISCLOSURE."

BofA Securities, Inc. (the "Underwriter") is underwriting the 2026 Bonds. Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, is serving as Bond Counsel, Womble Bond Dickinson (US) LLP, Raleigh, North Carolina is serving as counsel to the Underwriter, and the City is represented by Brad Branham, Esquire, City Attorney. The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, is serving as Trustee under the Indenture. The City's general purpose financial statements for the year ended June 30, 2025 have been audited by its independent auditors. See Appendix B.

THE 2026 BONDS

General

The 2026 Bonds will be dated the date of their issuance, will be issued in denominations of $5,000 or integral multiples thereof, and will bear interest from their date, payable semi-annually on each February 1 and August 1, commencing August 1, 2026, at the rates and will mature on the dates and in the amounts set forth on the cover of this Official Statement.

Authorization

The 2026 Bonds will be issued pursuant to the Act and by a bond order and resolution adopted by the City Council of the City on May 12, 2026, and in accordance with the General Indenture and the Series Indenture.

The issuance of the 2026 Bonds received the required approval of the North Carolina Local Government Commission (the "LGC") on May 5, 2026. The LGC is a division of the State Treasurer's office charged with general oversight of local government finance in North Carolina. Its approval is required for substantially all bond issues and substantially all other local government financing arrangements in North Carolina. In determining whether to allow bonds to be issued under the Act, the LGC has been given broad discretion to consider the need for and feasibility of the projects to be financed and the local government's general compliance with State budget and finance laws. Under the Act, the LGC is also responsible, with the issuing unit's approval, for selling bonds issued pursuant to the Act. See Appendix D for additional information on the LGC and its powers and duties.

Book-Entry System

The 2026 Bonds will be delivered in book-entry form only, without physical delivery of definitive 2026 Bonds. Payments to beneficial owners of the 2026 Bonds will be made by the Trustee through The Depository Trust Company, Jersey City, New Jersey ("DTC") and its participants. See Appendix F hereto.

Optional Redemption

The 2026 Bonds maturing on or before August 1, 2036, are not subject to optional call and redemption prior to maturity. The 2026 Bonds maturing on and after August 1, 2037 may be redeemed prior to their maturities, at the option of the City, from any funds that may be available for such purpose, either in whole or in part on any date on or after August 1, 2036 at the redemption price of 100% of the principal amount thereof without premium.

Mandatory Redemption of 2026 Bonds

The 2026 Bonds maturing on August 1, 2051 (the "2051 Term Bonds"), are subject to mandatory redemption prior to maturity, in part, on each August 1, at the redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the Redemption Date, in amounts and in the years as follows:

Redemption Date	Principal Amount
2047	$1,115,000
2048	1,175,000
2049	1,235,000
2050	1,295,000
2051*	1,365,000

*Maturity

The 2026 Bonds maturing on August 1, 2056 (the "2056 Term Bonds" and collectively with the 2051 Term Bonds, the "Term Bonds"), are subject to mandatory redemption prior to maturity, in part, on each August 1, at the redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the Redemption Date, in amounts and in the years as follows:

Redemption Date	Principal Amount
2052	$1,435,000
2053	1,510,000
2054	1,585,000
2055	1,665,000
2056*	1,750,000

*Maturity

At its option, to be exercised on or before the 45th day next preceding any mandatory redemption date, the City may (a) deliver to the Trustee for cancellation, Term Bonds or portions thereof (in Authorized Denominations) in any aggregate principal amount desired, or (b) receive a credit in respect of its mandatory redemption obligation for the Term Bonds (in Authorized Denominations) which prior to said date have been purchased or redeemed (otherwise than through mandatory redemption pursuant to the Series Indenture) and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each such Term Bond or portion thereof so delivered or previously purchased or redeemed and cancelled by the Trustee shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the City to redeem the Term Bonds on such mandatory redemption date, and any excess over such amount shall be credited against future mandatory redemption obligations as the City directs in writing, and the principal amount of the Term Bonds so to be redeemed shall be accordingly reduced.

The City will on or before the 45th day next preceding each such mandatory redemption date furnish the Trustee with its certificate indicating whether or not and to what extent the provisions of (a) and (b) of the preceding paragraph are to be availed of with respect to such mandatory redemption payment.

Notice of Redemption

The Trustee shall cause notice of the call for any redemption identifying the 2026 Bonds to be redeemed to be sent not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, (a) by first class mail or electronic transmission, to the LGC, (b) to DTC or its nominee by mail at the address provided to the Trustee by DTC or as otherwise permitted by DTC's rules and procedures, or (c) if DTC or its nominee is no longer the Owner of the 2026 Bonds, by first class mail, to the then registered owner of each 2026 Bond to be redeemed at his address as it appears on the registration books of the Registrar if the 2026 Bonds are not held under a book-entry system and (d) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

Neither the failure to mail the notice nor any defect in any notice mailed will affect the sufficiency of the proceeding for the redemption of any 2026 Bonds as to which no such defect or failure occurred. Such notice must (1) specify the 2026 Bonds to be redeemed, the redemption date, the redemption price and the place or places where amounts due on such redemption must be payable and if less than all of the 2026 Bonds are to be redeemed, the portions of the 2026 Bonds to be redeemed, (2) if sufficient moneys are not then on deposit in the Debt Service Fund to pay the full redemption price of the 2026 Bonds, except in regard to mandatory sinking fund redemption, state that the proposed redemption is conditional on there being sufficient moneys on deposit in the Debt Service Fund to pay the redemption price of the 2026 Bonds called for redemption, and (3) state that on the redemption date, the 2026 Bonds to be redeemed will cease to bear interest; provided, however, if DTC or its nominee is the Owner of the 2026 Bonds, then the notice may be in such form and provide such information as required by DTC's rules and procedures.

The City may revoke or modify any optional redemption for which notice has been given on written instruction to the Trustee delivered in sufficient time for the Trustee to give notice thereof to the persons to whom and in the manner in which the notice of redemption was given.

If money is on deposit in the Debt Service Fund to pay the redemption price of the 2026 Bonds called for redemption on a redemption date, the 2026 Bonds or portions thereof thus called and provided for as hereinabove specified will not bear interest after the date set for redemption and will not be considered to be Outstanding or to have any other rights under the Indenture other than the right to receive payment.

Selection of 2026 Bonds to be Redeemed

In the case of any partial redemption of 2026 Bonds, the City will select the maturity or maturities of the 2026 Bonds to be redeemed, if necessary, and DTC will select the 2026 Bonds within the same maturity pursuant to its rules and procedures, or, if the book-entry system with DTC or any other security depository has been discontinued, the Trustee will select the 2026 Bonds to be redeemed by lot in such manner as the Trustee in its discretion may deem proper. Each Authorized Denomination of principal amount represented by a 2026 Bond will be considered a separate 2026 Bond for purposes of selecting the 2026 Bonds to be redeemed.

SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS

General

The 2026 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues from the operation of the Water System and certain money and securities held in certain funds and accounts created by the Indenture. Net Revenues for any period shall mean the excess, if any, of Revenues for such period over the Current Expenses for such period. See "DEFINITIONS OF CERTAIN TERMS" in Appendix C hereto for definitions of "Revenues," "Net Revenues" and "Current Expenses."

The lien of the 2026 Bonds will be *pari passu* with that securing the Existing Bonds and any hereafter issued Additional Bonds.

The pledge of the Net Revenues does not constitute a lien upon the Water System or any part thereof or any other property of the City. The credit and taxing power of the City is not pledged for payment of the 2026 Bonds, and no owner of the 2026 Bonds has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default thereon or to apply any funds other than the Net Revenues for the payment of the 2026 Bonds.

Funds and Accounts Held Under General Indenture

The General Indenture establishes several separate funds and accounts for the custody and application of the proceeds of Bonds and other funds. The Debt Service Fund, the Construction Fund, the Reserve Fund and the Rebate Fund will be held by the Trustee. The Debt Service Fund and the Construction Fund may be held by the Trustee or another financial institution having trust powers with the approval of the City and the North Carolina Local Government Commission. The Revenue Fund, the Water Operations Fund, the Water Major Capital Improvements Fund and the Surplus Account will be held by the City.

If the City fails to meet the Rate Covenant (as described below) and any Revenues continue to be insufficient to meet the Rate Covenant by the following fiscal year beginning July 1 twelve months after the beginning of the fiscal year during which the City failed to meet such Rate Covenant, the Trustee may in its sole discretion take possession of any moneys in the Revenue Fund and administer the application thereof or a majority of the registered Owners of the Bonds may instruct the Trustee to require that an Event of Default under the Indenture has occurred and require the Trustee to take possession of any moneys in the Revenue Fund. If the Trustee does so, it may disburse money in the Revenue Fund in such manner as it may determine. If the City fails to meet the Rate Covenant and Revenues continue to be insufficient to meet the Rate Covenant by the end of the second fiscal year beginning July 1 twenty-four months after the beginning of the fiscal year during which the City failed to meet such Rate Covenant, the Trustee shall take possession of any moneys in the Revenue Fund and administer the application thereof and a majority of the registered Owners of the Bonds may instruct the Trustee to require that an Event of Default under the Indenture has occurred.

The 2026 Bonds will <u>not</u> be secured by the Reserve Fund.

CERTAIN PROVISIONS OF THE GENERAL INDENTURE

Revenues

In the Indenture, the City has covenanted to cause all Revenues to be deposited in the Revenue Fund. There will also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Indenture or any supplemental indenture and any other amounts the City may elect to deposit therein from sources other than the Fund and Accounts described herein. All amounts collected by the City that do not constitute Revenues, which have been deposited in the Revenue Fund, may be paid out of the Revenue Fund in the amounts and at the times determined by the City Representative.

The City will cause disbursements to be made from the Revenue Fund to the Water Operation Fund at such times as may be required to pay Current Expenses as shown on the Annual Budget for the current Fiscal Year. The City will cause disbursements to be made from the Revenue Fund on or before the 20th day of each month from moneys on hand as of the last day of the preceding month in the following order of priority:

> FIRST: To the Trustee for deposit in the Debt Service Fund, on or before the 25th day of the month preceding each Interest Payment Date, an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund allocated to pay Interest due with respect to the Bonds), there will be in the Debt Service Fund an amount equal to the Interest due on the next Interest Payment Date;
>
> SECOND: To the Trustee for deposit in the Debt Service Fund, on or before the 25th day of the month preceding each Principal Payment Date, an amount such that (after taking into consideration amounts then on deposit in the Debt Service Fund allocated to pay principal due with respect to the Bonds), there will be in the Debt Service Fund an amount equal to the Principal Installment due on the next Principal Payment Date;
>
> THIRD: To the provider of any Qualified Reserve Fund Substitute in satisfaction of the then current obligations of the City incurred in connection therewith;
>
> FOURTH: To the Trustee for deposit in the Reserve Fund (i) the amount necessary for the balance therein to equal the Reserve Requirement, but if the Revenues are insufficient

therefor, to each account of the Reserve Fund pro rata or (ii) if the Reserve Fund is less than 90% of the Reserve Requirement as a result of a valuation of investments therein, the amount necessary for the balance therein to equal the Reserve Requirements; but the City is not required to transfer in any month more than an amount such that if the same amount were deposited in equal monthly installments over the subsequent 11 months, the Reserve Fund would equal the Reserve Requirement;

FIFTH: To the Debt Service Fund, the amount necessary to make up any deficiency therein in accordance with the priorities established in the Indenture;

SIXTH: To the Persons entitled to payment of any principal, premium, if any, or interest on any Subordinate Indebtedness, an amount equal to the principal, premium or interest then due and owing;

SEVENTH: To the paying agent or directly to the registered owners of General Obligation Indebtedness in an amount necessary to pay when due the principal of, premium, if any, and interest on the General Obligation Indebtedness;

EIGHTH: To the Persons entitled to payment with respect to any Other Indebtedness, an amount equal to the payment then due and owing;

NINTH: To the Water Major Capital Improvements Fund, 1/12th of the amount, if any, shown in the Annual Budget; and

TENTH: To the Surplus Account, the balance remaining after the transfers described in FIRST through NINTH above.

Moneys held in the Surplus Account shall be applied in the following order of priority: (1) first, to pay a termination payment under a derivative agreement; (2) second, to pay Current Expenses; (3) third, to pay for any other purpose related to the Water System from time to time authorized by the City; and (4) fourth, to pay for any lawful purpose from time to time authorized by the City. Notwithstanding the provisions of the Indenture described above, there are additional statutory limitations on the City's use of certain amounts derived from Revenues. See "THE WATER SYSTEM – Billing and Water Rates" herein.

Rate Covenant

Under the General Indenture, it has been covenanted that before the commencement of each Fiscal Year, the City will fix, establish or maintain or cause to be fixed, established and maintained such rates and charges for the provision of services of the Water System, and revise or cause to be revised the same, as necessary, as will produce Revenues from the Water System at least equal in such Fiscal Year to the total of (a) the Current Expenses for the Water System budgeted for such Fiscal Year, as may be amended from time to time, plus (b) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds attributable to the Water System to become due during that Fiscal Year plus (c) 100% of (1.00 times) the Principal and Interest Requirements for Subordinated Indebtedness due in such Fiscal Year, plus (d) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Year plus (e) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Year plus (f) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute for any amounts owing thereunder; but no less than an amount sufficient to produce Revenues in such Fiscal Year at least equal

to 100% of (1.00 times) the amount necessary to fully fund accounts and funds described under "Revenues" above.

Issuance of Additional Bonds

The City has covenanted not to issue any other obligations payable from the Revenues and having a priority to the lien of the Bonds issued pursuant to the Indenture, nor will the City voluntarily create or cause to be or suffer to be created any debt, lien, pledge, assignment, encumbrance or any other charge having a priority to the lien of the Bonds issued pursuant to the Indenture.

The City may issue Bonds to refund all or any principal amount of Bonds if the debt service on the Bonds remaining Outstanding after the issuance of the refunding Bonds will decrease as a result of such refunding.

If the City has issued a Series of Bonds, the proceeds of which were used to acquire or construct any portion of the Water System and such proceeds are insufficient to pay the Costs of Construction, the City may issue a Series of Bonds (the "Completion Bonds") in an amount equal to (a) the insufficiency, (b) any required deposit to the Reserve Fund with respect to such Series and (c) the Costs of Issuance related thereto. Before the issuance of any Completion Bonds under this paragraph, the City shall deliver to the Trustee a Certificate of a Consulting Engineer stating that the proceeds from the Completion Bonds together with other available funds will be sufficient to pay the Costs of Construction of the portion of the Water System for which such Completion Bonds are being issued.

No Series of Bonds, other than Completion Bonds and refunding bonds that meet certain other requirements of the Indenture, may be issued unless either:

(1) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available, adjusted in the manner hereinafter provided, were at least equal to (i) 120% of (1.20 times) the maximum Principal and Interest Requirements, including the Series of Bonds to be issued, (ii) 100% of (1.00) times the Principal and Interest Requirements for Subordinate Indebtedness in that Fiscal Year, (iii) 100% of (1.00 times) the Principal and Interest Requirement for General Obligation Indebtedness in that Fiscal Year, and (iv) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in that Fiscal Year; or

(2) (i) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available were at least equal to (A) 120% (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year, excluding the Series of Bonds to be issued, (B) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in such Fiscal Year, (C) 100% of (1.00) times the Principal and Interest Requirements for General Obligation Indebtedness in such Fiscal Year and (D) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in such Fiscal Year; and

(ii) the Net Revenues, as projected by a report of a Financial Consultant filed with the Trustee, for the first two Fiscal Years following (A) the date capitalized interest, if any, provided from the proceeds of the proposed Series of Bonds is expended in the case of the acquisition of assets for or construction of improvements to the Water System or (B) the date the proposed Series of Bonds is incurred in any other case, are at least equal to (I) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds, including the Series of Bonds to be issued, for such Fiscal Years, (II) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness to become due in such Fiscal Years, (III) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such

Fiscal Years and (IV) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Years; and

(3) no Event of Default under the Indenture has occurred and is continuing.

The General Indenture provides that any calculations described in this Section may exclude any Bonds or other applicable indebtedness to be refunded by the proposed Additional Bonds.

Other Covenants

Insurance. The City will carry or cause to be carried such insurance with a reputable insurance carrier or carriers, such as is maintained or carried by similar municipal systems as the Water System, including, public liability insurance against loss or damage by fire, explosion, hurricane, flood, cyclone, occupancy or other hazards and risks, and said property loss and damage insurance will at all times be in an amount sufficient to indemnify in amounts sufficient to repair the Water System for loss, but not less than the principal amount of the Bonds Outstanding, to the extent that such insurance is obtainable.

The City may provide for and maintain the insurance partially or wholly by means of an adequate self-insurance fund maintained by the City. Reserves for a self-insurance fund will be determined by using actuarial principles and the portion allocable to the Water System will be payable from Revenues as a Current Expense. Any self-insurance fund will be reviewed annually by the City's risk manager or an Independent Insurance Consultant. The Trustee may rely on a letter of the City's risk manager or an Independent Insurance Consultant (dated as of the first day of the fiscal year) as to the adequacy of any self-insurance fund as measured against standards in the industry for the risks being assumed.

Construction; Maintenance. The City will complete or cause to be completed the additions, extensions and improvements of the Water System provided for in the Indenture in accordance with plans and specifications approved by a Consulting Engineer and in an economical and efficient manner with all practicable dispatch and thereafter will maintain or cause to be maintained the Water System in good condition and will continuously operate or cause to be operated the same in an efficient manner and at a reasonable cost as a municipal revenue-producing enterprise.

Enforceability of Remedies

The actual realization of amounts to be derived upon the enforcement of any pledge or security interest securing the 2026 Bonds will depend upon the exercise of various remedies set forth in the Indenture. These remedies may, in many respects, require judicial action of a nature which is often subject to discretion and delay and specific remedies which may not be readily available or may be limited. For example, a court may decide not to order the specific performance of a covenant contained in the Indenture. The various legal opinions to be delivered concurrently with the delivery of the 2026 Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by State and federal laws, rulings, and decisions affecting remedies and by bankruptcy, reorganization or laws affecting the enforcement of creditors' rights generally.

THE PLAN OF FINANCE

The 2026 Projects

A portion of the proceeds of the 2026 Bonds, together with other available funds of the City, will be used to finance the 2026 Projects and pay the fees and expenses incurred in connection with the sale

and issuance of the 2026 Bonds. Such 2026 Projects include, but are not limited to, Phase 2 of the Mills River Water Treatment Plant improvements and a water distribution project in Neighborhood Enhancement Project (NEP) Area #8.

The Refunding

A portion of the proceeds of the 2026 Bonds, together with other available funds of the City, will be used to redeem all of the 2015 Bonds maturing on August 1, 2026 through August 1, 2032 (the "Refunded 2015 Bonds") on June 17, 2026 at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to such redemption date.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 2026 Bonds will be applied as shown below:

Sources	
Par amount of 2026 Bonds	$42,375,000
Original Issue Premium	3,466,588
City Contribution	5,223,583
TOTAL SOURCES OF FUNDS	$51,065,171
Uses	
Project Costs	$34,954,671
Redemption of Refunded 2015 Bonds	15,608,583
Costs of Issuance*	501,917
TOTAL USES OF FUNDS	$51,065,171

* Includes underwriter's discount, attorneys' fees, rating agency, feasibility consultant fees and Municipal Advisor fees and other miscellaneous costs of issuance.

WATER SYSTEM DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending June 30, the amounts required in such fiscal year for the payment of the principal of and interest on (1) the Existing Bonds, (2) the 2026 Bonds and (3) all other obligations of the City payable from Net Revenues of the Water System, including the State Loans which constitute Subordinate Indebtedness.

			2026 Bonds		
Fiscal Year Ending June 30,	Existing Bonds[1, 2, 3]	Subordinate Indebtedness[4]	Principal	Interest	Total[2]
2027	$3,900,138	$39,842	$2,010,000	$1,268,083	$7,218,063
2028	3,901,888	39,842	2,235,000	1,962,375	8,139,105
2029	3,904,013	39,842	2,350,000	1,847,750	8,141,605
2030	3,901,388	39,842	2,475,000	1,727,125	8,143,355
2031	3,898,888	39,842	2,600,000	1,600,250	8,138,980
2032	3,901,138	29,933	2,735,000	1,466,875	8,132,946
2033	3,897,888	29,933	2,875,000	1,326,625	8,129,446
2034	3,899,975	29,933	555,000	1,240,875	5,725,783
2035	3,898,488	29,933	585,000	1,212,375	5,725,796
2036	3,902,719	29,933	615,000	1,182,375	5,730,027
2037	3,897,531	29,933	645,000	1,150,875	5,723,339
2038	3,902,631	29,933	680,000	1,117,750	5,730,314
2039	3,901,875	29,933	710,000	1,083,000	5,724,808
2040	3,896,050	29,933	750,000	1,046,500	5,722,483
2041	3,900,675	29,933	785,000	1,008,125	5,723,733
2042	3,900,375	29,933	825,000	967,875	5,723,183
2043	3,898,219	29,933	870,000	925,500	5,723,652
2044	3,898,988	29,933	915,000	880,875	5,724,796
2045	3,899,619	29,933	960,000	834,000	5,723,552
2046	1,793,788		1,010,000	784,750	3,588,538
2047	1,793,519		1,060,000	733,000	3,586,519
2048	1,792,463		1,115,000	678,625	3,586,088
2049	1,790,619		1,175,000	621,375	3,586,994
2050	1,792,931		1,235,000	561,125	3,589,056
2051	1,794,344		1,295,000	497,875	3,587,219
2052	1,789,913		1,365,000	431,375	3,586,288
2053			1,435,000	361,375	1,796,375
2054			1,510,000	287,750	1,797,750
2055			1,585,000	210,375	1,795,375
2056			1,665,000	129,125	1,794,125
2057			1,750,000	43,750	1,793,750
Total[2]	$86,650,056	$618,272	$42,375,000	$29,189,708	$158,833,037

[1] Includes principal and interest.
[2] Totals may not foot due to rounding.
[3] Excludes debt service on the Refunded 2015 Bonds.
[4] Consists of interest-free loans.

PROJECTED DEBT SERVICE COVERAGE

The following table sets forth the projected debt service coverage for the six Fiscal Years ending June 30, 2026 to 2031. The projected results assume that the 2015 Bonds will remain outstanding during the forecast period. A portion of the proceeds of the 2026 Bonds are to be used to refund all of the outstanding 2015 Bonds for debt service savings and, as a result, the actual total debt service on the Bonds will be less than the amount presented for the forecast period. Certain assumptions were made in conjunction with such financial projections as described in the notes accompanying the table. Certain of these assumptions may not materialize, and unforeseen events and circumstances may occur. Therefore, there will usually be differences between the forecasted operating results and the actual operating results, which differences may be material.

The financial projections shown in the table below, together with the assumptions mentioned in the preceding paragraph, have been reviewed by Raftelis Financial Consultants, Inc., an independent consultant experienced in the preparation of financial projections for public entities. Such consultant determined that the City's projections are presented in conformity with industry guidelines for presentation of a forecast and the underlying assumptions provide a reasonable basis for the City's forecast.

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City of Asheville Water Resources Department
Forecast Statement of Revenue, Expenses, Debt, and Debt Service Coverage
For Fiscal Year Ending June 30

		FY 2026 Budget	FY 2027 Budget	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected
Revenues							
User charges (1)		$ 47,888,174	$ 52,047,840	$ 55,932,549	$ 60,108,612	$ 64,597,880	$ 69,423,842
Other revenue (2)		3,806,712	3,981,712	3,981,712	3,981,712	3,981,712	3,981,712
Investment Income (3)		1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Gain on sale of assets		50,000	50,000	50,000	50,000	50,000	50,000
Total Revenues		**$ 53,044,886**	**$ 57,379,552**	**$ 61,264,261**	**$ 65,440,324**	**$ 69,929,592**	**$ 74,755,554**
Current Expenses (4)							
Salaries, wages, and benefits		$ 17,414,796	$ 18,947,866	$ 19,705,781	$ 20,494,012	$ 21,313,772	$ 22,166,323
Professional services		1,834,000	1,863,600	1,919,508	1,977,093	2,036,406	2,097,498
Supplies and equipment		3,955,750	4,055,700	4,177,371	4,302,692	4,431,773	4,564,726
Operations and maintenance		4,885,470	5,194,250	5,342,613	5,495,916	5,653,906	5,816,735
Indirect cost allocation		2,996,499	3,216,059	3,312,541	3,411,917	3,514,275	3,619,703
Total Current Expenses		**$ 31,086,515**	**$ 33,277,475**	**$ 34,457,813**	**$ 35,681,630**	**$ 36,950,132**	**$ 38,264,985**
Net Revenue Per Trust Indenture (5)		**$ 21,958,371**	**$ 24,102,077**	**$ 26,806,448**	**$ 29,758,694**	**$ 32,979,459**	**$ 36,490,569**
Annual Principal and Interest Requirements							
Senior Debt							
Revenue Refunding Bonds, Series 2015		$ 5,306,838	$ 2,483,338	$ 2,478,963	$ 2,480,488	$ 2,478,434	$ 2,481,931
Revenue Bond, Series 2021		1,794,163	1,791,413	1,791,538	1,794,288	1,794,538	1,792,288
Revenue Bond, Series 2024		2,109,975	2,108,725	2,110,350	2,109,725	2,106,850	2,106,600
Revenue Bond, Series 2026 (6)		-	931,778	1,926,500	1,928,875	1,925,125	1,925,250
Revenue Bond, Series 2028 (7)		-	-	2,095,875	2,726,794	2,726,794	2,726,794
Revenue Bond, Series 2030 (8)		-	-	-	-	632,813	1,646,614
Subordinate Debt							
2011 ARRA Loan		9,910	9,910	9,910	9,910	9,910	9,910
A	**Total Annual Prinicipal and Interest Requirements**	**$ 9,220,885**	**$ 7,325,162**	**$ 10,413,135**	**$ 11,050,078**	**$ 11,674,463**	**$ 12,689,386**
Rate Funded Capital		$ 9,027,600	$ 5,950,000	$ 12,925,809	$ 9,864,702	$ 10,160,643	$ 10,465,463
System Surplus/(Deficit)		**$ 3,709,886**	**$ 10,826,914**	**$ 3,467,504**	**$ 8,843,913**	**$ 11,144,354**	**$ 13,335,720**
B	**Net Revenues Available for Debt Coverage (9)**	**$ 21,958,371**	**$ 24,102,077**	**$ 26,806,448**	**$ 29,758,694**	**$ 32,979,459**	**$ 36,490,569**
Calculated Without System Development Fee Revenue							
Total Debt Coverage (B/A)		**2.38**	**3.29**	**2.57**	**2.69**	**2.82**	**2.88**
Senior Debt Coverage		**2.38**	**3.29**	**2.58**	**2.70**	**2.83**	**2.88**
Calculated With System Development Fee Revenue							
System Development Fee Revenue		$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Total Debt Coverage (B/A)		**2.49**	**3.43**	**2.67**	**2.78**	**2.91**	**2.95**
Senior Debt Coverage		**2.49**	**3.43**	**2.67**	**2.79**	**2.91**	**2.96**
Average Customer Bill (10)		$ 59.14	$ 63.57	$ 68.34	$ 73.46	$ 78.97	$ 84.90
Average Customer Rate Increases			7.5%	7.5%	7.5%	7.5%	7.5%

Notes:

(1) FY 2026 user charge revenue is based on billing data and audited records in the City's 2025 Audited Comprehensive Financial Report (the "ACFR"). Usage is forecast based on FY 2024 billing data; FY 2025 data was excluded for forecasting purposes due to outlier months reflecting the impacts of Hurricane Helene. Accounts by meter size were obtained for FY 2022 and escalated by 0.9% per year through FY 2025 based on historical growth trends noted in the City's 2025 ACFR. FY 2026 revenues and beyond are based on projected rates and demand. Projected demand assumes a rate of growth in customer accounts and usage of 0% annually. FY 2027 water rates have been approved by Asheville City Council. The projected FY 2028-FY 2029 rates have been shared with City Council. The projected FY 2028-FY 2031 rates assume base service charge and volumetric charge increases of 7.5% annually.

(2) Includes revenue from tap fees and other fees and excludes system development fee revenue; debt service coverage is shown with and without system development fee revenue (see footnote 9 below).

(3) Investment income is budgeted in FY 2026 and FY 2027 and is projected to stay at the same level for both years. Subsequent years' investment income is projected to stay at FY 2027 levels.

(4) Operating expenses for FY 2026 and FY 2027 are based on the City's proposed budgets. Operating expenses for subsequent years include various adjustments for inflation for different categorical costs and reflect an annual inflation escalation of 3.6%.

(5) Net Revenues represent the excess Revenues over Expenses, each term as defined in the Trust Indenture.

(6) Debt service payments on the Series 2026 Bonds were provided by the City's financial advisor on April 8, 2026, and assume a $29,950,000 par amount, a 30-year term, a 5.0% net interest cost, and a 5.0% all-in true interest cost.

(7) The City anticipates issuing approximately $41,400,000 Water System Revenue Bonds, Series 2028 (the "2028 Bonds") in the fiscal year ending June 30, 2028. Debt service payments on the 2028 Bonds assume a 30-year term and 5.0% interest rate.

(8) The City anticipates issuing approximately $25,000,000 Water System Revenue Bonds, Series 2030 (the "2030 Bonds") in the fiscal year ending June 30, 2030. Debt service payments on the 2030 Bonds assume a 30-year term and 5.0% interest rate.

(9) The Rate Covenant in the Trust Indenture requires that Net Revenues (the excess of Revenues over Current Expenses) be sufficient to cover 120% of total Senior debt service plus 100% of Subordinate debt service. The coverage requirements as described in the Rate Covenant are met throughout the forecast period. The definition of Revenues in the Trust Indenture specifies that revenues from "impact fees" (now called system development fees) may be included. Coverage is shown with and without system development fee revenue. System development fee revenue is forecast as $1 million annually.

(10) The projected impact for a monthly residential customer using 4 CCF per month is a 7.5% bill increase per year for the forecast period.

THE WATER SYSTEM

General Information

The City owns the Water System and is the entity responsible for managing the Water System and for issuing debt obligations for the Water System's capital needs. Prior to June 30, 2005, the Water System was administered by a joint agency created by agreement of the City, the County and certain water and sewer districts.

See Appendix A hereto for certain information regarding the City.

Organization and Operation

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing Council consisting of the Mayor and six other members. The Council is responsible for the budget approval and appointing the City Manager, City Attorney and City Clerk. The City Manager is responsible for implementing Council policies, City ordinances and managing daily operations and appointing department directors.

The City of Asheville Water Resources Department (the "Department") is run by the Director, who is administratively responsible to the City Manager. Water revenues and expenditures are accounted

for by the City through its Water Enterprise Funds. The annual budget for the Department is prepared by the City (specifically, the Director and other City staff) and presented to the City Council for consideration and approval by June 30th of each fiscal year. The adopted budget or any part thereof may be amended upon recommendation by the Director or City Manager and upon review, consideration and approval of City Council.

The professional backgrounds of certain management officials of the City and the Department follow:

Dakisha R. Wesley, City Manager. Ms. Wesley has served as the City Manager since January 2026. In this role, she is responsible for advancing policies and priorities established by the Mayor and City Council by supporting the work of 17 City departments with over 1,300 full time employees. Ms. Wesley formerly served as an Assistant County Manager for Buncombe County, North Carolina. In this role, she provided technical and managerial support to numerous departments which included Planning, Equity and Human Rights, Public Safety Communications, Emergency Services, Communication and Public Engagement and City/County ID Services. Prior to becoming an Assistant County Manager, Ms. Wesley served as Assistant County Administrator in Lake County, Illinois for the Law and Judicial and Health and Community Services departments. She has more than 25 years of experience in the fields of management and administration, budget and planning, human resources, public safety, development services, health and human services, and organizational development. Ms. Wesley holds a Bachelor of Science degree in Public Administration from the University of Central Arkansas ("UCA"), a Master of Public Administration degree from the University of North Texas and is a Credentialed Manager with International City/County Management Association. In 2024, Ms. Wesley was honored for her professionalism and impact as a Distinguished Alumni by UCA.

Tony McDowell, Finance Director. Mr. McDowell became the City's Finance Director in April 2021. Mr. McDowell has been with the City for over 28 years, starting as a budget analyst in 1998. He was promoted to Budget Manager in 2006 and was responsible for preparing and administering the City's annual operating budget and 5-year capital improvements program. He became the City's Assistant Finance Director in 2018. As Assistant Finance Director, his duties focused on financial reporting and budget forecasting. During Mr. McDowell's tenure with the City, he also worked in various other roles within the Finance Department, including leading the Financial Reporting team for two years and serving as interim payroll and accounts payable manager. Mr. McDowell has a bachelor of arts degree in economics and political science from UNC Chapel Hill. He is a member of the North Carolina Local Government Finance Officers Association and North Carolina Local Government Budgeting Association, where he formerly served as a board member.

Bill Hart, Director of the Water Resources Department. Mr. Hart is the Director of the Water Resources Department and has been with the City for more than 16 years. During this time, Mr. Hart has served as a Water Treatment Plant Operator, Water Treatment Plant Supervisor, and Water Production Division Manager. He has a North Carolina (A) Surface Water Treatment certification, (C) Water Distribution certification and Physical/Chemical 1 certification. Mr. Hart is a member of the American Water Works Association (AWWA) and the North Carolina Water Operators Association (NCWOA). Mr. Hart has a bachelor of science degree in Natural Resources Management with a concentration in Soil and Water from Western Carolina University, associate of science degrees in Fish and Wildlife Management and Forestry from Haywood Community College, and an associate of science degree in Environmental Science from Blue Ridge Community College.

Leslie Carreiro, Assistant Director of the Water Resources Department. Ms. Carreiro is the Assistant Director of the Water Resources Department and has been with the City for 34 years. Ms. Carreiro has an (A) certification for North Carolina Surface Water Treatment Operator, a (C) certification

for North Carolina Distribution Maintenance Operator, is a North Carolina Wastewater Grade 1 Biological Water Pollution Systems Operator and has a North Carolina Wastewater Physical/Chemical certification. Her professional memberships include the North Carolina Water Operators Association (NCWOA) and North Carolina American Water Works Association (NC OneWater) / Water Environment Association. She served on the Executive Board for NCWOA from 2005 - 2024. Ms. Carreiro has a bachelor of arts degree in chemistry from Warren Wilson College.

Travis Mortier, Interim Distribution Operations Manager/Maintenance. Mr. Mortier is the Water Distribution Operations Manager/Maintenance and has been with the City for 22 years. Mr. Mortier has a Water Distribution Certification (A) and is the Operator in Responsible Charge (ORC) for the water distribution system.

Chad Pierce, Engineering Services Manager. Mr. Pierce is the Engineering Services Manager and has been with the City for 24 years. Mr. Pierce has a bachelor of science degree in civil engineering from Tennessee Tech University and has a North Carolina Professional Engineer License.

The Department has approximately 179 staff members.

General Description

The major water supply for the Asheville/Buncombe/Henderson County area is the City's watershed, which comprises 22,000 acres of mountainous forestland. It is one of the largest municipally-owned watersheds in the United States. The Burnett Reservoir, the larger of two impoundment reservoirs, stores 6 billion gallons of water. It has a surface area of 355 acres with over five miles of shoreline. Bee Tree Lake, the other impoundment reservoir, stores 520 million gallons of water and has a surface area of 55 acres.

The North Fork Treatment Plant was constructed in 1978 at the Burnett Reservoir. In 1993, the plant was upgraded and expanded from a treatment capacity of 22 million gallons per day ("MGD") to 31 MGD. The maximum safe yield of the North Fork Reservoir is 19.7 MGD, one of the largest in North Carolina. "Maximum safe yield" generally means the quantity of water that can be provided continuously during the worst historic drought. The City has taken proactive measures to ensure its water source and infrastructure are protected. Recent modifications at the North Fork Reservoir include raising the main dam by four feet, improvements to the principal spillway, the addition of an auxiliary spillway, modifications to the raw water piping through the dam and to the water treatment plant and earth buttressing to reinforce the main dam and saddle dam for seismic stability.

The William DeBruhl Treatment Plant was constructed in 1986 at Bee Tree Lake with a treatment capacity of 5 MGD. The DeBruhl Treatment Plant was completely refurbished in 2008. The maximum safe yield of the reservoir is 3.3 MGD.

Additional water supply outside of the City's watershed is available from an intake on the Mills River south of the City in Henderson County. The Mills River Treatment Plant was constructed in 1999 at the confluence of the Mills River and French Broad River and has a treatment capacity of 7.5 MGD. The Mills River Treatment Plant is built to allow for modular expansion up to a future capacity of 20-30 MGD on the current site of 327 acres. The maximum safe yield of the Mills River source is limited by treatment capacity and is currently 7.5 MGD. A portion of the proceeds of the 2026 Bonds will be used for new and enhanced infrastructure to strengthen the resilience of the Mills River Treatment Plant and to increase on-site storage for finished water.

After treatment, water is stored in 34 reservoirs or tanks throughout the distribution system, which range in capacity from ten thousand to five million gallons of water for a total storage capacity of 27.3 million gallons. The combined safe yield of all three water sources is 30.5 MGD. The total treatment capacity of the plants is 43.5 MGD. Current average consumption is approximately 22.7 MGD with 26.5 MGD as the highest single day of finished production for the 2025 calendar year. The total finished water flow in the fiscal year ended June 30, 2025 was 7.9 billion gallons for all plants.

Expansion of the service area with the related addition of new water customers may require an increase in capacity within the next 10 years. See "Competition and Expansion" below in this section.

Billing and Water Rates

City staff recommends the rates to be charged for water service, which must then be approved by the City Council. The City's fee schedule is adopted as part of the annual budgeting process prior to the commencement of a given fiscal year. Any water rate changes for such fiscal year take effect with the September billing cycle. The City's user charge structure for water service includes (i) an administrative base charge that recovers direct billing and collection cost and (ii) volume charges based on the cost of providing service to different classes of customers. There is no variation in water rates between City customers located inside and outside of the corporate limits of the City. Residential single-family, multi-family and small commercial customers receive bills for water services every two months. Large commercial, manufacturing and wholesale customers are billed monthly. Water Revenues are accounted for by the City through its Water Resources Fund.

In addition to its regular base and volumetric charges, the City commenced charging a CIP Fee in 2007. The CIP Fee (sometimes referred to as the Capital Fee) was a monthly fee collected for water system repair, refurbishment and improvements. In 2018, the City was named in two class action lawsuits challenging the imposition and past collection of the CIP Fee. The claims in the lawsuits were primarily based on the North Carolina Supreme Court's 2016 decision in Quality Built Homes, Inc. v. Town of Carthage, which invalidated the defendant Town's water-sewer impact fee based on the grounds that the Town did not have legislative authority to impose such a fee. In 2020, the City settled these lawsuits with the plaintiffs without any admission of liability by the City. As part of the settlement, the City was required to pay approximately $1,850,000. The terms of the settlement agreement also required the City to discontinue charging the CIP Fee commencing with the fiscal year beginning July 1, 2020.

Upon entering into the settlement, the City began working with its financial and water rate consultants to develop a plan to recover the revenue foregone from discontinuing the CIP Fee through adjustments to the base charge and the volumetric rates commencing with the rates for fiscal year ended June 30, 2022. As part of that process, City staff completed a cost of service and water rate study with its financial and water rate consultants. With adoption of the fiscal year 2027 water rates on March 24, 2026, the City completed a three-year phase-in of the recommendations from that study. The water rate study recommends continued rate adjustments moving forward. Those adjustments will be subject to City Council approval during the annual budget process.

The water rates for consumption for the fiscal year ending June 30, 2026 are as follows:

Base Charge:

Meter Size (Inches)	Bi-Monthly Fixed Base Charge[1]
5/8	$ 14.34
3/4	20.17
1	32.68
1½	63.94
2	101.46
3	201.52
4	314.07
6	626.74
8	1,001.93
10	2,627.78

[1] Some commercial and manufacturing customers are billed monthly rather than bimonthly. These customers are billed half the bimonthly base charge, plus a small fee to cover the administrative cost of more frequent billing.

Volume Charge (per CCF):	
Single-Family	$5.60
Irrigation	$7.74
Multi-Family	$5.32
Commercial:	
0-1000 CCF (monthly)	$5.32
Above 1000 CCF (monthly)	$3.82
Manufacturer:	
0-1000 CCF (monthly)	$5.32
Above 1000 CCF (monthly)	$3.71

Wholesale Charges:	
Consumption (per CCF)	$2.18
Capacity Charge	$184.00 per 10,000 gallons/day

Currently, the average bi-monthly bill (8 CCF) for a residential single-family customer is $59.14.

The water rates for consumption for the fiscal year ending June 30, 2027 are as follows:

Base Charge:

Meter Size (Inches)	Bi-Monthly Fixed Base Charge[1]
5/8	$ 15.41
3/4	21.68
1	35.13
1½	68.74
2	109.07
3	216.63
4	337.63
6	673.74
8	1,077.08
10	2,824.87

[1] Some commercial and manufacturing customers are billed monthly rather than bimonthly. These customers are billed half the bimonthly base charge, plus a small fee to cover the administrative cost of more frequent billing.

Volume Charge (per CCF):	
Single-Family	$6.02
Irrigation	$8.32
Multi-Family	$5.72
Commercial:	
0-1000 CCF (monthly)	$5.72
Above 1000 CCF (monthly)	$4.51
Manufacturer:	
0-1000 CCF (monthly)	$5.72
Above 1000 CCF (monthly)	$4.51

Wholesale Charges:	
Consumption (per CCF)	$2.89
Capacity Charge	$184.00 per 10,000 gallons/day

Currently, the average bi-monthly bill (8 CCF) for a residential single-family customer is $63.58.

The City charges a system development fee based on water service tap size. The system development fees included in the adopted budget for the fiscal year ending June 30, 2026 and June 30, 2027 are set forth in the table below.

Size	Fee
5/8”	$ 1,400.11
3/4”	2,100.17
1”	3,500.28
1 1/2”	7,000.56
2”	11,200.90
3”	24,501.96
4”	44,103.53
6”	91,007.29
8”	196,015.69
10”	294,023.54

In 2017, the North Carolina General Assembly enacted the Public Water and Sewer System Development Fee Act, S.L. 2017-138 (“System Development Fees Act”) relating to the authority of local government units to fix, charge and assess “system development fees” (as defined in the System Development Fees Act). The System Development Fees Act generally authorizes local government units to fix and charge system development fees solely for the purpose of paying the cost of system improvements and services imposed with respect to new development or to recoup the cost of existing facilities which serve new development. The System Development Fees Act requires the use of specific methodologies for calculating the amount of system development fees that can be charged to pay or recover such costs and requires that local government units follow certain procedural processes set forth in the System Development Fees Act for implementing such fees (including publication of a written analysis, solicitation of public comments and holding of a public hearing thereon). In compliance with the requirements of the System Development Fees Act, a consultant completed the above-described written analysis with respect to the City’s system development fees. These fees are cost-justified in accordance with the consultant’s analysis. The City believes it is in compliance with the System Development Fees Act.

The City also charges tap fees for new meters as well as other routine customer service fees.

The City and the Water System are subject to certain statutory limitations enacted by the North Carolina General Assembly which directly impact the City’s operation of the Water System. The provisions thereof require that: (a) the City provide water to users in the County if capacity exists, (b) rates for water customers outside of the City not exceed the rates for comparable customers in the City, (c) revenues of the Water System available after payment of expenses not be transferred for any City purpose not related to the Water System and (d) water line extensions are required if capacity exists.

Other Water System Statistics

The following table displays the number of accounts for the Water System for the past five years.

Water System Customers
Fiscal Year Ended June 30,

	2021	2022	2023	2024	2025[1]
Single Family Residential	51,680	52,882	53,421	53,960	52,334
Multi-Family Residential	1,710	1,754	1,768	1,774	1,848
Commercial/Industrial	5,628	5,768	5,782	5,733	8,127
Total	59,018	60,404	60,971	61,467	62,309

The 15 largest customers by revenues of the Water System for the fiscal year ended June 30, 2025 included four governmental agencies and one hospital. These 15 customers represent 7.41% of total water operating revenues. For such fiscal year, no one customer accounted for more than 1.45% of the total water operating revenue.

Historical Demand

	Fiscal Year Ended June 30,				
	2021	2022	2023	2024	2025[1]
Residential - Single Family					
Total Number of Accounts	51,680	52,882	53,421	53,960	52,334
Total Number of Bills	310,080	317,292	320,526	368,802	373,854
Annual Usage Volume (CCF)	2,155,595	2,272,493	2,084,628	2,243,043	2,093,155
Residential – Multi-Family					
Total Number of Accounts	1,710	1,754	1,768	1,774	1,848
Total Number of Bills	10,260	10,524	10,608	10,644	11,088
Annual Usage Volume (CCF)	923,755	1,045,508	970,117	1,019,641	957,258
Non-Residential					
Total Number of Accounts	5,628	5,768	5,782	5,733	8,127
Total Number of Bills	33,768	34,608	34,692	34,398	48,762
Annual Usage Volume (CCF)	2,272,950	2,744,484	2,691,026	2,624,006	2,412,257

[1] Raftelis Financial Consultants, Inc., completed an evaluation to support the forecast statement shown in "PROJECTED DEBT SERVICE COVERAGE" in the front part of the Official Statement. The customer accounts and usage data used in the Raftelis evaluation were obtained from the City's billing database for the purpose of calculating detailed projections by customer class and meter size. The numbers used in the Raftelis evaluation differ from the summary numbers provided by the City shown above, but these differences are non-material.

Regulation and Certification

General. North Carolina municipalities such as the City are statutorily empowered to construct and operate water systems and have the right to set the rates for such services and revise such rates from time to time. Municipalities by statute also have the right to extend water services outside of their corporate limits within reasonable limitations established by the North Carolina General Assembly and State courts.

The City is subject to regulation by federal and State authorities with respect to water quality. All new capital projects are designed to comply with environmental criteria and standards as promulgated by the United States Environmental Protection Agency and the North Carolina Department of Environment and Natural Resources (the "DENR"). Necessary measures are being taken in an effort to ensure that the maximum contaminant levels for treated drinking water and the North Carolina Division of Water Resources standards for rivers and streams are met.

The Department has held an ISO 14001 certification for 22 years. The ISO 14001 registration has been an important part of the Department's commitment to the environmental aspects of its operations on a daily basis. All employees in the Department are trained on the ISO 14001 standard which includes four core values to the program: Continuous Improvement, Communication, Compliance, and Commitment to Prevent Pollution.

Per- and polyfluoroalkyl substances ("PFAS"). PFAS are a family of synthetic compounds that are water soluble and persistent in the environment in air, water, and soil. PFAS are used in a variety of manufacturing processes and in the production of a wide range of industrial and household applications. The Environmental Protection Agency ("EPA") has stated that, based on peer-reviewed studies on laboratory animals and epidemiological evidence in human populations, exposure to certain levels of Perfluorooctanoic acid ("PFOA") and Perfluorooctanesulfonic acid ("PFOS"), two types of PFAS compounds, may result in adverse health effects.

On April 10, 2024, the EPA announced final National Primary Drinking Water Regulations for six PFAS compounds. Under the final regulations, the federal maximum contaminant level for PFOA and PFOS is 4 parts per trillion each. The final regulations set a federal maximum contaminant level of 10 parts per trillion each for four additional PFAS compounds, perfluorononanoic acid (PFNA), hexafluoropropylene oxide dimer acid (HFPO-DA, commonly known as GenX Chemicals), perfluorohexane sulfonic acid (PFHxS), and perfluorobutane sulfonic acid (PFBS). Mixtures containing two or more of PFHxS, PFNA, HFPO-DA and PFBS will be regulated as a mixture using a hazard index. The final regulations require water systems to implement initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. The City is currently monitoring its water supplies and will continue with the ongoing compliance monitoring as required. The regulations also require water systems to provide the public with information regarding PFAS levels in drinking water by 2027. By 2029, water systems are required to implement solutions to reduce any PFAS levels that exceed the federal maximum contaminant levels. Beginning in 2029, water systems that have PFAS levels exceeding the federal maximum contaminant levels must take action to reduce these levels and provide notice to the public of the excess as well as health effects language.

Compliance with any such current and future regulations or permit requirements relating to PFAS could result in an increase in capital expenditures and maintenance costs for the City and the Water System.

Lead and Copper Rules. The City is actively working on compliance with the EPA's Lead and Copper Rule Revisions (January 15, 2021) and Lead and Copper Rule Improvements when passed.

These rules were established to ensure lead-free drinking water. These requirements include the initial Lead Service Line Inventory ("LSLI"), notification to persons served of known or potential lead service line, public notification of a lead action level exceedance, and associated reporting requirements. The City is in the process of completing its LSLI. There are no known lead service lines on the public side of the water meter.

City staff are working with homeowners to determine service line materials on the private side of the meter. The City expects to provide a predictability model by August 2026 which lists the predicted locations of impacted lines and the numbers of lines to be replaced. The model will be updated as the City completes more inspections. The City will be providing a baseline inventory by November 1, 2027. This will indicate the rate of replacement over the next 10 years.

Competition and Expansion

There is currently no significant competition inside the City's corporate limits for new water customers. As of June 30, 2025, the existing water service is provided to 62,309 accounts and currently serves in excess of 156,720 people in the City, Buncombe County, and Henderson County. The remaining population is served by: three municipal water systems in the Towns of Woodfin, Biltmore Forest, and Black Mountain; a private utility, Carolina Water; and private wells. The watershed, treatment plants, 1,674 miles of transmission and service lines, pumping stations and reservoir storage system combine to make the system one of the largest in North Carolina. The stated goal of the City is to provide water services to 80% of the County's population by the year 2040, with the other systems in the County continuing to operate independently of the City.

Capital Improvement Program

The Capital Improvement Program (the "CIP") is a five-year financing program intended to fund infrastructure improvements, facility construction and improvement, and the acquisition of equipment. The CIP is updated annually in accordance with guidance from the City Council, public comment, and input from City staff. The CIP for the Department for fiscal years 2026-2030 includes replacement of small waterlines, water treatment plant projects, meter and vault repair, large waterline projects, pump station and storage tank projects, system enhancement projects, improvements to the Fairview service area, and projects mandated by the North Carolina Department of Transportation.

The City intends to finance the current CIP through various sources, including pay-go funding from operating revenues, debt financing, and state loans. The five-year CIP for the Water System provides for approximately $49.4 million in pay-go project expenses along with $66.4 million in new debt before factoring in existing debt maturity. The new debt is expected to include the issuance of two series of revenue bonds in the fiscal years ending June 30, 2028 and 2030 in the aggregate amount of approximately $66.4 million.

Rate Increases

The projected financial forecast for the fiscal years ending June 30, 2026 through June 30, 2031 assumes increases to the City's water rates of 7.5% annually. The projected rates for the fiscal years ending June 30, 2028 through June 30, 2031 have been shared with City Council, but such rate increases have not been adopted by City Council, and implementation of such increases remains subject to the City Council's discretion. The projected financial information set forth under "PROJECTED DEBT SERVICE COVERAGE" in the Official Statement reflects the implementation of such increases.

Historical Operating Data

Selected information on the financial performance of the Water System for the fiscal years ended June 30, 2023 to 2025 is presented below. Information for the fiscal year ended June 30, 2025 should be read in conjunction with the audited financial statements and notes thereto in Appendix B. For information regarding the forecast estimates for the fiscal year ended June 30, 2026, see "PROJECTED DEBT SERVICE COVERAGE" in the front part of the Official Statement.

	Fiscal Year Ended June 30, (in thousands)		
	2023	2024	2025[1]
Operating revenues	$40,913	$45,676	$38,536
Operation and Maintenance Expense	(26,738)	(30,854)	(36,959)
Operating Income Before Depreciation	14,175	14,822	1,577
Depreciation	(6,390)	(6,907)	(6,917)
Operating Income	7,785	7,915	(5,340)
Non-Operating Revenues/Expenses:			
Investment Income	1,455	1,924	4,104
Non-operating Income/Expenses	(2,310)	426	3,523
Bond Interest Expense[2]	123	(1,771)	(2,086)
Net Income	7,053	8,494	201
Adjustment to Net Income:			
Depreciation	6,390	6,907	6,917
Non-operating Expenses	(123)	1,771	2,086
Net Revenues (a)	$13,320	$17,172	$9,204
Rate Covenant Calculation[3]			
Debt Service on Outstanding Bonds **(b)**	$7,109	$7,096	$7,611
Add 20% of Debt Service on Outstanding Bonds[3]	1,422	1,419	1,522
Debt Service on Subordinated Indebtedness[4] **(c)**	10	10	10
Total **(d)**	$8,541	8,525	9,143
Rate Covenant Compliance **(a/d)**	1.56	2.01	1.01
Parity Debt Service Coverage **(a/b)**	1.87	2.42	1.21
Total Debt Service Coverage **(a/b + c)**	1.87	2.42	1.21

[1] Wind and flooding from Hurricane Helene impacted the City and surrounding areas on September 27, 2024. The aftermath of Hurricane Helene impacted the operations, expense and revenues of the Water System during the fiscal

year ended June 30, 2025. For more information on the recovery of the City and the Water System from the impacts of Hurricane Helene, see "Impact of Hurricane Helene" below.

[2] Includes interest payments and amortization of bond premium.

[3] As described in "CERTAIN PROVISIONS OF THE GENERAL INDENTURE – Rate Covenant" herein, the rate covenant requires the City to maintain, in each Fiscal Year, Revenues at least equal to the total of Current Expenses for such year plus 120% of the debt service requirements on the Bonds plus 100% of the debt service requirements on the City's Subordinate Indebtedness, General Obligation Indebtedness and Other Indebtedness.

[4] Includes debt service on State Loans.

Management Discussion and Matters in Contention

Management Discussion of Operations. As noted earlier, City Council approved water rate increases to go into effect for the fiscal year ending June 30, 2026 based on the above-described cost of service study and three-year phase-in adjustment plan. Water rate charges, along with other water operating revenues, are expected to generate $49.5 million in revenue in the fiscal year ending June 30, 2026. Staff took a conservative approach to the fiscal year 2026 budget as the City, and the Water System in particular, continues to recover from the impacts of Hurricane Helene. The budget for the fiscal year ending June 30, 2026 included funding for continued operations of the Water System and additional funding for pay-go capital and debt expenses. The fiscal year 2026 budget did not include any new positions and overall operating costs were held flat compared to the prior fiscal year.

Water demand has returned to pre-Helene usage rates, and fiscal year 2026 projections reflect return-to-normal operations. Third quarter reporting shows that the City is projecting water revenues to be slightly over budget and that expenses will be under budget. Overall, the City projects that revenues will exceed expenses at levels consistent with recent pre-Helene annual results.

The fiscal year 2027 proposed budget which was presented in its initial form to City Council on May 12, 2026 and will be subject to approval on June 9, 2026. City Council has already approved rate increases consistent with the three-year rate adjustment plan that will go into effect for fiscal year 2027.

Matters in Contention. The City is not a party to any litigation, the outcome of which, in the opinion of the City Attorney, would materially affect the City's ability to meet its obligations with respect to the Bonds.

Impact of Hurricane Helene

In September 2024, Hurricane Helene significantly impacted the City's Water System, causing system-wide damage to transmission lines, both dams, and the North Fork Fusegate. All water transmission mains have been repaired and are in service. Two small lines remain in mitigation because they are suspended under bridges that were washed away during the hurricane. The North Fork Spillway lost a fuse gate due to flooding, which has not yet been replaced, but replacement is under contract and is expected to be completed by fall 2026. The Bee Tree Dam sustained damage, and work is currently in progress to determine the extent of the damage and required repairs. The Grovestone Pump Station lost its emergency generator due to flooding, and the Mills River WTP lost an intake pump due to flooding; both the emergency generator and the raw water pump have been replaced.

The City also experienced significant watershed damage due to flooding and high winds. Debris removal has been completed in the North Fork Watershed. Debris removal in the Bee Tree Watershed is expected to begin shortly. All watershed bridges were washed away by flood waters, and the City is working to obtain FEMA Public Assistance funding for their replacement.

There are no increased regular operating costs associated with Hurricane Helene rehabilitation. To date, the City has paid out approximately $32 million in Water System repair expenses and has received $21.4 million in reimbursements. The City continues to work with its insurance provider, FEMA, and NC Emergency Management on recovering the remaining funds and is working with its Recovery Consultant, Hagerty, on regular submission of reimbursement requests.

In response to Hurricane Helene, the City is actively pursuing multiple federal funding sources to repair and improve the resiliency of the Water System, including over $475 million in federal funding across 10 projects at its three treatment plants. To date, the City has been awarded nearly $78 million. Additionally, the City has submitted a $2.5 million application to the Economic Development Administration for pre-development and site selection activities to support the future construction of a fourth water treatment plant. The construction of this plant will support resiliency and redundancy efforts across the system, increase business and industry confidence, and support the continued growth and economic development of key commercial corridors extending west and north from central Asheville.

The current capital priorities for the City are focused on system resilience, maintaining and improving water production capacity, and water distribution and storage. The following projects are in progress:

North Fork Treatment Plant Improvements. This project will add conventional treatment with advanced flocculation and plate settlers to allow treatment of water of any quality. The estimated cost is $125 million. Design work is underway. This project is funded through the FEMA Hazard Mitigation Grant Program (HMGP), and the City was also awarded $80 million from its Community Development Block Grant – Disaster Recovery allocation.

North Fork Transmission Main #3. This project will add a third transmission main from the North Fork Treatment Plant to another point in the City's water transmission system. The new main will be positioned to minimize flood risk and will help ensure water delivery to the City and the County during flood events. The estimated cost is $135 million. Design work is underway. This project is funded through the FEMA Hazard Mitigation Grant Program (HMGP).

William DeBruhl Treatment Plant Improvements. This project will add conventional treatment with advanced flocculation and plate settlers to allow treatment of water of any quality. The estimated cost is $25.5 million. Design work is underway. This project is funded through FEMA Public Assistance.

North Fork Fuse Gate Replacement. This project will replace the fuse gate that tipped during Hurricane Helene, at an estimated cost of $1 million. Schnabel PC South Engineering is providing engineering services and Morgan Corp will serve as contractor. The contract is currently in process, with an expected start date of June 2026. This project is funded through FEMA Public Assistance.

Climate Change

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

FINANCIAL INFORMATION

The financial statements of the City have been audited by certified public accountants through the fiscal year ended June 30, 2025. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available in the office of the Finance Director of the City, Tony McDowell, City of Asheville, P.O. Box 7148, Asheville, North Carolina 28802.

The financial statements attached as Appendix B hereto are the General Purpose Financial Statements of the City and the notes thereto, lifted from the audited financial statements of the City for the fiscal year ended June 30, 2025.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the 2026 Bonds are subject to the approving opinion of Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, Bond Counsel, which will be furnished upon delivery of the 2026 Bonds. Certain legal matters will be passed upon for the City of Asheville by Brad Branham, Esquire, City Attorney, and by Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, as counsel to the Underwriter, none of whom will pass upon the validity of the 2026 Bonds.

Parker Poe Adams & Bernstein LLP serves as Bond Counsel for the City and it has represented or is representing the Underwriter as counsel in other financing transactions. Neither the City nor the Underwriter have conditioned the future employment of Parker Poe Adams & Bernstein LLP in connection with any proposed financings for the City or for the Underwriter on the successful execution and delivery of the 2026 Bonds.

TAX TREATMENT

General

On the date of issuance of the 2026 Bonds, Parker Poe Adams & Bernstein LLP ("Bond Counsel") will render an opinion that, under existing law, (1) assuming compliance by the City with certain provisions of the Code, interest on the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax, provided, however, such 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 2026 Bonds is exempt from State of North Carolina income taxation.

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

Counsel's opinion is given in reliance on certifications by representatives of the City as to certain facts material to the opinion and the requirements of the Code.

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

If the interest on the 2026 Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the City to comply with any requirements described above, the City is not required to redeem the 2026 Bonds or to pay any additional interest or penalty.

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

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

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

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's

professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the City, 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 2026 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the 2026 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 Premium

As indicated on the inside cover page, the 2026 Bonds are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the 2026 Bonds is sold and (b) the principal amount payable at maturity of such 2026 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 2026 Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such 2026 Bond is reduced from the owner's cost basis of such 2026 Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such 2026 Bond (whether upon its sale, redemption or payment at maturity). Owners of 2026 Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such 2026 Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a 2026 Bond.

LITIGATION

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2026 Bonds, or questioning or affecting the validity of the 2026 Bonds or any proceedings of the City or the Local Government Commission taken with respect to the issuance or sale thereof, or questioning or affecting the validity of the pledge or application of any security pledged for the payment of the 2026 Bonds or the existence or powers of the City or the Local Government Commission to issue and approve the 2026 Bonds, or questioning the right of the City to adopt and comply with the Indenture or to finance or operate its facilities in accordance therewith.

BANKRUPTCY

Under North Carolina law, a local governmental unit may not file for bankruptcy protection without the consent of the LGC. If bankruptcy proceedings were initiated by the City with the consent of the LGC, the bankruptcy proceedings could have adverse effects on the owners of the 2026 Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the

administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the 2026 Bonds. The effect of the provisions of the United States Bankruptcy Code on the rights and remedies of the owners of the 2026 Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy.

In addition to its consent to bankruptcy filings by local government units, North Carolina law vests authority in the LGC to intervene in the financial affairs, including taking full control of the financial affairs, of local government units, including the City, if the unit defaults, or in the opinion of the LGC will default, on a future debt service payment if financial policies and practices are not improved.

LEGALITY FOR INVESTMENT

Section 159-140 of the General Statutes of North Carolina, as amended, provides that bonds issued under the Act are securities in which all public officers and public bodies of the State of North Carolina and its political subdivisions and agencies and all insurance companies, trust companies, investment companies, bank, savings banks, building and loan associations, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State of North Carolina, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. Such section also provides that such bonds are securities and may properly and legally be deposited with and received by any State of North Carolina or municipal officer or any agency or political subdivision of the State of North Carolina for any purpose for which the deposit of bonds, notes or obligations of the State of North Carolina is now or may hereafter be authorized by law. No representation is made as to the eligibility of 2026 Bonds for investments or any other purpose under any law of any other state.

UNDERWRITING

The Underwriter has entered into a Bond Purchase Agreement to purchase all of the 2026 Bonds, if any of the 2026 Bonds are to be purchased, at a purchase price equal to 100% of the principal amount thereof, plus an original issue premium of $3,466,587.60 and less an underwriters' discount of $212,351.48. The obligation of the Underwriter to pay for the 2026 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

BofA Securities, Inc., an Underwriter of the 2026 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"). As part of this arrangement, BofA Securities, Inc. may distribute securities to Merrill, which may in turn distribute such securities to investors through the financial advisor network of Merrill. As part of this arrangement, BofA Securities, Inc. may compensate Merrill as a dealer for their selling efforts with respect to the 2026 Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), have assigned independent underlying ratings of "Aa1" and "AA+," respectively, to the 2026 Bonds. Such ratings reflect only the view of Moody's and S&P at the time the ratings were given, and neither the City nor the Underwriter make any representations as to the appropriateness of such ratings.

The ratings are not a recommendation to buy, sell or hold the 2026 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Any such action may have an adverse effect on the market price of the 2026 Bonds. Neither the City nor the Underwriter has undertaken any responsibility after the execution and delivery of the 2026 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

Any explanation of the significance of such ratings may only be obtained from Moody's or Standard & Poor's.

CONTINUING DISCLOSURE

In the Series Indenture, the City will undertake, for the benefit of the Owners and the Beneficial Owners of the 2026 Bonds, to provide to the MSRB:

(a) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2026, the audited financial statements of the City for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the City for such Fiscal Year to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2026, the financial and statistical data in (i) the tables under the caption

"Billing and Water Rates" and the table under the caption "Other Water System Statistics" titled "Historical Demand" all under the heading "THE WATER SYSTEM" and (ii) the first table under the heading "THE WATER SYSTEM – Historical Operating Data" included in this Official Statement relating to the 2026 Bonds;

(c) in a timely manner not in excess of 10 Business Days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the 2026 Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on 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 2026 Bonds or other material events affecting the tax status of the 2026 Bonds;

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

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

(9) defeasance of any of the 2026 Bonds;

(10) release, substitution or sale of any property securing repayment of the 2026 Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the City;

(13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;

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

(15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect the beneficial owners of the 2026 Bonds, if material; and

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

(d) in a timely manner, to the MSRB, notice of a failure of the City to provide required annual financial information described in (a) or (b) above on or before the date specified.

In the Series Indenture, the City will agree to provide all documents described in this section in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The City may discharge its undertaking described above by transmitting those documents or notices in a manner subsequently required by the U.S. Securities and Exchange Commission in lieu of the manner described above.

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

For purposes of this Section, "financial obligation" means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

In the Series Indenture, the City will agree that its undertaking is intended to be for the benefit of the Owners and the beneficial owners of the 2026 Bonds and is enforceable by the Trustee or by any of them, including an action for specific performance of the City's obligations under this section, but a failure to comply will not be an Event of Default under the General Indenture and will not result in acceleration of the principal of the 2026 Bonds. An action must be instituted, had and maintained in the manner provided in the Series Indenture for the benefit of all of the Owners and beneficial owners of the 2026 Bonds.

Pursuant to the Series Indenture, the City may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, but:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City;

(b) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of the Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances;

(c) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote

of the Owners of a majority in principal amount of the 2026 Bonds under the General Indenture as may be amended from time to time.

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

The undertaking described above will terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the 2026 Bonds.

In connection with the offering of the 2024 Bonds, the City discovered that it had failed to post a notice to the EMMA system of the City's installment financing agreement dated November 30, 2023. The City subsequently posted the required notice to the EMMA system. There have been instances in the last five years in which the City's continuing disclosure filings on the EMMA system did not link to each appropriate CUSIP number. Except as described in this paragraph, the City has not failed to comply in any material respect with any previous continuing disclosure undertaking pursuant to Rule 15c2-12.

MUNICIPAL ADVISOR

DEC Associates, Inc., Charlotte, North Carolina, has acted as Municipal Advisor to the City in connection with the issuance of the 2026 Bonds.

MISCELLANEOUS

The references herein to the 2026 Bonds and the Indenture are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of such provisions reference is made to such documents, copies of which are available for inspection at the principal office of the City and the principal corporate trust office of the Trustee. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The distribution of this Official Statement has been duly authorized by the Local Government Commission. The Local Government Commission and its staff assume no responsibility for the accuracy or completeness of any representation or statement herein except for material with respect to them included under the caption "THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION" in Appendix D.

The City has supplied the information contained herein relating to the City and has supplied or reviewed the summaries of all documents to which the City is a party, and the City and the LGC have duly approved the delivery of this Official Statement.

APPENDIX A

THE CITY OF ASHEVILLE

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APPENDIX A

THE CITY OF ASHEVILLE

General Description

The City was incorporated in 1797 and is located in the western part of the State, a top growth area of the State. The City occupies a land area of approximately 45.5 square miles and serves a population of more than 90,000. The City is the largest city in western North Carolina, the county seat of Buncombe County (the "County") and the eleventh largest city in the State. The City is between the Blue Ridge and Great Smoky Mountains and is located along the French Broad and Swannanoa Rivers. The City is surrounded by mountains, many with elevations above 5,000 feet. The City is considered to have some of the best surviving examples of Art Deco architecture, including the iconic City Hall, designed by Douglas D. Ellington and completed in 1928.

The City's natural and architectural beauty, moderate climate, outdoor recreation activities, as well as the "foodie" culture and local brewery and distillery businesses, drive the City's consistently high ranking as one of the best places to live, work, play and retire. The City's long-range planning is directed toward preserving the City's high quality of life, so that it remains one of the most attractive places in the United States for both residents and visitors.

The City's popularity creates unique challenges. The City is committed to well-planned, sustainable growth, which includes recognition of the impact that such growth has on the City's residents. The City's economy is reasonably diverse, but is generally service-driven. Housing costs have risen more than service industry wages, making investments in affordable and workforce housing a high priority for the City. With that in mind, City Council has committed to seeking long-term, affordable workforce housing solutions to ensure that the City remains attractive for businesses seeking a high quality of life for their employees.

The City is the center for government, commercial, financial, medical, recreational and entertainment activities for the region. The National Climatic Data Center (a part of the United States Department of Commerce), the Governor's Western Residence, the United States Department of Agriculture Forest Service Southern Research Station and the National Park Service are located in the City. The Western North Carolina Farmers Market and the Western North Carolina Regional Livestock Center centralize commerce for regional farmers.

According to the National Climatic Data Center, the annual average temperature is 56.5 degrees with the average January daily temperature at 37.3 degrees and the average July daily temperature at 73.5 degrees. Average annual rainfall is 46.67 inches and an average annual snowfall is 11.4 inches.

Demographic Characteristics

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

2022	2023	2024
96,176	97,361	98,270

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

2000	2010	2020
68,889	83,393	94,589

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

Year	County[1]	State
2020	$53,944	$51,900
2021	57,895	56,173
2022	61,560	58,109
2023	66,288	61,839
2024	70,623	65,634

[1] Separate data for the City is not available. The data for Asheville MSA has been discontinued.
Source: United States Department of Commerce, Bureau of Economic Analysis (latest data available).

City Economy, Industry Sectors and Employment

General. The City is the regional center of manufacturing, transportation, health care, banking, professional services and shopping. The City's economy is diverse, with strong representation in health care, retail trade and tourism. The area's leading industry sectors in terms of employment are education, health services, trade, transportation, leisure and hospitality services, and government. Together these sectors account for the majority of jobs in the MSA.

Total taxable sales and construction activity are key economic indicators for the City and the region. The County's taxable sales activity also directly impacts the City's General Fund budget through sales tax receipts. Total taxable sales in the County for the past four fiscal years and the 8-month period ending February 28, 2026 are shown in the following table:

Fiscal Year Ended June 30,	Total Taxable Sales	Increase Over Prior Year
2022	$7,310,486,077	N/A
2023	7,703,980,426	5.4%
2024	7,815,439,159	1.5
2025	7,629,694,659	(2.4) [1]
2026 (8 months)	5,486,640,363[2]	--

[1] Retail sales declined in fiscal year ended June 30, 2025 as a result of the impact of Hurricane Helene.
[2] For the eight-month period ended February 28, 2026. The comparable figure for the eight-month period ended February 28, 2025 is $5,088,105,274.

The City has seen significant construction activity in recent years. The following table summarizes the number and value of new construction building permits issued in the City for the five fiscal years ended June 30, 2025 and the first 6 months of the fiscal year ended June 30, 2026:

	Commercial		Residential		Multi-Family[1]		
Fiscal Year	Building Permits Issued	Building Permit Values	Building Permits Issued	Building Permit Values	Building Permits Issued	Building Permit Values	Total Value
2021	149	$ 55,988,355	392	$95,307,139	N/A	N/A	$151,295,494
2022	221	169,766,751	281	86,090,394	N/A	N/A	255,857,145
2023	176	218,133,650	295	86,261,325	N/A	N/A	304,394,975
2024	161	81,789,899	335	116,687,883	N/A	N/A	198,477,782
2025	157	82,079,258	298	89,561,539	31	$83,577,212	255,218,009
2026 (6 mos.)[2]	76	26,221,211	121	39,889,414	12	52,085,647	118,196,272

Source: City of Asheville Development Services Department.
[1]Previously, Multi-family permits were included in Commercial permit numbers.
[2]For the comparable 6-month period of 2025, the City issued a total of 246 building permits (79 commercial, 142 residential and 25 multifamily) with a total combined value of $142,740,234.

Downtown Development and Innovation. In the last decade, the City has developed a program of deliberate capital investment in areas within the City that were identified as having potential for infill and redevelopment. With State-level restrictions on annexation, cities within the State cannot rely on expanding city boundaries for additional revenue sources. This restriction, and the social trend of professionals moving back into the City from the suburbs, created an opportunity for the City to invest in areas that have unrealized potential, with the intent to spur investment in those areas. To this end, the City has created Four Municipal Service Districts ("MSDs"): (1) the Central Business District, also referred to as the "CBD," represents the core of the City's downtown; (2) the River Arts District, which runs along the French Broad River and encompasses an area that was primarily industrial/warehouse space; (3) the South Slope, the lower (in latitude and elevation) side of downtown; and (4) the North Charlotte Street corridor, a narrow corridor connecting downtown to the historic Grove Park Inn and North Asheville. These "Innovation Districts," as they are called by the City, have seen significant growth spurred by investment. Growth is also occurring outside of the Innovation Districts, as the City is actively encouraging infill development throughout the City.

Travel and Tourism. One of the largest sectors of the service industry in the City is the leisure and hospitality industry. Tourism is the third-largest employer in the area and a significant driver of the City's economy. Data from the N.C. Department of Commerce indicates that visitor spending in the County totaled $2.65 billion in 2024, which was the third highest spending level in the State. Over 19,000 jobs in the County were linked to travel according to the report from the Department of Commerce. The City's many opportunities for tourists are consistently recognized in the tourism industry. Among the City's attractions are its significant arts community, outdoor activities, cuisine, and microbreweries. Although the tourism industry experienced significant challenges in 2025 as a result of Hurricane Helene, hotel occupancy and other indicators have rebounded in recent months.

The Harrah's Cherokee Center Asheville (the "Center"), formerly the Asheville Civic Center, has been providing facilities for entertainment, convention, commercial, cultural and sports activities for the City and surrounding community since 1974. The Center includes a 7,200-seat arena, a banquet hall, a performing arts auditorium with a seating capacity of 2,431, and an exhibition hall. The Southern Conference's men's and women's basketball tournament is a highlight event and has been held in the City since 2013. An economic impact study published in 2019 determined that the Center has an annual

economic impact of over $42 million, is responsible for over 550 full-time equivalent jobs and generates over $6 million in federal, State and local taxes each year.

The 469-mile scenic Blue Ridge Parkway winds along the Blue Ridge Mountains, through the City and enters the Great Smoky Mountains National Park. Overlooks, hiking trails and the headquarters of the Southern Highland Craft Guild make scenic drives along the Blue Ridge Parkway popular for locals and tourists alike. Portion of the Parkway remain closed due to damage to Hurricane Helene. The National Park Service aims to fully reopen all remaining hurricane-damaged sections of the Blue Ridge Parkway in North Carolina by the end of 2026. Chimney Rock State Park, with hiking trails for all ages and a 404-foot waterfall, is located just 25 miles southeast of the City.

The half million acre Pisgah National Forest surrounds the City with rugged mountain scenery. It is divided into three ranger districts. The Pisgah Ranger District, dominated by Mount Pisgah, is located roughly between the Towns of Brevard and Waynesville and the City. This district is home to both the Cradle of Forestry in America and the North Carolina Arboretum. The Cradle of Forestry in America is a 6,500-acre historic site set aside by Congress to commemorate the beginning of forestry conservation in the United States. The North Carolina Arboretum is a 434-acre public garden operated under a special use permit issued by the National Forests in North Carolina. The Grandfather Ranger District lies southeast of the Blue Ridge Parkway from north of the City to Blowing Rock, North Carolina. Linville Gorge is the predominant feature of the area with very rugged terrain to challenge even experienced hikers. The Appalachian Ranger District lies from the Great Smoky Mountain National Park's eastern boundary to Craggy Gardens on the Blue Ridge Parkway to near the Tennessee state line at Roan Mountain. This area contains some of the most beautiful mountain scenery in the east including important wildflower habitats at Craggy Gardens and Roan Mountain. Also included in this district are Mt. Mitchell, the highest point in eastern America, and Grandfather Mountain, an international biosphere preserve, although neither of these are actually National Forest property. The peak of Mt. Mitchell and neighboring Mt. Craig are a North Carolina State Park, as is a portion of Grandfather Mountain. The remainder of Grandfather Mountain is privately-owned, but open to the public with an admission charge.

The Biltmore Estate, a home built by George Washington Vanderbilt II between 1889 and 1895, is a large tourist attraction located in the City. At 250 rooms, it is the largest privately-owned home in the United States. In 1963, it was designated a National Historic Landmark. The estate today covers over 8,000 acres and is bisected by the French Broad River. The grounds include over 80 acres of formal gardens, a winery and the Inn on Biltmore Estate, a four-star, 210-room hotel. The Biltmore Estate is a major tourist attraction in the western part of the State, with approximately 1.4 million visitors each year.

The Omni Grove Park Inn (the "Inn") is a resort in the City with 513 rooms, a 40,000 square-foot modern subterranean spa, an 18-hole Donald Ross-designed golf course, a 50,000 square-foot sports complex and 55,000 square feet of meeting space. The Inn opened in July 1913 and is listed on the National Register of Historic Places. The Inn is operated by Omni Hotels & Resorts and boasts an AAA four-diamond rating.

The Botanical Gardens of Asheville, located on a ten-acre site next to the UNC Asheville campus, is home to more than 600 plant species that are native to the southern Appalachian Mountains. Other tourist attractions in or near the City include the Thomas Wolfe Memorial, the Zebulon Vance birthplace and Biltmore Village.

Health Services. Health Services is the largest industry in the Asheville MSA, accounting for approximately 20% of jobs. The City serves as the regional referral service for the western part of the State. Mission Health, an operating division of HCA Healthcare, is based in the City and is the sixth-largest health system in North Carolina. Mission Hospital is Mission Health's flagship hospital with a

795 bed capacity. The Asheville location also includes the Mission Children's Hospital, the sole children's hospital in the region. Mission Hospital is a significant employer in the region, employing approximately 12,000 people. In February 2019, Mission Health was sold to HCA Healthcare. Since Mission Health was a non-profit entity and HCA Healthcare is a for-profit company, proceeds of the sale went to a nonprofit foundation, the Dogwood Health Trust, which distributes grants for healthcare in the region.

CarePartners Health Services ("CarePartners") is part of the Mission Health system and offers a full continuum of post-acute care in four areas: Rehabilitation, Home Health, Adult Care, and Hospice and Palliative. CarePartners includes CarePartners Rehabilitation Hospital, an 80-bed regional referral center with rehabilitation programs for a multitude of illnesses, injuries and conditions. CarePartners also offers (1) outpatient rehabilitation services at eight convenient locations in Asheville and the surrounding region, (2) home health nursing, therapy, and private duty services, (3) hospice and palliative care services in the home, assisted living facilities, rest homes, and the John F. Keever, Jr. Solace Center, a 27-bed, facility in the City for those nearing the end of life, (4) adult day health/day care services, (5) private duty personal and companion care services and (6) orthotics and prosthetics services.

Charles George Veterans Administration Medical Center ("VAMC"), located in the City, serves the health care needs of more than 100,000 veterans living in a 19-county area of western North Carolina. VAMC is a tertiary care, 119-bed acute care facility. It also operates a separate transitional care unit, a 120-bed community living center providing extended care rehabilitation services. In addition to these services, VAMC provides primary care, extended care and rehabilitation, hospice and palliative care, mental health, pharmacy and specialty care services on an in-patient and outpatient basis at the facility in the City and two outpatient clinics in Franklin and Rutherfordton, North Carolina. With a staff of approximately 1,500, VAMC serves as a teaching hospital with programs in education and research.

Manufacturing. One of the most significant drivers of the economies of the City and the western portion of the State is the manufacturing industry. Advanced manufacturing companies are employing more individuals in the MSA, have increased productivity, expanded foreign trade and increased innovation. Major manufacturing entities in the City include GE Aerospace, Advanced Manufacturing Solutions Inc. and Eaton Corporation.

In November 2022, Pratt & Whitney, a global aerospace manufacturing corporation, completed construction on a $650 million manufacturing facility in the County, with the expectation to create 800 new jobs with salaries averaging $68,000 per year. Pratt & Whitney is a Fortune-500 firm that builds aircraft engines for both commercial and military applications. At its site in the City, Pratt & Whitney manufactures turbine airfoils for the company's engines. This is the largest manufacturing facility to be established in western North Carolina to date. On January 28, 2025, Pratt & Whitney announced that it will expand its turbine airfoil manufacturing plant in the County with a $285 million investment, which is expected to create 325 additional jobs.

GE Aerospace announced plans for a new round of spending in North Carolina, including nearly $48 million at its Asheville site. This is part of a broader $1 billion investment in U.S. manufacturing sites and suppliers during 2026.

Southeastern Container announced plans to invest $31 million in facility modernization, new technology and equipment in Enka-Candler. This expansion will add closure production capacity; support 12 new skilled, high-tech production jobs in the next 18 months with an average wage of $32.90 per hour; and sustain over 150 existing jobs at its headquarters in Enka-Candler.

Science and Technology. The City is also home to companies that provide hosting, internet services, code database providers and high-tech video games, among other technologies. Significant entities in the technology space include AvL Technologies, American Recycling and Cypress Creek Renewables (formerly FLS Energy).

Since 2015, the American Association of State Climatologists has maintained its headquarters and first, full-time executive director in the City. The Association supports the development of science-based climate services that assist in climate-related decisions for the public and private sectors, including community planning, business resiliency and risk mitigation.

The City is also home to the Collider, a first-of-its-kind physical and intellectual space for "strategic collisions" between business and science. The Collider's goal is to facilitate innovation and rapid commercialization of products, services and technologies related to climate change adaptation and resilience. Located adjacent to the National Centers for Environmental Information (the "NCEI"), the Collider is able to utilize NCEI's archive of environmental and climate data, which is the largest such archive in the world.

Financial Institutions. The City has many commercial banking institutions and savings banks, including: Wells Fargo Bank, N.A.; Bank of America, N.A.; First-Citizens Bank & Trust Company; TD Bank, N.A.; Truist Bank; First Bank; BNY Mellon; Regions Bank; PNC Bank, N.A. and HomeTrust Bank.

Employment. The following table shows major employers in the County:

Company/Institution	Type of Enterprise	Approximate Number of Employees
Mission Health	Health Care and Social Assistance	1000+
Ingles Markets, Inc.	Retail Trade	1000+
Buncombe County Board of Education	Educational Services	1000+
Veterans Administration	Health Care and Social Assistance	1000+
County of Buncombe	Public Administration	1000+
Biltmore Workforce Management Inc.	Arts, Entertainment, and Recreation	1000+
City of Asheville	Public Administration	1000+
Wal-Mart Associates Inc.	Retail Trade	1000+
Eaton Corporation	Manufacturing	1000+
Mountain Area Health Education Center	Health Care and Social Assistance	1000+

Source: North Carolina Department of Commerce, Division of Labor and Economic Analysis (3rd Quarter 2025).

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

	2022	2023	2024	2025	2026
January	3.4%	3.1%	3.0%	8.0%	4.2%
February	3.4	3.3	3.3	7.1	3.8
March	3.1	3.0	3.1	5.5	3.4
April	2.8	2.4	2.6	5.0	N/A
May	3.0	2.8	2.9	4.8	
June	3.3	3.0	3.2	4.5	
July	3.2	2.9	3.3	4.3	
August	3.4	3.2	3.3	4.3	
September	2.9	2.8	2.7	3.9	
October	3.2	3.0	12.9*	N/A**	
November	3.0	2.8	9.1	4.1	
December	2.5	2.7	7.2	3.3	

* The spike in unemployment rate for October, 2024 was due to the impacts of Hurricane Helene.
** Unemployment rates for October, 2025 were not calculated due to the federal government shutdown.

Government and Major Services

Government Structure. Pursuant to the City's charter, the City has a council-manager form of government. The City Council is composed of six council members and a mayor elected at large, for staggered four-year terms on a non-partisan basis. The mayor is directly elected by the citizens by a separate ballot. The City Council appoints the vice-mayor from among the six elected council members.

The City Council acts as the City's legislative body. The major duties of the City Council include: adoption of an annual budget; establishing taxes; enactment of policies concerning the operation of the City; enacting local ordinances; and appointment of the City Manager and of members of various boards and commissions.

The City Manager is the chief administrator of the City, appointed by the City Council to serve at the Council's discretion for an indefinite term. The major duties of the City Manager include: supervising and coordinating the activities of the City departments; attending City Council meetings and making recommendations on appropriate matters of business; ascertaining that all orders and policies of the City Council are implemented; recommending the annual budget; advising the City Council on the financial condition of the City; and representing the City in business with other agencies.

Education. There are two public school systems serving the City, the Asheville City Schools and the Buncombe County Schools. The State provides funding for a basic minimum educational program that is supplemented by the County and federal governments. This minimum program provides funds for operational costs only, while financing of public school facilities has been a joint State and County effort. Thus, local financial support is provided by the County for capital and operating costs that are not

provided for by the State or federal government. The City does not provide any funding for the school systems.

The following table shows the number of schools and the ADM for the Asheville City Schools:

School Year	Number of Schools	Elementary (K-5) ADM	Intermediate (6-8) ADM	Grades (9-12) ADM	Total ADM
2021-22	10	1,795	861	1,433	4,089
2022-23	9	1,727	800	1,461	3,988
2023-24	9	1,622	756	1,481	3,859
2024-25	8	1,601	664	1,519	3,784
2025-26*	8	1,607	698	1,487	3,792

*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 public school units in the State. The ADM computation is used as a basis for teacher allotments. 2025-26 ADM numbers are through month 3.

Source: North Carolina Department of Public Instruction website

The following table shows the number of schools and the ADM for the Buncombe County Schools:

School Year	Number of Schools	Elementary (K-5) ADM	Intermediate (6-8) ADM	Grades (9-12) ADM	Total ADM
2021-22	44	9,857	4,951	6,975	21,783
2022-23	45	9,869	4,858	7,042	21,769
2023-24	45	9,890	4,859	7,068	21,817
2024-25	45	9,769	4,894	7,087	21,750
2025-26*	45	9,549	4,856	6,950	21,355

*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 public school units in the State. The ADM computation is used as a basis for teacher allotments. 2025-26 ADM numbers are only through month 3.

Source: North Carolina Department of Public Instruction website

There are several post-secondary institutions located in the County area. The City is home to The University of North Carolina Asheville ("UNC Asheville"), a four-year liberal arts university that is part of the University of North Carolina system. UNC Asheville is the designated public liberal arts university in the 17-campus System. UNC Asheville offers more than 30 majors leading to the bachelor of arts, bachelor of fine arts or bachelor of science degrees and also offers a master of liberal arts and sciences degree. Approximately 3,600 undergraduate students attend the university, which has approximately 330 full- and part-time faculty members.

UNC Asheville is ranked in several national publications for its educational quality and value. U.S. News & World Report ranks UNC Asheville tenth (tied) in the nation among public liberal arts

colleges in its list of "2026 Best Colleges." The Princeton Review ranked UNC Asheville twelfth on its list of "Top 50 Green Colleges" for 2026.

Asheville-Buncombe Technical Community College ("AB Tech") offers both general and trade curriculums for students of all ages. AB Tech offers 61 curriculum programs, 61 degrees, 20 diplomas and 78 certificates. Its main campus in the City includes 27 buildings on 145 acres.

Montreat College, Warren Wilson College, Brevard College and Mars Hill University are located within 10 to 30 miles of the City. The colleges are four-year private, coeducational, comprehensive liberal arts colleges offering undergraduate degrees in over 48 major programs. The combined full-time enrollment at these four colleges approaches 4,000 students. Several of the colleges are named by the *U.S. News & World Report* and the *Fiske Guide to Colleges* as some of the nation's "Best Buys" among private colleges and universities.

Arts and Culture. The City has a rich diversity of arts and culture available for its residents' enjoyment, including approximately 30 art galleries in its downtown area. Also in downtown is Pack Place Education, Arts & Science Center, which opened its doors in 1992. The Pack Place facility is operated by an independent nonprofit corporation under a ground lease from the City, and houses the Asheville Art Museum and the 500-seat Diana Wortham Theatre. The Young Men's Institute (YMI) Cultural Center is a participating organization in Pack Place, and is located nearby in a separate building.

The Asheville Art Museum was established by artists and incorporated in 1948. The Museum is committed to community involvement, providing opportunities for individual development through education and enrichment via the visual arts. The Museum reopened in November 2019 after an approximately $24 million renovation and expansion. The main building now offers 70% more gallery space and has the capacity to host major traveling exhibitions from nationally recognized museums and to display its permanent collection of 20th and 21st century American art.

The Folk Art Center is located in the City on the Blue Ridge Parkway about a five-minute drive from downtown. The Center is home to the Southern Highland Craft Guild, a membership guild of craftspeople. Some of these guild members share their knowledge of crafts and Appalachian culture with the public through a series of free educational events that take place year-round at the Folk Art Center.

The River Arts District, located along the French Broad River near downtown Asheville in 18 turn-of-the-century converted warehouses, consists of galleries, working artist studios, businesses, a brewery, restaurants, a music venue and performing arts venues.

Transportation. The City is served by three interstate highways, I-26, I-40 and I-240. Access to the County, surrounding counties, Tennessee, Virginia, and South Carolina is obtained via the Appalachian Highway Development System corridors, including three interstates and Federal highways: U.S. 25, 25A, 70, 74, 19 and 23. The Asheville area is served by over 30 motor freight carriers. Asheville Rides Transit provides 19 daily bus routes and serves approximately 1.5 million riders per year in the City.

Serving more than 2.24 million passengers in 2025, Asheville Regional Airport is continuing its growth trajectory. Now the third busiest airport in North Carolina, the airport is served by six airlines that provide nonstop service to 27 unique airport destinations. The City is also served by the Norfolk Southern Railroad Corporation providing rail lines through Knoxville, Tennessee to the west and Greenville, South Carolina to the south. Passenger rail service is available in Greenville, South Carolina. Local facilities offer loading and unloading.

Public Enterprise Services. As described in the front part of the Official Statement, the City owns and operates a water system which provides water treatment and distribution services to the area. The City water system serves customers within the City, Buncombe County and Henderson County. Sanitary sewer service within the City is provided by the Metropolitan Sewerage District of Buncombe County. The water and stormwater systems are supported solely by user charges and fees.

Stormwater System. The City owns and operates the stormwater system. The City maintains a Stormwater Fund which is used to account for revenues and expenses associated with the installation, maintenance, repair and revitalization of the City's storm drainage, catch basins and pipes within the City's streets and rights-of-way. The Stormwater Fund also provides funding for program resources to comply with a Federal Stormwater National Pollutant Discharge Elimination System Phase II Permit. The City's stormwater division also has a capital project administration unit to plan, design and construct large stormwater infrastructure projects. This utility is primarily funded by stormwater fees based upon the amount of impervious surface area that is on a property and is billed as part of the City's utility bill. The Stormwater Division is a part of the Public Works Department.

Wastewater System. Wastewater treatment is provided by the Metropolitan Sewerage District of Buncombe County. The Metropolitan Sewerage District (the "Sewerage District") is a public body organized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, being Article 5, Chapter 162A of the General Statutes of North Carolina, as amended. The Sewerage District was created and 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 sewage and industrial wastewater generated within the political subdivisions comprising the Sewerage District. In 1964, the City, pursuant to the creation of the Sewerage District entered into an agreement with that agency for the treatment and disposal of sewage. On July 2, 1990, the City and all of the other public entities in the County conveyed their collector sewer systems to the Sewerage District. Pursuant to the terms of transfer, the Sewerage District assumed the responsibility of maintaining, rehabilitating and reconstructing, where necessary, all of the collector sewer systems in the County that were previously owned and maintained by the City and other public entities.

The Sewerage District owns, operates and maintains a wastewater treatment plant to treat raw sewage and industrial wastewater collected in an extensive network of collector sewers owned, operated and maintained by the Sewerage District. The Sewerage District charges individual users of the system directly and the City provides a billing process for this purpose as part of its water billing process.

Other Major Services

Fire. There are 13 fire stations located throughout the City, with total department staffing of 304 approved positions. The stations are strategically located so that all areas of the City are within an approximately five-minute driving time of the nearest fire station. The City has also signed mutual-aid agreements with fire departments in the County to provide help when it is needed.

The Asheville Fire Department was upgraded to a Class 1 public protection classification by the Insurance Services Office in March 2023, which should continue to reduce fire insurance rates and premiums in the City. The Class 1 rating has been awarded to only 329 of the nation's roughly 45,000 fire departments.

Police. The City's Police Department is made up of 272 positions. The department also utilizes a volunteer Chaplaincy Corp. The department also collaborates with federal agencies and other local law enforcement agencies to staff various task force teams. The Police Department is a nationally accredited police department through the Commission on Accreditation for Law Enforcement Agencies.

Parks & Recreation. The City's Parks and Recreation Department was the first in the nation to be accredited by the National Recreation and Parks Association demonstrating excellence in municipal parks and recreation services and operations. There are over 70 parks, greenways and facilities located throughout the city managed by a team that includes 102.5 approved positions in the department. Parks and facilities are located throughout the City so that all citizens are located within an average of approximately three miles of a park or recreation facility.

Sanitation, Streets and Fleet. The City's Public Works Department is responsible for solid waste collection, street and sidewalk construction and maintenance, stormwater maintenance, and maintenance of the City's vehicle fleet. The Sanitation Division is responsible for solid waste, brush and recycling collection and code compliance for City residents. Residents are charged a monthly solid waste fee, which applies to all customers utilizing the solid waste collection and recycling services provided by the City. The Streets Division performs street and sidewalk construction and maintenance for 805 lane miles of City system streets; snow and ice removal, and storm damage abatement. The Division is also responsible for overall cleanliness and tree care and capital street and sidewalk maintenance infrastructure projects. The City's Transportation Department is responsible for street marking, signage and the traffic signal system. The Fleet Maintenance Division of the Public Works Department maintains the organization's motorized equipment (more than 800 vehicles).

Pension Plans and Other Post-Employment Benefits

The City participates in the following four pension benefit plans: the North Carolina Local Governmental Employees' Retirement System, the Law Enforcement Officers Special Separation Allowance for full-time law enforcement officers, the Supplemental Retirement Income Plan for all employees and Firefighters Governmental Money Purchase Plan.

LGERS is a cost-sharing multiple-employer defined benefit pension plan administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. The North Carolina Department of State Treasurer is the custodian of LGERS funds with administrative costs borne by the participating employer governmental entities. The State makes no contributions to LGERS.

LGERS provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their annual covered salary. Each employer makes a normal contribution plus, where applicable, a contribution toward any unfunded liability. The City has no unfunded liability. The fiscal year ended June 30, 2025 normal contribution rate, uniform for all employers was 13.60% of eligible payroll for general employees and 15.04% of eligible payroll for law enforcement officers. The fiscal year ending June 30, 2026 normal contribution rate, uniform for all employers, is 14.35% of eligible payroll for general employees and 16.08% of eligible payroll for law enforcement officers. Contributions to the system are determined on an actuarial basis. The City has made all required contributions.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of creditable service or at age 60 after at least five years of creditable service. Unreduced benefits are available as follows: at age 65, with at least five years of 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.

The City administers a single-employer defined benefit pension plan ("Separation Allowance") that provides retirement benefits to the City's qualified sworn 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. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly.

Employee members do not make contributions to the Separation Allowance plan. The City has elected to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's actuarial Pension Expense as of the measurement date of June 30, 2025 was $550,319; the City paid $550,319 in separation allowance benefits during that period. On June 30, 2025, the unfunded pension obligation was $7,594,439. The City contributes to the Supplemental Retirement Income Plan (the "Plan"), a Section 401(k) defined contribution retirement savings 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 City. City Council has agreed to extend this benefit to all regular full-time and regular part-time non-law enforcement employees. The employer's contribution rate to the Plan is five percent of eligible payroll. Employee members make voluntary contributions to the Plan.

The City contributes to the Asheville Firefighters 457 Plan (the "NC 457 Plan"). The NC 457 Plan is an eligible defined contribution plan under Section 457(b) of the Internal Revenue Code. The NC 457 Plan is a single plan that is sponsored by the State of North Carolina and that has multiple participating employers. The NC 457 Plan is a deferred compensation plan administered by the North Carolina Department of State Treasurer, and available exclusively to those North Carolina public employees whose employers offer the NC 457 Plan. Active firefighters can elect an NC 457 Plan through Prudential. Those eligible may contribute from 2% - 6% of their compensation each year, and the City will provide matching contributions up to 6%. Matching funds are not available for contributions in the amount of 1%.

For additional information concerning the City's participation in the pension benefit plans, please see the Notes to the City's audited financial statements in Appendix B hereto.

The City funds its Other Post-Employment Benefits ("OPEB") benefits on an actuarial basis and is accounting and reporting its related expenses and liabilities in accordance with requirements of Governmental Accounting Standards Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans." As of June 30, 2025, OPEB actuarial value of assets was $27.95 million, the actuarial accrued liability was $39.68 million with an unfunded liability of $11.72 million, reflecting a funded ratio of 70.47%. The City has established an irrevocable trust for managing its OPEB assets consistent with investment authority provided by legislation enacted by the North Carolina General Assembly. Such authority allows the City to invest its OPEB funds in securities that mirror the State of North Carolina's eligible investments used for statewide pension funds. For additional information see the Notes to the City's audited financial statements in Appendix B hereto.

Sustainability and Climate Action

The City has demonstrated a long-standing commitment to sustainability and climate action. The City has taken action through City Council resolutions and investments in new technologies and programs to encourage sustainability and combat climate change. The City Council has set specific goals in a

variety of climate-related areas including achieving LEED certification for new City buildings, reducing carbon emissions by 80%, reducing municipal waste by 50% and transitioning municipal operations to renewable energy sources. The City's Sustainability Department was created in 2008 to integrate sustainable design, technology, and practice into municipal operations, infrastructure and services. The Sustainability Department is responsible for incorporating City Council's goals pertaining to sustainability and climate action within the City government. The City adopted a Municipal Climate Action Plan in 2023 as an update to the 2009 Sustainability Management Plan. This Plan serves as the City's roadmap for making further sustainability and climate action progress.

Cybersecurity

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

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

While the City's cybersecurity and operational safeguards are periodically tested, the City cannot give any assurances that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the City's finances or operations. The costs of remedying any such damage or obtaining insurance related thereto or protecting against future attacks could be substantial and insurance (if any can be obtained), may not be adequate to cover such losses or other consequential City costs and expenses. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

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APPENDIX B

CERTAIN FINANCIAL INFORMATION CONCERNING THE CITY

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APPENDIX B

Management's Discussion and Analysis of the Financial Activities of the City

The following is Management's Discussion and Analysis of the financial activities of the City, lifted from the Annual Comprehensive Financial Report for the City 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 City'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 City have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

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As management of the City of Asheville (the "City"), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's Notes to the Financial Statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by more than $552 million (net position). Of this amount, $138 million (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

- The City's total net position of $552 million represents a decrease of $28 million over fiscal year 2024's net position of approximately $580 million.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of over $171 million, an increase of $9 million in comparison with the prior year's amount of $162 million. The unassigned portion of the General Fund balance is approximately $24 million; this amount is available to spend at the City's discretion. This amount equates to approximately 14.0 percent of General Fund expenses and transfers out.

- At the end of the current fiscal year, the non-spendable, restricted, committed and assigned portions of fund balance for all governmental funds was $147 million.

- The City's total long-term liabilities increased by $67 million during the current fiscal year. The increase was due to $61 million in debt issuance throughout the year. This included the issuance of $34 million in Limited Obligation Bonds and $27 million in Water System Revenue Bonds. The change in long-term liabilities was partially offset by the payment of principal on the City's existing debt in conformance with the applicable maturity schedules. The increase is also due to the implementation of GASB 101, increasing liabilities by approx. $9 million.

  The City's current general obligation bond ratings are noted below.

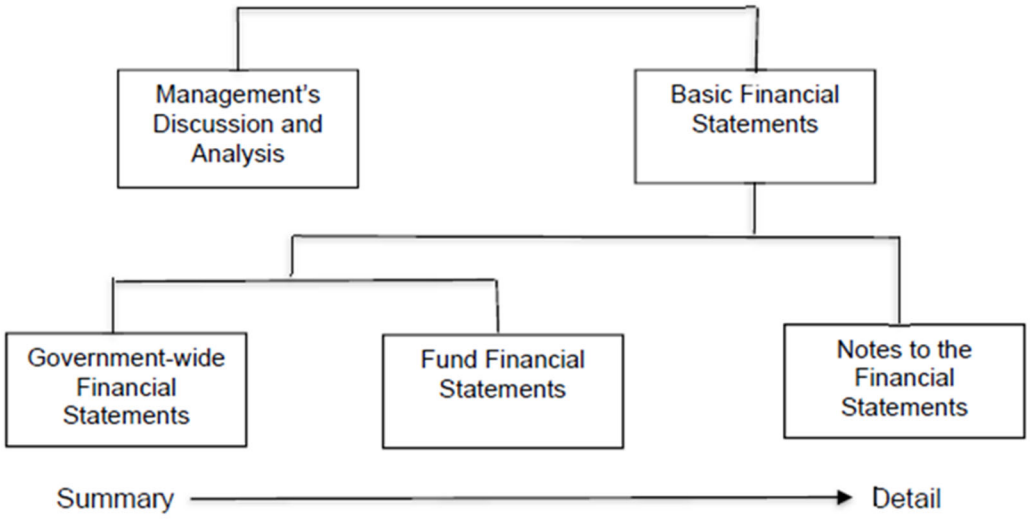
  Moody's Aaa
  Standard & Poor's AAA

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements include two kinds of statements that present different views of the City: 1) Government-Wide Financial Statements and 2) Fund Financial Statements. Both perspectives are essential and complementary components that allow the user to address relevant questions, broaden a basis for comparison, and enhance the City's accountability. Another element of the basic financial statements is the notes to the financial statements. In addition to the basic financial statements, the report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City as well as compliance issues that are addressed by Government Auditing Standards, Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principals, and Audit Requirements for Federal Awards ("Uniform Guidance") and the North Carolina Single Audit Implementation Act (Figure 1).

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **government-wide financial statements**. They provide both short- and long-term information about the City's financial status.

The next statements are **fund financial statements**. These statements focus on the activities of the individual parts of the City'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 fund statements; and 4) the fiduciary fund 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, the **required supplementary information** section contains funding information about the City's pension plans and postemployment healthcare and dental benefits plans. Next, **supplementary information** is provided to show details about the City's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The **government-wide financial statements** are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short- and long-term information about the City's financial status as a whole.

The *statement of net position* presents information on the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as the *net position*. Over time, increases or decreases in net position may serve as a useful way to gauge the City's financial condition.

The *statement of activities* presents information on how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of related cash flows. Therefore, revenues and expenses are reported in this statement, which result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Government-wide statements are divided into governmental and business-type activities. The governmental activities include most of the City's basic services such as public safety, culture and recreation, transportation, community and economic development, and general government. Property taxes, sales tax, and other local taxes finance about 75 percent of the costs of these activities. Business-type activities include water resources, stormwater management, parking services, street cut utility, the Harrah's Cherokee Center – Asheville (HCCA), and mass transit services. These activities are primarily paid from charges to customers, with the exception of mass transit, which receives federal grants and transfers from the General Fund as its primary sources of funding.

The government-wide financial statements are on pages 31-33 of this report.

Fund Financial Statements

The **fund financial statements** provide a more detailed look at the City's most significant activities. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting ensures and reflects compliance, or non-compliance, with related legal requirements, such as General Statutes, grantor provisions, or the City's budget ordinance. The funds of the City are divided into three categories:

1) the governmental fund statements,
2) the proprietary fund statements, and
3) the fiduciary fund statements.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on how assets can readily be converted into cash flow in/out and what monies are left at year-end that will be available for spending in the next year. Most of the City's basic services are accounted for in governmental funds. Governmental funds are reported using an accounting method called *modified accrual accounting,* 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 him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the three major funds: the General Fund, the General Capital Projects Fund and the Grants Programs Fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual budget for its General Fund, as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from Asheville citizens, city management, and decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The General Fund budgetary comparison statement uses the budgetary basis of accounting – modified accrual – and is presented with modifications to the format, language, and classifications from the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council, 2) the final budget as amended by the City Council, 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.

The basic governmental fund financial statements are pages 34-39 of this report.

Proprietary Funds – The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the entity-wide financial statements. The City uses enterprise funds to account for its water resources, HCCA, parking services, stormwater management, street cut utility, and mass transit operations. *Internal service funds* are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the financing of goods and services provided by the Health Insurance, Workers' Compensation, and Property and Casualty Funds on a cost reimbursement basis. Additionally, the City uses an internal service fund entitled General for the purpose of accumulating net assets not specifically assigned to any of the other internal service funds. As each of these services predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Resources Fund, and Mass Transit Fund, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found in pages 40-44 of this report.

Fiduciary Funds – 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 statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains three fiduciary funds: one pension trust fund and two agency funds. The basic fiduciary fund financial statements can be found on pages 45-46 of this report.

Notes to the Basic 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 to the financial statements are on pages 47-87 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 88-93. of this report. The combining statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. The other supplementary information shows details about the City's individual funds, including budgetary information required by the North Carolina General Statutes as well as other data the City considers helpful to the reader.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the City, assets and deferred outflows exceed liabilities and deferred inflows by $552 million as of June 30, 2025 (Figure 2).

Significant changes in the City's net position include the following:

- The increase in both governmental and business-type non-current liabilities (approximately $67.4 million), is related to the issuance of Limited Obligation Bonds for the McCormick Field renovation project and Water Revenue bonds for the automated meter system project as well as the implementation of GASB 101 as noted above.

Government-Wide Financial Analysis
The City of Asheville, North Carolina
(amounts expressed in thousands)
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 213,938	$ 199,594	$ 115,277	$ 101,967	$ 329,215	$ 301,561
Capital assets	298,126	289,924	356,407	338,685	654,533	628,609
Total Asssets	512,064	489,518	471,684	440,652	983,748	930,170
Deferred outflows of resources	33,460	37,080	8,781	9,517	42,241	46,597
Total Assets and Deferred Outflows of Resources	545,524	526,598	480,465	450,169	1,025,989	976,767
Non-current liabilities	282,701	209,326	111,537	86,700	394,238	296,026
Other liabilities	46,400	70,008	25,616	24,223	72,016	94,231
Total Liabilities	329,101	279,334	137,153	110,923	466,254	390,257
Deferred inflows of resources	7,159	5,949	1,045	754	8,204	6,703
Total Liabilities and Deferred Inflows of Resources	336,260	285,283	138,198	111,677	474,458	396,960
Net Position:						
Net investment in capital assets	124,578	128,804	256,887	263,386	381,465	392,190
Restricted	32,096	33,807	-	-	32,096	33,807
Unrestricted	52,591	78,704	85,380	75,107	137,971	153,811
Total Net Position	$ 209,265	$ 241,315	$ 342,267	$ 338,493	$ 551,532	$ 579,808

By far the largest portion of the City's net position ($381 million or 69 percent) reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt that is still outstanding that was issued to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities. An additional portion of the City of Asheville's net position, $32 million, represents resources that are subject to external restrictions such as state statute requirements, community development activities, and cemetery maintenance. The remaining balance of $138 million is unrestricted.

The City's management emphasizes a philosophy that focuses on three guiding principles:

- ***Essential services delivery*** to provide departments with the resources required to meet service delivery expectations.
- ***Enhancing customer value*** to ensure efficient service delivery that improves the customer experience.
- ***Strategic alignment*** to direct new and existing resources towards achieving community, Council and staff goals.

This philosophy and a focus on collaboration enables management to work together to achieve service and financial goals, including the following aspects of the City's financial operations and environment that positively influence the total unrestricted governmental position:

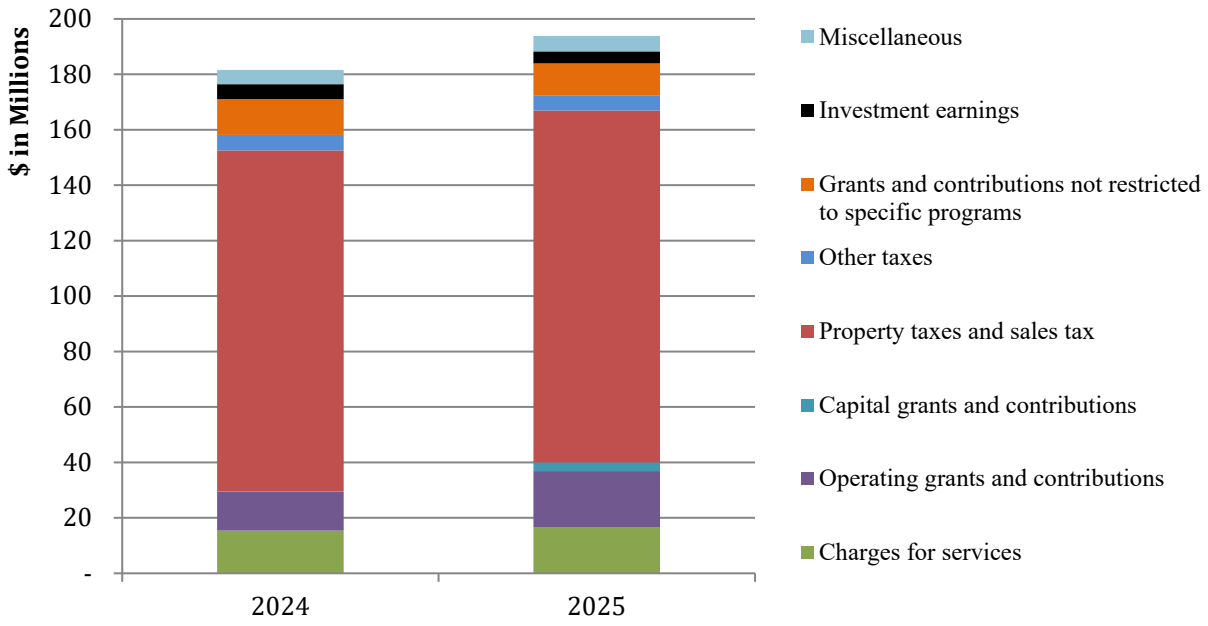
- Ongoing careful management of resources. The City of Asheville's management is committed to deliberate and considered use of taxpayer funds. Actual budget performance in expenditures consistently comes in under the adopted budget. Continued better than budget performance demonstrates the success of management initiatives to maximize the impact of budgeted funds.
- Long-range planning. City management is committed to developing plans that ensure the financial sustainability of the City in the long term. Resource management and human capital management decisions are made collaboratively and with consideration for both short and long-term impacts on service delivery, succession planning and financial sustainability.
- Local economy. External factors, including local economic growth, help to increase revenues. Diversification of revenues can be challenging given the City's limited ability to develop new revenue streams without specific State Legislative approval. Sales and other taxes revenue is directly tied to the local economy. For the fiscal year ending June 30, 2025, this revenue source represented about 24% of total General Fund revenue.

The City of Asheville, North Carolina
(amounts expressed in thousands)
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Revenues:						
Program revenues:						
Charges for services	$ 11,787	$ 15,362	$ 61,981	$ 68,656	$ 73,768	$ 84,018
Operating grants and contributions	20,171	14,012	13,883	6,365	34,054	20,377
Capital grants and contributions	3,113	66	2,923	2,595	6,036	2,661
General revenues:						
Property taxes and sales tax	126,946	123,107	-	-	126,946	123,107
Other taxes	5,535	5,570	-	-	5,535	5,570
Grants and contributions not restricted to specific programs	11,475	12,942	-	-	11,475	12,942
Investment earnings	4,341	5,376	2,354	2,507	6,695	7,883
Miscellaneous	5,566	5,146	56	86	5,622	5,232
Total Revenues	188,934	181,581	81,197	80,209	270,131	261,790
Expenses:						
General government	18,073	36,233	-	-	18,073	36,233
Public safety	88,771	78,988	-	-	88,771	78,988
Environmental services	14,299	13,922	-	-	14,299	13,922
Community development	16,439	13,911	-	-	16,439	13,911
Transportation	17,668	10,473	-	-	17,668	10,473
Culture and recreation	38,042	23,774	-	-	38,042	23,774
Interest on long-term debt	8,037	3,647	-	-	8,037	3,647
Water resources	-	-	44,963	39,532	44,963	39,532
Parking services	-	-	5,463	5,727	5,463	5,727
Street Cut Utility	-	-	2,171	2,939	2,171	2,939
Stormwater	-	-	8,611	7,251	8,611	7,251
U.S. Cellular Center	-	-	6,447	6,953	6,447	6,953
Mass transit	-	-	17,181	16,999	17,181	16,999
Total Expenses	201,329	180,948	84,836	79,401	286,165	260,349
Increase in net position before transfers	(12,395)	633	(3,639)	808	(16,034)	1,441
Transfers	(9,783)	(10,353)	9,783	10,353	-	-
Increase in net position	(22,178)	(9,720)	6,144	11,161	(16,034)	1,441
Net position – beginning, as previously reported	241,316	251,035	338,493	327,332	579,809	578,367
Change in accounting principle (Note 13)	(9,873)	-	(2,370)	-	(12,243)	-
Net position – as restated	231,443	251,035	336,123	327,332	567,566	578,367
Net position, end of year	$ 209,265	$ 241,315	$ 342,267	$ 338,493	$ 551,532	$ 579,808

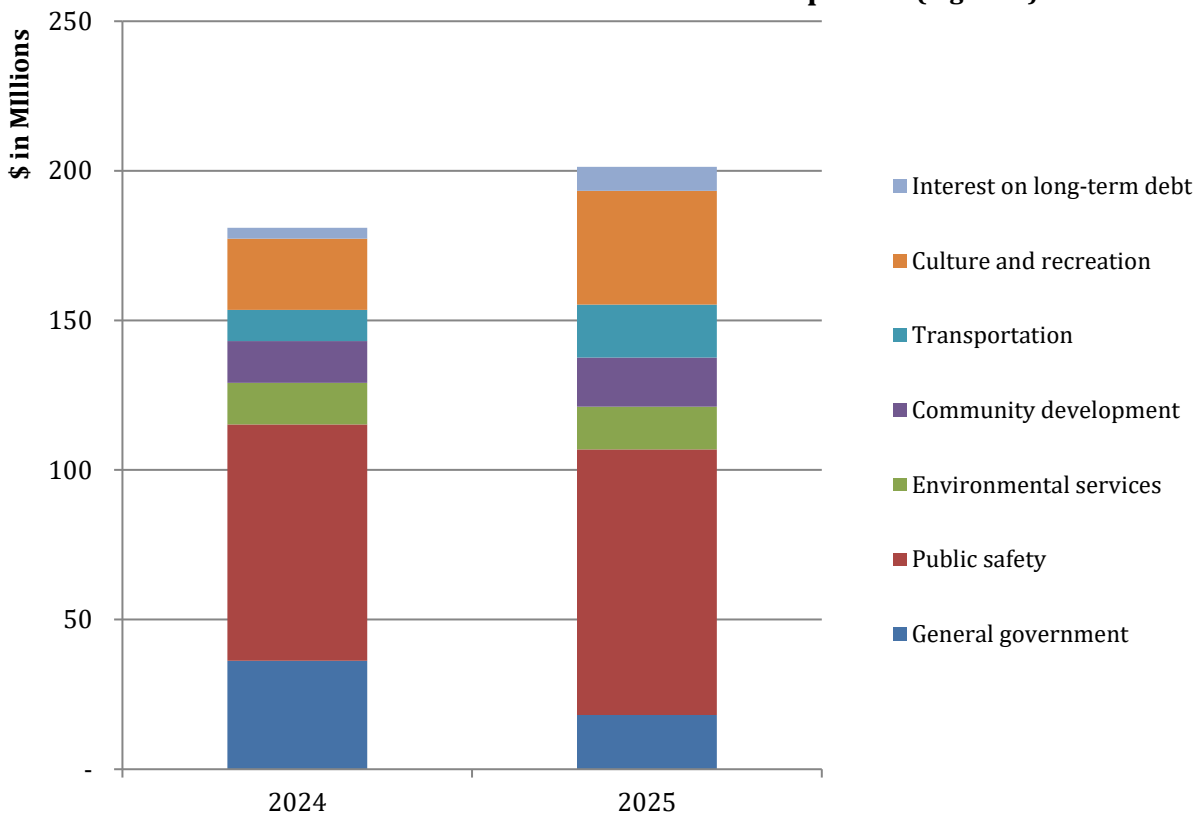
Government-wide Analysis

Governmental Activities Revenues (Figure 4)



Total governmental expenses reported (Figure 5) in the governmental activities for fiscal year 2025 were approximately $203 million as compared to fiscal year 2024's $181 million – a year-over-year increase of $22 million. The main driver of expense increases in governmental activities was employee salary increases approved as part of the budget, as well as costs incurred related to the recovery from Tropical Storm Helene totaling 14.3 million. Salary increases included an annual increase of $2,400 or 4.11% whichever is greater for all regular full-time permanent employees on the City's general pay plans, a 6% increase for sworn police officers, and a flat dollar increase of $4,053 for beginning on-shift Firefighters to increase the lowest paid on-shift Firefighter salary by 8.8%. There was also a significant increase in contribution rates related to retirement.

Governmental Activities Expenses (Figure 5)



Business-Type Activities – The City's Net Position for business-type activities increased approximately $6.1 million. This increase was related to fees increases for the Water Resource Fund and Stormwater Fund.

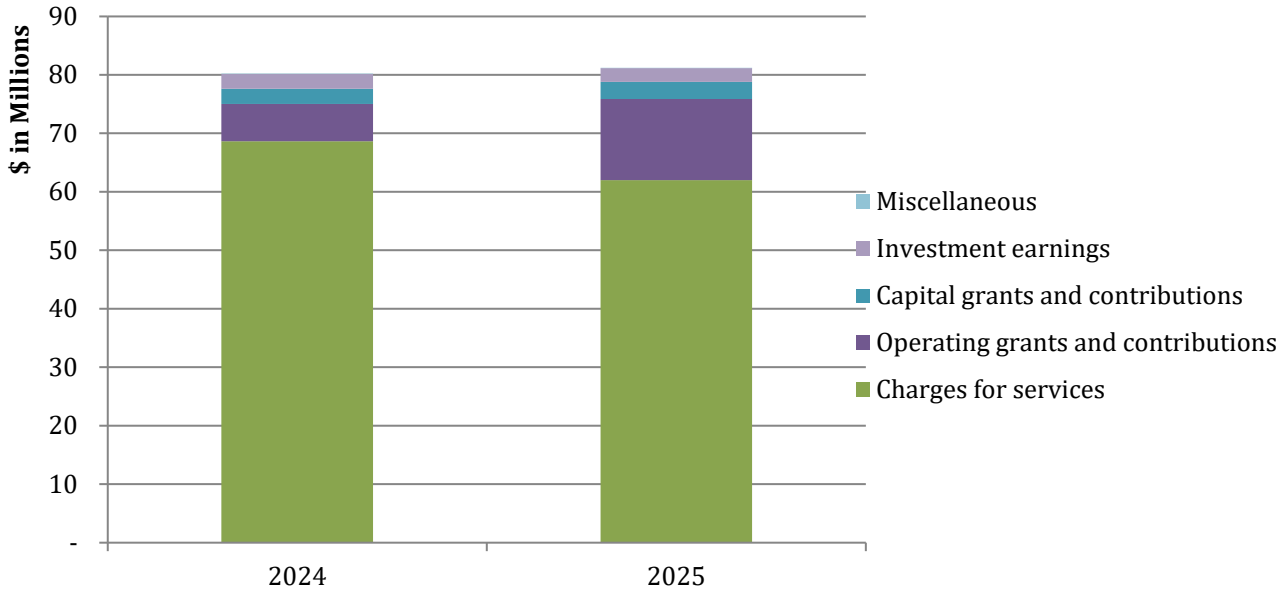
Revenues for all business-type activities, year-over-year, increased by $0.1 million (Figure 6). Expenses increased by $0.5 million (Figure 7). Key elements of these changes are as follows:

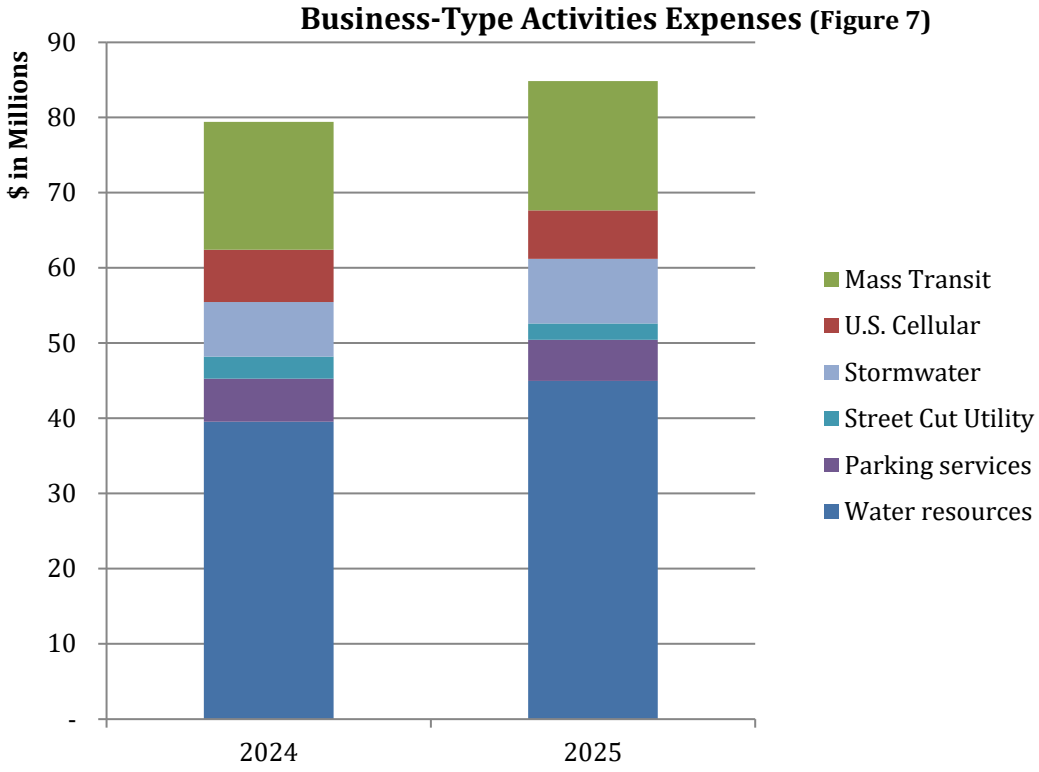
- Charges for services decreased by $6.1 million due to potable water not being available and other services being suspended as a result of Tropical Storm Helene. Although both the Water Resources Fund and Stormwater Fund included increased rates in fiscal year 2025, the negative impacts of Helene surpassed the amount of new revenue generated by the rate increases.

- Grants and contributions increased by $7.8 million partly due to the timing of grant funding drawdowns related to the Mass Transit Fund. The Water Resources fund was also awarded a $4 million ARPA infrastructure grant.

- The increase in expenses is primarily due to salary and benefit increases and offset by cost savings measures that were put in place after Helene.

Business-Type Activites Revenues (Figure 6)





Governmental Funds – The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the City's unassigned fund balance available in the General Fund was $24 million, while total fund balance was $127 million. The City Council has determined that the City should maintain a minimum available fund balance of 15 percent of General Fund expenditures to meet the cash flow needs of the City in case of unforeseen needs. As of June 30, 2025, the unassigned fund balance of $24 million is approximately 14.0 percent of fiscal year 2025 General Fund expenditures and transfers out. For the fiscal year ending June 30, 2024, General Fund unassigned fund balance was 16.8 percent. The decrease in unassigned fund balance at June 30, 2025 is primarily due to a planned use of fund balance in the adopted budget and under performance from several General Fund revenues as a result of Tropical Storm Helene.

The General Capital Projects Fund includes all non-enterprise capital spending. The City funds capital projects through a debt model that includes the use of treasurer's cash (pooled cash) to cover expenses, reimbursement of treasurer's cash from a short-term installment debt facility during construction, and the payoff of the interim facility with long-term debt tied to the asset life of the completed project/asset (up to 20 years). The fund balance as of June 30, 2024 was $17.2 million. As of June 30, 2025 the fund balance was $33 million. This change is due to the issuance of $34.025 million in Limited Obligation Bonds for the McCormick Field renovation project which was noted earlier in the discussion.

Capital Asset and Debt Administration

Capital Assets – Capital assets include land, buildings, improvements other than buildings, infrastructure (streets, sidewalks, and water lines), machinery and equipment, intangibles (rights of way and easements) and construction in progress.

The City's capital assets (Figure 8) for the governmental and business-type activities as of June 30, 2025, totals $655 million (net of accumulated depreciation). This is an increase of $27 million.

The City of Asheville, North Carolina
(amounts expressed in thousands)
Figure 8

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 56,463	$ 56,485	$ 16,046	$ 16,046	$ 72,509	$ 72,531
Buildings and Improvements	49,596	51,119	46,887	49,026	96,483	100,145
Improvements Other than Buildings	24,746	21,020	2,817	3,035	27,563	24,055
Machinery and Equipment	23,506	24,790	14,561	12,416	38,067	37,206
Infrastructure	103,616	102,929	206,205	182,112	309,821	285,041
Construction in Progress	29,890	24,434	30,295	37,749	60,185	62,183
Intangibles	5,953	5,879	38,763	37,227	44,716	43,106
Right of Use and Other Capital Assets	4,356	3,267	833	1,074	5,189	4,341
Net Capital Assets	$ 298,126	$ 289,923	$ 356,407	$ 338,685	$ 654,533	$ 628,608

Major capital expenditures in fiscal year 2025 included:

- Construction expenses for the McCormick Field baseball stadium renovation project,
- Improvements to the City's streets, and sidewalks,
- System expenses for the water meter replacement project, water transmission line repairs after Tropical Storm Helene, and water treatment plant upgrades at the Mills River treatment plant, and
- Replacement of vehicles and equipment.

Additional information regarding the City's capital assets is found in Note 5 on pages 61-63 of this report.

Long-Term Debt – As of June 30, 2025, the City had total debt outstanding of $276.5 million (Figure 9). Of this total indebtedness, $61.2 million is backed by the full faith and credit of the City. The remainder of the City's bonded debt, totaling $215.3 million, represents bonds secured solely by specified revenue sources (revenue bonds or special obligation bonds), bonds secured by the City's master indenture as collateral (limited obligation bonds), or contracts collateralized by the financed project – often real or personal property (installment financing contracts).

During fiscal year 2025, the City issued $73.385 million in limited obligation bonds. Series 2025A for $39,360,000 to refund the 2022 Limited Obligation BAN and $34,025,000 in taxable bonds, Series 2025B, for upgrades to the McCormick field baseball stadium. Series 2025A issuance is with Wells Fargo Bank, NA while the series 2025B issuance is with Bank of America, N.A. The City also issued $26,905,000 in Water Revenue Bonds for meter replacements. This issuance is with Bank of America, N.A.

The City's total net debt at June 30, 2025 increased by approximately $48.3 million when compared to 2024 fiscal year end. This is the result of annual payments made in accordance with regularly scheduled maturity dates on the existing debt and the effect of the current year's debt issuances as discussed above. State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately $1.7 billion, which is significantly higher than the City's outstanding general obligation debt. Additional information regarding the City's long-term debt can be found in Note 7 on pages 64-69 of this report.

The City of Asheville, North Carolina
General Obligation Bonds, Revenue Bonds, Installment Financing and Other Notes
(amounts expressed in thousands)
Figure 9

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 61,245	$ 64,755	$ -	$ -	$ 61,245	$ 64,755
Installment financing contracts	125,643	94,937	6,885	7,505	132,528	102,442
Revenue bonds	-	-	82,755	61,015	82,755	61,015
Total Bonds	$ 186,888	$ 159,692	$ 89,640	$ 68,520	$ 276,528	$ 228,212

General Fund Budgetary Highlights

During fiscal year 2025, there was a $61.8 million net increase in appropriations between the original and final amended General Fund budgets. The largest component of this budget increase was the $42.0 million increase related to the April 2025 refunding of the 2022 Interim Limited Obligation Bonds (LOBs). The second largest component of the increase was the $18.8 million in appropriations for prior year's encumbrances, affordable housing loan commitments, and carry-over assignments that rolled over from fiscal year 2024. In addition to the LOBs refunding budget amendment, two other General Fund budget amendments were approved by City Council during fiscal year 2025: 1) $7,140 from Buncombe County for its FY 2025 allocation to support the City-managed Historic Resources Commission; and 2) $969,823 from fund balance for expenses associated with the Hagerty Consulting contract for recovery management services arising from Tropical Storm Helene.

Actual General Fund revenues came in below final budget estimates by approximately $3.8 million or 2.3%. Despite the impacts of Tropical Storm Helene, ad valorem tax revenues, the City's largest General Fund revenue source, finished the year at 99% of budget. Fiscal year 2025 revenue from ad valorem taxes was up 3.6% compared to fiscal year 2024, which was primarily the result of a City Council approved property tax rate increase of 0.63 cents per $100 of assessed valuation. Other taxes, which includes sales taxes and is the second largest General Fund revenue, finished the year at 88.9% of budget, and was down approximately 2% compared to fiscal year 2024 due to the impacts of Helene on the local economy and an overall slowing of sales tax growth statewide. Investment earnings revenue came in over budget by approximately $1.6 million due to the continuation of higher interest rates and conservative budgeting of that revenue. Intergovernmental revenue came in over budget by $1.8 million primarily due to increases in state utility taxes and Powell Bill revenue and the receipt of one-time revenue from Duke Energy. Miscellaneous revenue came in under budget by approximately $1.3 million due to revenue from the Alcoholic Beverage Control (ABC) board coming in under budget due to Helene. General Fund revenues from licenses and permits and charges for services also came in under budget due to the impacts of Helene. Overall, General Fund revenues for fiscal year 2025 totaled $162.9 million or 97.7% of budget.

General Fund expenditures (excluding transfers to other funds, which are included in the budget as expenditures) came in under budget by $23 million. The biggest determinants of the under budget performance in expenditures were: 1) $16.0 million in the Community Development budget that was unspent but most of which is committed to future housing trust fund activities; 2) $4.6 million in unspent budget that is restricted and assigned for unexpended fiscal year 2024 contracts, purchase orders, and various projects; and 3) $4.9 million in mid-year budget savings that were set aside to offset the impacts of Tropical Storm Helene on General Fund revenues. Overall, expenditures and transfers to other funds (excluding transactions related to the refunding of debt) finished the year at 88% of the final budget. As of June 30, 2025, a total of $46.1 million was assigned in fund balance for future capital and debt service expenses as part of the multi-year capital improvement financial model. The City also assigned $2.2 million in fund balance that was appropriated for the fiscal year 2026 budget.

The other financing uses category includes transfers to other funds totaling $13.0 million for fiscal year 2025. This total includes transfers to the Mass Transit and the HCCA enterprise funds as well as to the General Capital Projects Fund, the Sustainability Fund, and the Special Revenue Fund. The other financing sources and uses category also includes appropriated fund balance, with a final amended budget of $27.5 million. The original fiscal year 2025 budget adopted by City Council included an $7.7 million appropriation from fund balance. The increase in fund balance appropriation between original and final budget relates to prior year encumbrances and carry forward appropriations, which were either previously budgeted, or already committed or assigned in fiscal year 2024 fund balance. As noted earlier, one mid-year General Fund fund balance appropriation of $969,823 for expenses associated with the Hagerty Consulting contract for Helene recovery services was submitted and approved by Council during fiscal year 2025. Actual revenues and other financing sources came in $6.7 million under expenditures and other financing uses in fiscal year 2025. In fiscal year 2024, actual revenues and other financing sources came in $4.1 million under expenditures and other financing uses.

Economic Factors

As of July 2025, Buncombe County's unemployment rate was 4.1%, which was above the statewide rate of 3.8% but below the national rate of 4.2%. Before Tropical Storm Helene, Buncombe County had among the lowest unemployment rates in the state, but in October 2024, it surged to the highest of North Carolina's 100 counties, at 8.8%. Unemployment rates have been steadily improving since then.

The 2020 Census population totaled 94,589, which represented a 13% increase over the 2010 Census. Asheville's population grew by over 3,500 between April 1, 2020, and July 1, 2024, reaching over 98,000 people by 2024, according to population estimates from the state demographer. With this nearly 4% population increase, the city remains the state's 11th largest municipality.

County-wide taxable sales increased significantly as the impacts of the COVID-19 pandemic receded, but growth began to slow in 2023-24. In 2024-25 taxable sales declined by 2.38% due to the impacts of Helene. Data from the N.C. Department of Commerce indicates that visitor spending in Buncombe County totaled $2.7 billion in 2024, which was the third highest spending level in the state behind Mecklenburg and Wake counties. Visitor spending in 2024 was down about 11% due to the impacts of Hurricane Helene, which significantly disrupted the late fall and holiday tourism seasons, including eliminating the fall leaf season and limiting holiday events.

Overall economic conditions, population growth, retail sales trends, and Helene impacts were all factors considered in preparing the City's budget for the 2026 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2026

The City's adopted General Fund budget for fiscal year 2026 totals $182.7 million, which represents a 1.7% increase compared to the fiscal year 2025 original budget. The City's adopted ad valorem tax rate for fiscal year 2026 is 44.19 cents per $100 of assessed valuation, which is an increase of 3.26 cents compared to the prior fiscal year. Revenue from other (sales) taxes is budgeted at $2.1 million less in fiscal 2026 budget compared to the fiscal 2025 budget due to the local economic impacts of Helene. The General Fund 2026 intergovernmental revenue budget includes $5 million in one-time revenue from the FEMA Community Disaster Loan (CDL) program. As noted earlier, the adopted fiscal year 2026 General Fund budget includes a $2.2 million fund balance appropriation.

The following compensation adjustments are included in the Adopted 2026 General Fund Budget:

- General Pay Plans 3% Hybrid: 3.0% increase for all permanent staff whose salaries are above the median of $58,000 and $1,740 flat increase for those below the median.
- Police Pay Plan: Transition to a new career ladder pay structure, including compression adjustments for most officers. Officers not receiving a compression adjustment will receive a one-time amount equivalent to 3.0%.
- Fire Pay Plan: 3.0% increase for employees on the Fire pay plan.

Based on claims trends, the budget includes an increase of $1.4 million to employer contributions to the health insurance program. The citywide benefits budget also includes $700,000 to fund a required increase of 1% for law enforcement personnel and 0.75% for other employees in the employer contribution to the Local Government Employee Retirement System (LGERS).

In the General Fund, operating costs are up approximately $685,000 or 1.9%. Due to the revenue impacts from Helene, operating costs were held essentially flat in order to be able to focus on compensation increases for staff, while minimizing the property tax rate increase and fund balance usage. Funding for the General Fund multi-year capital model was held flat at $16.3 million in fiscal year 2026.

Business-type Activities – Budgets increased in four of the City's six Enterprise Funds in fiscal year 2026. The Harrah's Cherokee Center Asheville Fund showed a slight decrease with no significant budget changes. The Parking Services Fund 2026 budget was decreased by approximately $1.0 million due to uncertainty around revenues after Helene and maintenance-related garage closures planned for the 2026 fiscal year. The increases in the other Enterprise Funds were primarily due to the compensation and benefits increases discussed above in the General Fund section.

In the Water Resources Fund, City Council approved an increase to the water usage fee resulting in a $2.4 million revenue increase to support ongoing capital investment and debt service. No other fee increases were proposed or approved in the other Enterprise Funds.

The Stormwater Fund fiscal year 2026 budget includes a $405,000 appropriation from fund balance to support capital improvements. In the Mass Transit Fund, the system operating contract increased by $600,000 over the prior year. As a result of this increased expense and decreased revenues, there is a one-time fund balance appropriation of approximately $950,000 in the Mass Transit Fund. The adopted budget in the Street Cut Fund includes a fund balance appropriation of $600,000 in permit fees and $400,000 in degradation fees that have been collected in prior fiscal years. The permit fee revenue is being transferred to the General Fund and the degradation fee revenue is being transferred to the General Capital Projects Fund to support the asphalt paving program.

Requests for Information

This financial report is designed to provide a general overview of the City'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 financial information should be addressed to the Office of the Chief Financial Officer, City of Asheville, P.O. Box 7148, Asheville NC 28802

Financial Statements of the City

The financial statements of the City have been audited by certified public accountants for the fiscal year ended June 30, 2025. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available in the office of the Finance Director of the City, Tony McDowell, 70 Court Plaza, Asheville, North Carolina 28801, or Post Office Box 7148, Asheville, North Carolina 28802, telephone 828-259-5635.

The following financial statements are the basic financial statements of the City, the notes thereto and the management's discussion and analysis, lifted from the audited Annual Comprehensive Financial Report of the City for the fiscal year ended June 30, 2025.

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THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION

JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
ASSETS				
Current Assets:				
Cash and investments	$ 124,762,435	$ 83,199,606	$ 207,962,041	$ 4,647,061
Receivables (net of allowance for uncollectibles):				
Property taxes	1,614,388	-	1,614,388	-
Due from other governments	22,107,899	6,132,508	28,240,407	-
Accounts receivable	5,059,469	11,768,294	16,827,763	37,358
Other receivables	155,830	-	155,830	-
Inventories	637,599	3,214,348	3,851,947	6,756,764
Prepaids	5,849,887	-	5,849,887	28,797
Lease receivables	303,096	9,795	312,891	-
Notes receivable (net of allowance for uncollectibles)	15,143,416	-	15,143,416	-
Total current assets	175,634,019	104,324,551	279,958,570	11,469,980
Noncurrent assets:				
Cash and investments – restricted	35,455,167	10,952,424	46,407,591	-
Assets held for resale	497,633	-	497,633	-
Lease receivable, non-current	2,351,014	-	2,351,014	-
Capital assets:				
Assets not being depreciated	92,307,132	85,104,224	177,411,356	4,403,425
Assets being depreciated, net	205,819,340	271,302,646	477,121,986	7,096,554
Total noncurrent assets	336,430,286	367,359,294	703,789,580	11,499,979
Total assets	512,064,305	471,683,845	983,748,150	22,969,959
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	28,912,027	7,489,851	36,401,878	1,972,334
OPEB related	2,518,076	664,528	3,182,604	-
Deferred charge on refunding	2,030,068	626,745	2,656,813	-
Total deferred outflows of resources	33,460,171	8,781,124	42,241,295	1,972,334

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION

JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
LIABILITIES				
Accounts payable	11,305,531	13,604,137	24,909,668	1,118,724
Accrued payroll	41,406	-	41,406	-
Cash overdraft	2,971,633	-	2,971,633	-
Due to other governments	6,891	11,160	18,051	1,523,662
Other accrued liabilities	9,355,550	820,037	10,175,587	316,433
Customer deposits	739,156	625,869	1,365,025	-
Retainage payable	646,569	434,077	1,080,646	-
Accrued interest payable	958,009	942,206	1,900,215	-
Unearned revenue	2,265,055	596,603	2,861,658	-
Noncurrent liabilities:				
Due within one year	17,230,518	8,582,540	25,813,058	756,549
Due in more than one year	280,852,185	111,536,632	392,388,817	3,650,638
Estimated claims payable:				
Due within one year	879,205	-	879,205	-
Due in more than one year	1,848,403	-	1,848,403	-
Total liabilities	329,100,111	137,153,261	466,253,372	7,366,006
DEFERRED INFLOWS OF RESOURCES				
Leases	2,432,703	9,064	2,441,767	-
Prepaid taxes	8,534	-	8,534	-
Pension related	1,474,072	179,762	1,653,834	847,329
OPEB related	3,244,069	856,120	4,100,189	-
Total deferred inflows of resources	7,159,378	1,044,946	8,204,324	847,329
NET POSITION				
Net investment in capital assets	124,577,726	256,886,712	381,464,438	10,161,101
Restricted for:				
Nonspendable:				
Perpetual maintenance	360,101	-	360,101	-
Stabilization by State Statute	30,372,368	-	30,372,368	-
Community development	1,363,192	-	1,363,192	-
Unrestricted	52,591,600	85,380,050	137,971,650	6,567,857
Total net position	$ 209,264,987	$ 342,266,762	$ 551,531,749	$ 16,728,958

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: City of Asheville ABC Board
Primary government:								
Governmental activities:								
General government	$ 18,072,751	$ 525,815	$ 11,288,318	$ -	$ (6,258,618)	$ -	$ (6,258,618)	$ -
Public safety	88,770,524	565,882	1,713,270	-	(86,491,372)	-	(86,491,372)	-
Environmental services	14,299,341	7,760,053	120,769	-	(6,418,519)	-	(6,418,519)	-
Community development	16,439,389	1,239,118	3,957,532	-	(11,242,739)	-	(11,242,739)	-
Transportation	17,667,132	131,712	3,083,601	3,112,831	(11,338,988)	-	(11,338,988)	-
Culture and recreation	38,041,585	1,564,978	7,510	-	(36,469,097)	-	(36,469,097)	-
Interest	8,037,294	-	-	-	(8,037,294)	-	(8,037,294)	-
Total governmental activities	201,328,016	11,787,558	20,171,000	3,112,831	(166,256,627)	-	(166,256,627)	-
Business-type activities:								
Water resources	44,962,696	38,536,036	4,062,756	1,806,511	-	(557,393)	(557,393)	-
Parking services	5,463,059	5,641,473	-	-	-	178,414	178,414	-
Street Cut Utility	2,170,602	2,745,844	-	-	-	575,242	575,242	-
Stormwater	8,610,964	9,293,574	-	-	-	682,610	682,610	-
Harrah's Cherokee Center Asheville	6,447,450	4,981,778	-	500,000	-	(965,672)	(965,672)	-
Mass Transit	17,182,482	782,602	9,819,898	616,528	-	(5,963,454)	(5,963,454)	-
Total business-type activities	84,837,253	61,981,307	13,882,654	2,923,039	-	(6,050,253)	(6,050,253)	-
Total primary government	$ 286,165,269	$ 73,768,865	$ 34,053,654	$ 6,035,870	$ (166,256,627)	$ (6,050,253)	$ (172,306,880)	$ -
Component Unit:								
ABC Board	$ 35,673,621	$ 36,287,075	$ -	$ -	$ -	$ -	$ -	$ 613,454
General revenues and transfers								
General revenues:								
Property taxes					87,375,342	-	87,375,342	-
Sales taxes					39,570,409	-	39,570,409	-
Other taxes					5,534,913	-	5,534,913	-
Grants and contributions not restricted to specific programs					11,475,237	-	11,475,237	-
Unrestricted investment earnings					4,340,693	2,354,395	6,695,088	27,646
Miscellaneous					5,565,127	-	5,565,127	19,317
Gain on sale of assets					-	56,211	56,211	-
Transfers					(9,783,257)	9,783,257	-	-
Total general revenues and transfers					144,078,464	12,193,863	156,272,327	46,963
Change in net position					(22,178,163)	6,143,610	(16,034,553)	660,417
Net position – beginning, as previously reported					241,315,685	338,492,703	579,808,388	16,068,541
Change in accounting principle (Note 13)					(9,872,535)	(2,369,551)	(12,242,086)	-
Net position – as restated					231,443,150	336,123,152	567,566,302	16,068,541
Net position – ending					$ 209,264,987	$ 342,266,762	$ 551,531,749	$ 16,728,958

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2025

	Major Funds				
	General Fund	General Capital Projects Fund	Grant Programs Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 98,762,670	$ 547,374	$ 9,666,793	$ 3,260,853	$ 112,237,690
Cash and investments – restricted	738,991	30,767,308	-	3,948,868	35,455,167
Property taxes	1,608,474	-	-	5,914	1,614,388
Due from other governments	18,251,116	73,420	783,366	2,999,997	22,107,899
Accounts receivable	1,029,095	559,200	-	-	1,588,295
Other receivables	834	-	154,996	-	155,830
Interest	348,261	-	-	2,216	350,477
Lease receivable	2,654,110	-	-	-	2,654,110
Notes receivable	12,782,946	-	-	2,360,470	15,143,416
Prepaid expenses	-	5,849,887	-	-	5,849,887
Inventories	637,599	-	-	-	637,599
Due from other funds	1,225,453	-	-	-	1,225,453
Total assets	138,039,549	37,797,189	10,605,155	12,578,318	199,020,211
LIABILITIES					
Accounts payable	3,062,415	3,734,757	2,209,890	151,959	9,159,021
Retainage payable	-	646,569	-	-	646,569
Other accrued liabilities	4,307,086	-	5,036,234	12,230	9,355,550
Due to other governments	6,891	-	-	-	6,891
Due to other funds	-	-	-	1,225,453	1,225,453
Deposits	739,156	-	-	-	739,156
Unearned revenue	3,756	-	2,261,299	-	2,265,055
Total liabilities	8,119,304	4,381,326	9,507,423	1,389,642	23,397,695
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	461,212	-	-	1,983	463,195
Leases related	2,432,703	-	-	-	2,432,703
Unavailable resources	8,534	73,420	311,707	1,644,941	2,038,602
Total deferred inflows of resources	2,902,449	73,420	311,707	1,646,924	4,934,500
FUND BALANCE					
Nonspendable:					
Inventories and prepaids	637,599	5,849,887	-	-	6,487,486
Leases	221,407	-	-	-	221,407
Perpetual maintenance	-	-	-	360,101	360,101
Notes receivable	12,782,946	-	-	-	12,782,946
Restricted:					
Stabilization by State Statute	30,372,368	-	-	-	30,372,368
Grant programs	-	-	786,025	577,167	1,363,192
Notes receivable	-	-	-	2,360,470	2,360,470
State cash flow loan				2,791,793	2,791,793
Opioid funding				1,000,982	1,000,982
Business improvement district	-	-	-	776,690	776,690
Capital improvements	-	27,492,556	-	-	27,492,556
Committed:					
Community and economic development	10,540,978	-	-	-	10,540,978
Sustainability	-	-	-	1,941,019	1,941,019
Assigned:					
Appropriated for subsequent year's budget	2,155,000	-	-	-	2,155,000
Capital improvements	46,093,167	-	-	-	46,093,167
Various projects	168,835	-	-	-	168,835
Unassigned (deficit)	24,045,496	-	-	(266,470)	23,779,026
Total fund balances	127,017,796	33,342,443	786,025	9,541,752	170,688,016
Total liabilities, deferred inflows of resources and fund balances	$ 138,039,549	$ 37,797,189	$ 10,605,155	$ 12,578,318	$ 199,020,211

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance – governmental funds		$ 170,688,016
Capital assets of $649,568,585 net of accumulated depreciation of $353,064,659, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		296,862,349
Asset held for sale		497,633
Differences between expected and actual experiences, assumptions changes and net differences between project and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of on the statement of net position.		
Deferred outflows - pension related	28,757,782	
Deferred outflows - OPEB related	2,518,076	
Deferred inflows - pension related	(1,470,370)	
Deferred inflows - OPEB related	(3,244,069)	
Total deferred outflows and inflows related to postemployment benefits		26,561,419
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.		
Bond refunding charges		2,030,068
Unavailable resources		2,493,263
Internal service fund are used by management to charge the costs of fleet management and risk management to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service fund are included in governmental activities in the statement of net position.		7,597,933
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the fund statements:		
General obligation bonds	(61,245,000)	
Installment financing contracts	(125,642,299)	
Leases payable	(2,230,197)	
Subscription liabilities	(884,635)	
Other long-term indebtedness	(2,791,793)	
Compensated absences	(19,126,934)	
Interest payable	(958,009)	
Total pension liability - LEOSSA	(7,594,439)	
Net pension liability - LGERS	(54,451,347)	
Net OPEB liability	(9,270,143)	
Total long-term liabilities		(284,194,796)
Governmental funds report the effect of premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Premium on bonds	(13,270,898)	
Total premiums, discounts and deferred items		(13,270,898)
Net position of governmental activities		$ 209,264,987

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	Major Funds				
	General Fund	General Capital Projects Fund	Grant Programs Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes:					
Ad valorem taxes	$ 85,568,798	$ -	$ -	$ 1,343,349	$ 86,912,147
Other taxes	39,498,371	-	-	72,038	39,570,409
Intergovernmental	15,343,860	3,112,831	13,009,287	4,502,724	35,968,702
Licenses and permits	5,534,913	-	-	-	5,534,913
Charges for services	10,389,036	572,414	758,786	67,322	11,787,558
Investment earnings	3,752,553	546,460	-	41,680	4,340,693
Miscellaneous	2,841,952	790,275	1,780,017	152,883	5,565,127
Total revenues	162,929,483	5,021,980	15,548,090	6,179,996	189,679,549
EXPENDITURES					
Current:					
General government	20,673,355	4,886,082	9,197,585	1,254,499	36,011,521
Public safety	77,330,799	842,934	5,198,393	72,555	83,444,681
Environmental services	8,806,455	1,981,908	2,877,412	-	13,665,775
Community development	10,409,398	451,652	1,741,637	3,636,792	16,239,479
Transportation	8,022,453	4,929,141	532,346	-	13,483,940
Culture and recreation	16,051,644	17,108,540	1,403,523	889	34,564,596
Capital outlay	-	-	179,757	-	179,757
Debt service:					
Principal	10,068,846	-	-	-	10,068,846
Interest and other charges	7,169,985	-	-	-	7,169,985
Lease/subscription debt service:					
Principal	956,257	55,152	-	-	1,011,409
Interest and other charges	56,577	16,550	-	-	73,127
Total expenditures	159,545,769	30,271,959	21,130,653	4,964,735	215,913,116
Excess (deficiency) of revenues over expenditures	3,383,714	(25,249,979)	(5,582,563)	1,215,261	(26,233,567)

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	Major Funds				
	General Fund	General Capital Projects Fund	Grant Programs Fund	Total Nonmajor Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	569,989	1,506,880	979,162	748,770	3,804,801
Transfers to other funds	(13,018,069)	(23,457)	(546,532)	-	(13,588,058)
Proceeds from sale of capital assets	359,035	-	-	-	359,035
Issuance of long term debt	42,166,613	39,380,492	-	2,791,793	84,338,898
Principle payments on refunding	(41,224,066)	-	-	-	(41,224,066)
Lease/subscription liabilities issued	1,004,295	-	-	-	1,004,295
Total other financing sources (uses)	(10,142,203)	40,863,915	432,630	3,540,563	34,694,905
Net change in fund balances	(6,758,489)	15,613,936	(5,149,933)	4,755,824	8,461,338
Fund balances, as previously reported	133,776,285	17,728,507	6,549,737	4,172,149	162,226,678
Change in financial reporting entity (Note 13)	-	-	(613,779)	613,779	-
Fund balance, as restated	133,776,285	17,728,507	5,935,958	4,785,928	162,226,678
Fund balances - ending	$ 127,017,796	$ 33,342,443	$ 786,025	$ 9,541,752	$ 170,688,016

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances--total governmental funds		$ 8,461,338
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expenses. This is is the amount in which capital outlays exceeded depreciation expense in the current period.		10,983,072
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	463,195	
Unavailable resources	(1,209,634)	
Total revenues		(746,439)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.		
Loss on sale of assets	(3,867,673)	
Total miscellaneous transactions involving capital assets		(3,867,673)
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Repayment of long-term debt	51,973,608	
Long-term debt issued	(84,338,898)	
Debt for leases/SBITAs	7,114	
Total bond and other debt proceeds		(32,358,176)
The internal service funds are used by management to charge the costs of fleet management and risk management to the individual funds. The net expenses of certain activities of the internal service funds are reported with governmental activities.		(1,214,013)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Bond refunding charge		(999,878)
Compensated absences		1,296,384
Changes in pension liabilities and related deferred outflows and inflows of resources		(4,763,049)
Changes in OPEB liabilities and related deferred outflows and inflows of resources		1,030,271
Change in net position of governmental activities		$ (22,178,163)

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND (NON-GAAP)

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes:				
Ad valorem taxes	$ 86,141,790	$ 86,141,790	$ 85,568,798	$ (572,992)
Other taxes	44,450,000	44,450,000	39,498,371	(4,951,629)
Intergovernmental	13,523,675	13,530,815	15,343,860	1,813,045
Licenses and permits	5,658,176	5,658,176	5,534,913	(123,263)
Charges for services	10,747,960	10,747,960	10,389,036	(358,924)
Investment earnings	2,100,000	2,100,000	3,752,553	1,652,553
Miscellaneous	4,140,759	4,140,759	2,841,952	(1,298,807)
Total revenues	166,762,360	166,769,500	162,929,483	(3,840,017)
EXPENDITURES				
Current:				
General government	22,147,969	23,248,878	20,673,355	2,575,523
Public safety	76,961,816	78,620,619	77,330,799	1,289,820
Environmental services	9,795,879	10,264,910	8,806,455	1,458,455
Community development	12,604,157	26,415,004	10,409,398	16,005,606
Transportation	8,591,569	8,940,536	8,022,453	918,083
Culture and recreation	17,261,671	17,240,946	16,051,644	1,189,302
Debt service:				
Principal	9,768,846	10,068,847	10,068,846	1
Interest and other charges	5,826,169	6,694,987	7,169,985	(474,998)
Lease/subscription debt service:				
Principal	-	1,007,027	956,257	50,770
Interest and other charges	-	58,484	56,577	1,907
Total expenditures	162,958,076	182,560,238	159,545,769	23,014,469
Excess (deficiency) of revenues over expenditures	3,804,284	(15,790,738)	3,383,714	19,174,452
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	7,752,792	27,507,418	-	(27,507,418)
Transfers from other funds	490,000	490,000	569,989	79,989
Transfers to other funds	(12,090,007)	(13,025,545)	(13,018,069)	7,476
Lease/subscription liabilities issued	-	-	1,004,295	1,004,295
Proceeds from sale of debt	-	42,000,000	42,166,613	166,613
Principal payments on refunding	-	(41,224,066)	(41,224,066)	-
Proceeds from sale of capital assets	42,931	42,931	359,035	316,104
Total other financing sources (uses)	(3,804,284)	15,790,738	(10,142,203)	(25,932,941)
Net change in fund balance	$ -	$ -	$ (6,758,489)	$ (6,758,489)

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2025

	Major Funds			Totals	
	Water Resources	Mass Transit	Nonmajor Enterprise Funds	Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	$ 58,050,641	$ 4,266,178	$ 20,882,787	$ 83,199,606	$ 12,524,745
Accounts receivable (net of allowance for uncollectibles)	10,867,216	5,885	895,193	11,768,294	3,120,697
Lease receivables	-	-	9,795	9,795	-
Due from other governments	4,002,685	2,129,823	-	6,132,508	-
Inventories	3,084,719	43,334	86,295	3,214,348	-
Total current assets	76,005,261	6,445,220	21,874,070	104,324,551	15,645,442
Noncurrent assets:					
Cash and investments - restricted	5,730,913	-	5,221,511	10,952,424	-
Capital assets:					
Assets not being depreciated	68,896,374	165,512	16,042,338	85,104,224	-
Assets being depreciated, net	228,543,338	8,877,757	33,881,551	271,302,646	1,264,123
Total noncurrent assets	303,170,625	9,043,269	55,145,400	367,359,294	1,264,123
Total assets	379,175,886	15,488,489	77,019,470	471,683,845	16,909,565
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	4,537,673	125,548	2,826,630	7,489,851	154,245
OPEB related	402,599	11,139	250,790	664,528	-
Deferred charge on refunding	618,152	-	8,593	626,745	-
Total deferred outflows of resources	5,558,424	136,687	3,086,013	8,781,124	154,245

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2025

	Major Funds			Totals	
	Water Resources	Mass Transit	Nonmajor Enterprise Funds	Enterprise Funds	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	3,116,819	4,578,964	5,908,354	13,604,137	2,146,510
Cash overdraft	-	-	-	-	2,971,633
Claims payable	-	-	-	-	879,205
Customer deposits	625,369	-	500	625,869	-
Retainage payable	434,077	-	-	434,077	-
Interest payable	858,385	907	82,914	942,206	-
Other accrued liabilities	444,977	9,786	365,274	820,037	41,406
Due to other governments	-	9,560	1,600	11,160	-
Unearned revenue	596,603	-	-	596,603	-
Current portion of long-term debt	7,425,799	30,803	1,125,938	8,582,540	49,096
Total current liabilities	13,502,029	4,630,020	7,484,580	25,616,629	6,087,850
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	1,848,403
Long-term liabilities, less current portion	96,440,577	1,676,640	13,419,415	111,536,632	1,525,922
Total noncurrent liabilities	96,440,577	1,676,640	13,419,415	111,536,632	3,374,325
Total liabilities	109,942,606	6,306,660	20,903,995	137,153,261	9,462,175
DEFERRED INFLOWS OF RESOURCES					
Leases	-	-	9,064	9,064	-
Pension related	108,908	3,013	67,841	179,762	3,702
OPEB related	518,674	14,351	323,095	856,120	-
Total deferred inflows of resources	627,582	17,364	400,000	1,044,946	3,702
NET POSITION					
Net investment in capital assets	206,218,694	7,690,291	42,977,727	256,886,712	-
Unrestricted (deficit)	67,945,428	1,610,861	15,823,761	85,380,050	7,597,933
Total net position	$ 274,164,122	$ 9,301,152	$ 58,801,488	$ 342,266,762	$ 7,597,933

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	Major Funds			Totals	
	Water Resources	Mass Transit	Nonmajor Enterprise Funds	Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
Charges for services	$ 38,500,923	$ 399,902	$ 18,263,822	$ 57,164,647	$ 22,848,642
Lease	-	-	1,225,824	1,225,824	-
Concessions	-	-	2,057,531	2,057,531	-
Other operating revenue	35,113	382,700	1,115,492	1,533,305	3,503,882
Total operating revenues	38,536,036	782,602	22,662,669	61,981,307	26,352,524
OPERATING EXPENSES:					
Administration	1,873,410	971,430	3,910,589	6,755,429	1,780,376
Operations	34,085,789	13,426,000	15,505,260	63,017,049	26,054,206
Other operating expenses	-	1,296,997	881,398	2,178,395	-
Depreciation	6,917,210	1,458,806	2,209,814	10,585,830	2,478
Total operating expenses	42,876,409	17,153,233	22,507,061	82,536,703	27,837,060
Operating income (loss)	(4,340,373)	(16,370,631)	155,608	(20,555,396)	(1,484,536)
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental	4,062,756	9,819,898	-	13,882,654	-
Investment earnings	1,712,758	60,319	581,318	2,354,395	286,575
Interest and other charges	(2,086,287)	(29,249)	(185,014)	(2,300,550)	(16,052)
Gain on disposal of capital assets	41,975	-	14,236	56,211	-
Total nonoperating revenues (expenses)	3,731,202	9,850,968	410,540	13,992,710	270,523
Income (loss) before capital contributions and transfers	(609,171)	(6,519,663)	566,148	(6,562,686)	(1,214,013)
Transfers:					
Transfers from other funds	-	8,429,293	1,353,964	9,783,257	-
Capital grants and contributions	1,806,511	616,528	500,000	2,923,039	-
Changes in net position	1,197,340	2,526,158	2,420,112	6,143,610	(1,214,013)
Total net position, as previously reported	274,395,574	6,871,481	57,225,648	338,492,703	8,811,946
Change in accounting principle (Note 13)	(1,428,792)	(96,487)	(844,272)	(2,369,551)	-
Total net position, as restated	272,966,782	6,774,994	56,381,376	336,123,152	8,811,946
Total net position – ending	$ 274,164,122	$ 9,301,152	$ 58,801,488	$ 342,266,762	$ 7,597,933

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	Major Funds			Totals	
	Water Resources	Mass Transit	Non-major Enterprise Funds	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers, users and others	$ 30,907,634	$ (1,195,053)	$ 18,581,199	$ 48,293,780	$ 25,133,594
Cash paid for goods and services	(43,099,953)	(12,349,108)	(6,455,430)	(61,904,491)	(24,221,428)
Cash paid to employees for services	4,907,071	(430,120)	(10,680,413)	(6,203,462)	354,738
Net cash flows from operating activities	(7,285,248)	(13,974,281)	1,445,356	(19,814,173)	1,266,904
Cash flows from noncapital financing activities:					
Receipts from operating grants	4,062,756	9,819,898	-	13,882,654	-
Transfers from other funds	-	8,429,293	1,353,964	9,783,257	-
Net cash flows from non-capital financing activities	4,062,756	18,249,191	1,353,964	23,665,911	-
Cash flows from capital and related financing activities:					
Receipts from capital grants or contributions	1,806,511	616,528	500,000	2,923,039	-
Proceeds from disposal of capital assets	2,713,343	-	14,236	2,727,579	-
Acquisition and construction of capital assets	(25,568,240)	(1,721,136)	(3,689,358)	(30,978,734)	(1,089,806)
Proceeds from long-term debt issued	31,478,914	-	-	31,478,914	-
Principal paid on debt	(5,174,910)	-	(907,153)	(6,082,063)	-
Interest and other charges paid on debt	(2,086,287)	(29,249)	(185,014)	(2,300,550)	(16,052)
Net cash flows from capital and related financing activities	3,169,331	(1,133,857)	(4,267,289)	(2,231,815)	(1,105,858)
Cash flows from investing activities:					
Interest earned	1,712,758	60,319	581,318	2,354,395	286,575
Net cash flows from investing activities	1,712,758	60,319	581,318	2,354,395	286,575
Net change in cash and cash equivalents	1,659,597	3,201,372	(886,651)	3,974,318	447,621
Cash and cash equivalents - beginning	62,121,957	1,064,806	26,990,949	90,177,712	12,077,124
Cash and cash equivalents - ending	$ 63,781,554	$ 4,266,178	$ 26,104,298	$ 94,152,030	$ 12,524,745

(Continued)

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2025

	Major Funds			Totals	
	Water Resources	Mass Transit	Nonmajor Enterprise Funds	Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	$ (4,340,373)	$ (16,370,631)	$ 155,608	$ (20,555,396)	$ (1,484,536)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation and amortization	6,917,210	1,458,806	2,209,814	10,585,830	2,478
Change in accounts receivable	(7,615,375)	(1,594,955)	304,754	(8,905,576)	(1,218,930)
Change in inventories and prepaids	(410,883)	(31,943)	12,560	(430,266)	-
Change in deferred outflows of resources for pensions	502,647	10,405	220,089	733,141	18,507
Change in accounts payable	(853,929)	3,029,164	(1,138,147)	1,037,088	3,948,812
Change in other accrued expenses	95,556	(410,925)	(104,753)	(420,122)	-
Change in unearned revenue	71,477	6,698	-	78,175	-
Change in long-term debt	(1,599,257)	-	(154,261)	(1,753,518)	-
Change in compensated absences	(195,281)	(63,120)	(187,455)	(445,856)	-
Change in pension liability - LGERS	235,051	6,504	146,419	387,974	1,673
Change in OPEB liability	(244,596)	-	(139,023)	(383,619)	-
Change in deferred inflows - leases	-	-	(10,878)	(10,878)	-
Change in deferred inflows of resources for pensions	152,505	(14,284)	130,629	268,850	(1,100)
Total adjustments	(2,944,875)	2,396,350	1,289,748	741,223	2,751,440
Net cash flows from operating activities	$ (7,285,248)	$ (13,974,281)	$ 1,445,356	$ (19,814,173)	$ 1,266,904
Reconciliation of cash and investments:					
Cash and investments:					
Unrestricted	$ 58,050,641	$ 4,266,178	$ 20,882,787	$ 83,199,606	$ 12,524,745
Restricted	5,730,913	-	5,221,511	10,952,424	-
Total cash and cash equivalents	$ 63,781,554	$ 4,266,178	$ 26,104,298	$ 94,152,030	$ 12,524,745

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2025

	OPEB Trust Fund	Metropolitan Sewer District Custodial Fund
ASSETS		
Cash and investments - restricted	$ -	$ 599,345
Cash and investments held by fiscal agent:		
State Treasurer's OPEB fund	27,958,709	-
Other receivables	-	-
Due from customers	-	3,323,801
Total assets	27,958,709	3,923,146
LIABILITIES		
Due to other governments	-	3,923,146
Total liabilities	-	3,923,146
NET POSITION		
Restricted for:		
Postemployment benefits other than pensions	27,958,709	-
Total net position	$ 27,958,709	$ -

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

THE CITY OF ASHEVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2025

	OPEB Trust Fund	Metropolitan Sewer District Custodial Fund
ADDITIONS		
Contributions:		
Employer	$ 2,455,740	$ -
Investment earnings	3,116,085	-
Sewer fees	-	31,573,109
Total additions	5,571,825	31,573,109
DEDUCTIONS		
Benefits	2,461,692	-
Sewer payments	-	31,573,109
Total deductions	2,461,692	31,573,109
Net change in fiduciary net position	3,110,133	-
Total net position, beginning	24,848,576	-
Total net position, ending	$ 27,958,709	$ -

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

Note 1—Nature of operations and summary of significant accounting policies

The basic financial statements of the City of Asheville (the "City") have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America as applied to government units. The Governmental Accounting Standards Board ("GASB"), is the accepted standard-setting body for establishing governmental accounting and financial reporting. The City's more significant accounting policies are described below.

A. Reporting Entity

The City is a municipal corporation that is governed by an elected mayor and a six-member council. The accompanying financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations and, as such, are included in the reporting entity. The City's discretely presented component unit is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

Included within the reporting entity are:

Asheville Board of Alcoholic Control (the "ABC Board")
The ABC Board was organized under the provisions of House Bill No. 1124 of the North Carolina General Assembly and implemented by a citywide election held November 14, 1947. The local ABC Board may borrow money in accordance with North Carolina General Statute 18B-702(r) and the City's governing body, who appoint ABC Board members, shall in no way be held responsible for the debts of the ABC Board. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the City, which represents a financial benefit to the City. Therefore, the ABC Board is reported as a discretely presented component unit. Complete financial statements for the ABC Board may be obtained from the Chief Financial Officer, Asheville Board of Alcoholic Control, Post Office Box 8834, Asheville, NC 28814.

Asheville Public Financing Corporation (the "APFC")
The Asheville Public Financing Corporation is a non-profit corporation chartered in 1991 with the specific purpose of assisting the City of Asheville in various types of financing arrangements. The APFC is governed by a board of directors whose three members serve for one year or until successors are elected. One of the three members is appointed by the City Manager. The City's board of directors elects the remaining directors. The APFC has no assets, liabilities, revenues or expenses. All rights, title and interest to all financing contracts with the City have been assigned to various bank trustees. All financing arrangements with the City have been disclosed in the accompanying notes to the basic financial statements. The assets and related long-term lease obligations are reported in the related governmental and business-type funds in the City's financial statements.

Not included within the reporting entity are:

Housing Authority of the City of Asheville ("Housing Authority")
The Mayor appoints the five-member board of the Housing Authority of the City of Asheville. The City is accountable for the Housing Authority because it appoints the governing board; however the Housing Authority is neither financially dependent upon the City nor does the City have any financial obligation or responsibility for the entity.

Asheville City School System ("School System")
In November 2022, due to state legislation, the board of the Asheville City School System elected their first board members. In January 2023, the Asheville City Council made its final appointment of a board member for a term ending in January 2025. The Asheville City School System is neither financially dependent upon the City nor does the City have any financial obligation or responsibility for the entity.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Jointly Governed Organization

Greater Asheville Regional Airport Authority ("The Airport Authority") – The Airport Authority is an independent, state-sanctioned airport authority. The structure of the authority is such that Henderson County is now a "member government," along with Asheville and Buncombe County. Each member government has two appointments to the board, with the seventh member to be appointed by the other six. The City has no fiscal responsibility for the Airport Authority.

Basis of Presentation

Government-Wide Statements – The statement of net position and the statement of activities display information about the primary government and its discretely presented component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities, including internal services provided and used. Omissions have also been made for fiduciary and fiduciary-type component units. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements – The fund financial statements provide information about the City's funds, including the 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, result from non-exchange transactions. Other non-operating revenues are ancillary activities, such as investment earnings.

Note 1—Nature of operations and summary of significant accounting policies (continued)

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in other funds. The primary revenue sources are ad valorem taxes, various other taxes and licenses and state-shared revenues. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, general government services, risk management and benefits, information technology, and debt service for the payment of general long-term principal, interest, and related costs.

General Capital Projects Fund – The General Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition and/or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Grant Programs Fund – The Grant Programs Fund is used to account for grant revenues and related expenditures of various federal, state, and local grants.

The City reports the following non-major governmental funds:

Special Revenue Fund and Perpetual Care Permanent Fund.

The City reports the following major proprietary funds:

Water Resources Fund – The Water Resources Fund is an enterprise fund used to account for operations and maintenance of the City's water system including operation of three water treatment plants as well as the debt service for the payment of utility long-term debt principal, interest, and related costs. This fund also covers all system development fees assessed to new customers, which are accounted for in the Water Capital Reserve Fund per NCGS §162A Article 8. This fund also covers acquisition and/or construction of major utility capital facilities and infrastructure, which are accounted for in the Water Capital Projects Fund. Both the Water Capital Reserve Fund and the Water Capital Project Fund are combined with the Water Resources Fund (the operating fund) for financial statement purposes.

Mass Transit Fund – The Mass Transit Fund is an enterprise fund used to account for the operation and maintenance of the City's transit services which include 16 bus routes throughout the city and one to the Town of Black Mountain. Acquisition of buses and/or maintenance of transit facilities are accounted for in the Mass Transit Capital Projects Fund, which is combined with the Mass Transit Fund (the operating fund) for financial statement purposes.

Internal Service Fund – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis. The City has four internal service funds, the General Insurance Fund, the Health Fund, the Workers' Compensation Fund and the Property and Casualty Fund. The General Insurance Fund accounts for other insurance related items not specifically accounted for in the other three internal service funds. The Health Fund accounts for the accumulation and allocation of costs associated with employee and family life, medical and dental insurance premiums and claims. The Workers' Compensation Fund accounts for the costs associated with workers' compensation insurance and claims. The Property and Casualty Fund accounts for the accumulation and allocation of costs associated with property and casualty insurance and claims for the City.

Note 1—Nature of operations and summary of significant accounting policies (continued)

The City reports the following non-major enterprise funds, some of which are combined with their own individual capital project funds for financial statement purposes:

Street Cut Utility Fund, Stormwater Fund, Parking Services Fund, and Harrah's Cherokee Center – Asheville Fund.

Additionally, the City reports the following fund types:

Fiduciary Funds – The City maintains an Other Postemployment Benefit (OPEB) Fund. Pension 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 Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

The City also maintains one custodial fund, Metropolitan Sewer District Agency Fund, which accounts for the collection of various sewer fees charged to City water customers. Custodial funds are used to account for assets the City holds on behalf of others.

Measurement Focus and Basis of Accounting – In accordance with North Carolina General Statutes, all funds, governmental and business-type of the City are maintained during the year using the modified accrual basis of accounting.

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund (excluding agency funds) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, while fiduciary fund financial statements are reported using accrual basis accounting but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1—Nature of operations and summary of significant accounting policies (continued)

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

The City considers all revenues available if they are collected within 90 days of the end of the current fiscal period, except for property taxes. Ad valorem taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 motor vehicles are registered.

Sales taxes and certain intergovernmental revenues collected and held by the state at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Buncombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

Grant proceeds received but unearned at year-end are recorded as unearned revenues. Under the terms of the grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenditures are incurred, there is both restricted and unrestricted net position available to finance the program. Excluding debt funding, it is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. In the event that debt proceeds are included, the City will spend debt proceeds first unless there is an agreement tying specific expenditures to grant proceeds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgetary Data – The City's budgets are adopted as required by the North Carolina General Statutes ("N.C. G.S."). An annual budget is adopted for the General Fund, Water Resources Fund and the other non-major enterprise operating funds. Multi-year budgets are adopted for non-major governmental funds and enterprise capital projects funds. All annual appropriations lapse at the fiscal year-end. As required by state law [N. C. G.S.159-26(d)], the City maintains encumbrance accounts, which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are restricted and will be charged against next year's budget. All budgets are prepared using the modified accrual basis of accounting. N.C. G.S.159-13(a)(3) requires the budget ordinance make appropriations by department, function or project. The City has defined its annual operating funds to be functions; therefore, expenditures may not legally exceed appropriations at the fund level for all annual operating funds. Expenditures may not legally exceed appropriations at the fund level for all multi-year project funds. Amendments are required for any revisions that alter the total fund budget and must be approved by the City Council. The City internally manages expenditures on a line item and departmental basis. The Budget division must approve all of these internal budget revisions. During the year numerous budget revisions 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.

Note 1—Nature of operations and summary of significant accounting policies (continued)

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

Deposits and Investments – The deposits of the City are secured as required by N. C. G.S. 159-31. The City may establish official depositories with any bank or savings association whose principal office is located in North Carolina. The City may establish time deposits in the form of NOW and SUPERNOW accounts, money market accounts, and certificates of deposits.

State law [G.S. 159-30(c)] authorizes the City 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, the North Carolina Capital Management Trust (NCCMT), and the North Carolina Cooperative Liquid Assets Securities System (NC CLASS). The City's investments are reported at fair value as determined by quoted market prices.

In accordance with state law, the City has certain securities which are callable and that provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash – The City pools moneys from all funds, except unspent bond proceeds and OPEB trust funds, to facilitate disbursement and investment and maximize investment income. The City considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Restricted Assets – Certain cash balances are restricted by purpose and source. Cash balances related to customer deposits are not available for appropriations or expenditures. These balances are segregated on the Statement of Net Position and classified as restricted. Other cash balances in the major funds are restricted for unspent debt proceeds, debt service payments and unspent grant funding, and are only available for designated projects as described in the individual official statements or grant agreements and as approved by Council. Unexpended bond proceeds are classified as restricted cash because their use is completely restricted to the purpose for which the bonds were originally issued.

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

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 percentage of prior year receivables collected within the current fiscal year. In addition, an allowance is provided for certain loans where collectability is uncertain.

Lease Receivable – The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreements. The deferred inflow of resources is recognized on a straight-line basis over the term of the lease.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Inventories and Prepaid Items – Various inventories are maintained on either a perpetual or periodic basis and valued at cost using the weighted average or first-in, first-out methods, respectively. Inventories consist of expendable items, including supplies held for subsequent use, items held for sale, and certain materials consumed for the replacement of infrastructure. The costs thereof have been recorded at the time items were purchased. Expenditure occurs when items are issued from inventory. Inventories of the ABC Board are valued at average cost and are not in excess of market on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements and are expended/expensed as balances are used.

Notes Receivable – Notes receivable are recorded in governmental funds net of an allowance for uncollectible accounts. The notes receivables reported are related to loans given under the provisions of the Community Development Block Grant, HOME Investment Partnerships Program as well as a City administered low income housing loans.

Capital Assets – Capital assets reported in the applicable governmental or business-type activities columns in the government-wide financial statements include land, infrastructure, buildings, improvements other than buildings, machinery and equipment, right to use leases and right to use subscriptions and intangibles. Except for debt funded assets, which are always capitalized, minimum capitalization thresholds are as follows:

The City of Asheville, North Carolina

Category of Capital Asset	Capitalization Threshold
Land	No Threshold
Infrastructure	$50,000
Buildings and improvements	$50,000
Improvements other than buildings	$50,000
Machinery and equipment	$5,000
Right of way	$5,000
Right to use leases	$5,000
Software	$100,000
Right to use software	$100,000
Internally generated software	$1,000,000

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

Donated capital assets are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Costs incurred in repairing or maintaining an asset that do not extend the asset's useful life, increase its productivity, or add value to it are not capitalized. Capitalization of assets and improvements within a long-term project occur when the related asset is completed and put into use. Capitalized interest incurred during the construction phase of a project is included in the value of the asset capitalized in enterprise funds.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Three categories of capital assets are not depreciated: land, construction in progress, and most sub-classes of intangibles. Depreciable capital assets owned by the City and ABC Board are depreciated using the straight-line method over the following estimated useful lives:

The City of Asheville, North Carolina

Category of Capital Asset	Useful Life In Years
Infrastructure	20 - 50
Buildings and improvements	20 - 50
Improvements other than buildings	10 - 20
Machinery and equipment	5 - 30
Right to use leases	2 - 30
Right to use subscriptions	1-5
Software	5

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

Compensated Absences – The vacation policy of the City provides for the accumulation of up to a maximum of 40 days earned vacation leave, with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide, proprietary funds, and component unit financial statements.

The City also provides for the accumulation of compensatory time for non-exempt employees. Non-exempt general employees may accrue a balance of no more than 120 hours and sworn police officers and uniformed fire safety employees may accrue a balance of no more than 240 hours of compensatory time. Exceptions to this limit must be approved by the Finance and Human Resources directors. The compensatory time pay for non-exempt employees is accrued when incurred in the government-wide and proprietary funds.

On an annual basis, the City also advances holiday pay for certain employees. Employees separated from the City during the year that use more holiday pay than accrued on a pro-rata basis forfeit an equal amount of other compensated absence pay. Included in the compensated absences liability calculation is the City's net liability for holiday pay as of June 30. Any unused advanced holiday pay remaining at the end of each calendar year is forfeited. Holiday pay is accrued when incurred in the government-wide and proprietary funds.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. With the implementation of GASB 101 in the current fiscal year, the City will estimate what sick leave is "more likely than not to be paid or used" and will recognizing that portion as a liability for compensated absence and salary related payments.

Compensated Absences are accounted for on a fist in, first out basis, assuming that employees are taking leave as it is earned.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Long-Term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method of amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as certain bond 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. Certain issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt related expenditures.

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

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

The governmental fund types classify fund balances as follows:

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

Inventories, notes receivable, lease receivables and prepaid balances - portion of fund balance that is not available for appropriation because it represents the year-end balance of inventories, notes receivable and prepaid balances, which are not expendable available resources.

Perpetual maintenance - portion of fund balance that is required to be retained in perpetuity for maintenance of the City’s cemetery.

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

Restricted for Stabilization by State Statute: Portion of fund balance that is constrained by state statute G.S. 159-8(a) from appropriation.

Restricted for Grant Programs: Portion of fund balance restricted for various grant programs.

Restricted for Capital Improvements: Portion of fund balance restricted for various capital improvement projects.

Committed Fund Balance – This classification includes amounts that can only be spent for specific purposes imposed by majority vote by quorum of The City of Asheville, North Carolina’s governing body, the City Council (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The amounts are committed for various capital improvements and community and economic development.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Assigned Fund Balance – This classification includes amounts the City intends to use for a specific purpose. Assignments may be created, amended or eliminated by the Director of Finance and Management Services. Although managed as dedicated to specific areas, amounts are available for appropriation by Council. The majority of the amounts assigned are to be used for facility and infrastructure improvements.

Unassigned Fund Balance – This classification includes amounts of fund balance that are spendable and have not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

The City has a revenue spending practice that provides guidance for programs with multiple revenue sources. The Director of Finance and Management Services will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, and lastly, City 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 Director of Finance and Management Services has the authority to deviate from these practices if it is in the best interest of the City.

The City has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the City in such a manner that unassigned fund balance is greater than or at least equal to 15% of the General Fund operating expenditure budget. Any portion of the fund balance in excess of 15% of the General Fund operating expenditure budget may be appropriated by City Council through an amendment to the subsequent year's budget ordinance.

Pensions – 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 position of the cost sharing pension plan, the Local Governmental Employees' Retirement System ("LGERS"), and the single employer pension plan, the Law Enforcement Officer Special Separation Allowance (the "Separation Allowance") and additions to/deductions from LGERS' and the Separation Allowance fiduciary net position have been determined on the same basis as they are reported by LGERS and the Separation Allowance. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Asheville, North Carolina's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and the Separation Allowance. Investments are reported at fair value. For LGERS, investments are reported at fair value since these funds are held in an irrevocable trust.

Other post-employment benefits – For purposes of measuring the net other post-employment benefits "OPEB" liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recently Issued and Implemented Accounting Pronouncements

The City implemented GASB Statement No. 101, *Compensated Absences*. The requirement of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The implementation of this Statement had a material impact on the City's reporting in the current fiscal year. See note 13 for further information.

Note 1—Nature of operations and summary of significant accounting policies (continued)

The City implemented GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The implementation of this statement had no impact on the City's reporting in the current fiscal year.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

The City is evaluating the requirements of the above statements and their impact on reporting.

Stewardship, Compliance, and Accountability Deficit in Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance:

In fiscal year 2025, there was a negative fund balance of $2,971,633 in the Health Fund. The City is planning to raise employer healthcare contributions in future years to offset deficit.

Note 2—Deposits and Investments

Deposits – All deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. 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 City, these deposits are considered to be held by the City's agents in their 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 City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City 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 City has no policy regarding custodial credit risk for deposits.

At June 30, 2025, the City's deposits had a carrying amount of $98,503,169 including $599,345 reported in a custodial fund, and a bank balance of $103,520,958. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City also had $77,966 in petty cash at year-end. Certificates of Deposit are purchased for investment purposes and are included in the detail schedule below. All certificates held are covered by federal depository insurance and collateral held under the pooling method.

Note 2—Deposits and investments (continued)

Investments – The calculation of realized gains is independent of the calculation of the net increase/decrease in the fair value of investments that have been held in more than one fiscal year and sold during the current year. The current year realized gain is recognized as an increase/decrease in the fair value of the current year investments as compared to the investments as reported in the prior year.

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

	Valuation Measurement Method	Book Value at June 30, 2025	Maturity 0 - 6 Months	Maturity 6 - 12 Months	Rating
U.S. Government Securities	Fair value level 2	$ 19,865,430	$ 19,865,430	$ -	AAA
U.S. Government Agencies	Fair value level 2	27,366,755	19,864,510	7,502,245	Aaa/AA+
NCCMT - Government Portfolio	Amortized cost	43,208,128	43,208,128	-	AAAm
Bank Certificates of Deposit	Amortized cost	10,259,667	-	10,259,667	Unrated
NC CLASS	Fair value level 2	55,687,862	55,687,862	-	
Total		$ 156,387,842	$ 138,625,930	$ 17,761,912	

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 1 – NCCMT is valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Level 2 – Debt securities valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by requiring purchases of securities to be laddered with staggered maturity dates and limiting all securities to a final maturity of generally no more than five years.

Credit Risk – State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in the Federal Home Loan Bank rated of AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service. The City's investments in bank certificates of deposits are unrated. The City's investments in commercial paper are rated A1 by Standard & Poor's and P1 by Moody's Investors Service. The City's investments in US Agencies (Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2025.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy requires the use of a third-party custodial agent for book entry transactions, all of which will be held in the City's name.

Note 2—Deposits and investments (continued)

Concentration of Credit Risk – The City's policy generally limits the amount of investment in any one issuer to 25% by security type and institution. At June 30, 2025, approximately 13% of the City's total investments were in US Government Securities, 17% in Us Government Agencies, 7% in Local Bank Certificates of Deposits, 63% in NCCMT and NCCLASS.

At June 30, 2025, the City's OPEB Trust had $27,958,709 invested in the State Treasurer's Local Government Other Postemployment 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 City's OPEB Fund was invested as follows: North Carolina Non-Pension Fixed Income 34.84%, Black Rock's 65.13% (the equities were split with 64% in domestic securities and 36% in international securities), and North Carolina OPEB Short-Term for 0.03%.

Level of the Fair Value Hierarchy – Ownership of the Short-Term Investment Fund ("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, which in this case involves 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. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2025 of 2.1 years.

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. On June 30, 2025 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 BlackRock's MSCI ACWI EQ Index Non-Lendable Class B fund, authorized under G.S. 147-69.2(b)(8), 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 funds was $44.33 per share. Fair value for this Blackrock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Valuation Technique **–** The Ancillary Governmental Participant Investment Program (AGPIP) 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.

Note 3—Receivables - allowances for doubtful accounts

Receivables presented on the Statement of Net Position, Balance Sheet Governmental Funds, and Statement of Fund Net Position Proprietary Funds at year-end are net of the following allowances:

	Statement of Net Position		Balance Sheet	Fund Net Position
	Governmental Activities	Business-type Activities	Governmental Funds	Proprietary/ Internal Service Funds
General Fund:				
Property taxes receivable	$ 127,626	$ -	$ 127,626	$ -
Accounts receivable	2,979,084	-	2,979,084	-
Notes receivable	671,563	-	671,563	-
Non-Major Governmental Funds:				
Notes receivable	281,393	-	281,393	-
Major funds:				
Water resources	-	2,049,218	-	2,049,218
Mass transit	-	51,917	-	51,917
Non-Major Enterprise Funds	-	4,271,251	-	4,271,251
Internal services	25,473	-	-	25,473
	$ 4,085,139	$ 6,372,386	$ 4,059,666	$ 6,397,859

Note 4—Lease receivable

The City has recorded nine (9) lessor agreements for various City owned buildings, land, and infrastructure. Under the leases, the City receives receipts that range from $3,371 to $69,968 in exchange for use of City facilities. The leases expire in varying terms through July 2036. The total of the lease receivables and deferred inflow of resources at June 30, 2025 was $2,663,905 and $2,441,767, respectively. There are no variable components in the lease agreements. The lease receivable is measured as the present value of the future minimum lease payments expected to be received during the lease term at the discount rate. The discount rate varies from 0.814% to 3.549% and is equal to the incremental borrowing rate to the lessee.

In fiscal year 2025, the City recognized $298,711 of lease revenue and $25,533 of interest revenue under the leases.

Note 5—Capital assets

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

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Governmental activities:					
Capital assets, non-depreciable:					
Land and improvements	$ 56,485,019	$ -	$ (21,881)	$ -	$ 56,463,138
Intangibles	5,879,457	73,811	-	-	5,953,268
Construction in progress	24,433,713	26,277,412	(2,560,755)	(18,259,644)	29,890,726
Total capital asset, non-depreciable	86,798,189	26,351,223	(2,582,636)	(18,259,644)	92,307,132
Capital assets, depreciable:					
Buildings and improvements	102,525,740	-	(1,862,747)	1,872,633	102,535,626
Improvements other than buildings	29,373,216	484,616	(1,681,276)	6,771,628	34,948,184
Machinery and equipment	79,397,878	541,911	(3,327,379)	4,153,672	80,766,082
Infrastructure	328,871,792	-	(839,052)	5,326,818	333,359,558
Intangibles	569,775	-	-	-	569,775
Right-Of-Use Assets:					
Lease buildings	1,236,221	2,302,894	(339,990)	-	3,199,125
Lease equipment	1,039,644	-	(227,534)	-	812,110
Software subscription	2,797,215	-	(229,675)	-	2,567,540
Other capital assets	105,999	20,000	-	-	125,999
Total capital asset, depreciable	545,917,480	3,349,421	(8,507,653)	18,124,751	558,883,999
Less accumulated depreciation/amortization for:					
Buildings and improvements	(51,406,872)	(2,572,987)	1,040,658	-	(52,939,201)
Improvements other than buildings	(8,353,510)	(1,888,900)	39,978	-	(10,202,432)
Machinery and equipment	(54,607,450)	(5,576,354)	2,788,867	134,893	(57,260,044)
Infrastructure	(225,942,402)	(3,895,645)	93,947	-	(229,744,100)
Intangibles	(569,774)	-	-	-	(569,774)
Right-Of-Use Assets:					
Lease buildings	(371,351)	(243,337)	219,321	-	(395,367)
Lease equipment	(360,464)	(124,876)	227,534	-	(257,806)
Software subscription	(1,083,221)	(741,536)	229,675	-	(1,595,082)
Other capital assets	(96,880)	(3,973)	-	-	(100,853)
Total accumulated depreciation/amortization	(342,791,924)	(15,047,608)	4,639,980	134,893	(353,064,659)
Total capital assets, depreciable, net	203,125,556	(11,698,187)	(3,867,673)	18,259,644	205,819,340
Governmental activities capital assets, net	$ 289,923,745	$ 14,653,036	$ (6,450,309)	$ -	$ 298,126,472

Note 5—Capital assets (continued)

Depreciation and amortization expenses charged to the City's functions were as follows:

Governmental Activities:	
General government	$ 3,837,438
Public safety	3,193,194
Transportation	4,035,959
Environmental protection	573,348
Community development	76,821
Culture and recreation	3,330,848
Total depreciation/amortization, governmental activities	$ 15,047,608

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Buisness-Type Activities:					
Capital assets, non-depreciable:					
Land and improvements	$ 16,046,362	$ -	$ -	$ -	$ 16,046,362
Intangibles	37,227,371	1,535,148	-	-	38,762,519
Construction in progress	37,749,230	23,864,096	(36,898)	(31,281,085)	30,295,343
Total capital asset, non-depreciable	91,022,963	25,399,244	(36,898)	(31,281,085)	85,104,224
Capital Assets, Depreciable:					
Buildings and improvements	117,210,624	-	-	-	117,210,624
Improvements other than buildings	4,785,838	-	-	-	4,785,838
Machinery and equipment	53,840,785	2,835,462	(1,288,076)	2,214,728	57,602,899
Infrastructure	290,216,714	271,349	-	29,271,174	319,759,237
Right-Of-Use Assets:					
Lease equipment	1,159,028	-	(66,584)	-	1,092,444
Lease land and improvements	155,621	-	(155,621)	-	-
Software subscription	369,043	-	-	-	369,043
Other capital assets	25,000	-	-	-	25,000
Total capital asset, depreciable	467,762,653	3,106,811	(1,510,281)	31,485,902	500,845,085
Less Accumulated Depreciation/Amortization for:					
Buildings and improvements	(68,184,161)	(2,139,823)	-	-	(70,323,984)
Improvements other than buildings	(1,751,180)	(217,656)	-	-	(1,968,836)
Machinery and equipment	(41,425,037)	(2,700,470)	1,288,076	(204,817)	(43,042,248)
Infrastructure	(108,104,818)	(5,449,220)	-	-	(113,554,038)
Right-Of-Use Assets:					
Lease equipment	(398,129)	(123,148)	66,584	-	(454,693)
Lease land and improvements	(110,231)	-	110,231	-	-
Software subscription	(116,761)	(70,906)	-	-	(187,667)
Other capital assets	(9,965)	(1,008)	-	-	(10,973)
Accumulated Depreciation/Amortization, Net	(220,100,282)	(10,702,231)	1,464,891	(204,817)	(229,542,439)
Capital Assets, Depreciable, Net	247,662,371	(7,595,420)	(45,390)	31,281,085	271,302,646
Buisness-Type Activities Capital Assets, Net	$ 338,685,334	$ 17,803,824	$ (82,288)	$ -	$ 356,406,870

During the year, the City recorded capital contributions of $1,806,497, which represents the value of water lines, easements, and rights of way. Capital contributions are a non-cash capital related financing activity for the statement of cash flows.

Note 5—Capital assets (continued)

The City has numerous construction projects as of June 30, 2025. The amounts the City is contractually committed to spend at June 30, 2025 are the following:

Project	Spent to Date	Remaining Commitments
Governmental:		
Building maintenance	$ 1,809,800	$ 1,686,072
Transportation	10,681,462	14,349,051
Parks and recreation	745,645	3,979,291
RADTIP	31,925,295	805,576
Bond projects	14,973,783	11,898,054
Total governmental	60,135,985	32,718,044
Proprietary:		
Water	28,960,756	66,046,980
Stormwater	2,842,698	480,912
U.S. Cellular Center	8,900,567	86,814,730
Total Proprietary	40,704,022	153,342,621
Total Commitments	$ 100,840,007	$ 186,060,665

Note 6—Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2025 is as follows:

Due From Other Funds	Due To General Fund
Non-major governmental funds:	
Community development special revenue fund	$ 817,165
Affordable Home Ownership Special Revenue Fund	408,288
Total due from other funds	$ 1,225,453

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

Note 6—Interfund receivables, payables, and transfers (continued)

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

	Transfers In							
	General Fund	General Capital Projects Fund	Grant Programs Special Revenue Fund	Nonmajor Governmental Funds	Water Services Fund	Mass Transit Fund	Nonmajor Enterprise Funds	Transfers Out
General fund	$ -	$ 1,506,880	$ 979,162	$ 748,770	$ -	$ 8,429,293	$ 1,353,964	$ 13,018,069
General capital projects fund	23,457	-	-	-	-	-	-	23,457
Grants program special revenue fund	546,532	-	-	-	-	-	-	546,532
Total	$ 569,989	$ 1,506,880	$ 979,162	$ 748,770	$ -	$ 8,429,293	$ 1,353,964	$ 13,588,058

The General Fund shows transfers to other funds totaling $13.0 million for fiscal year 2025. This total includes an $8.5 million transfer to support operations in the Mass Transit enterprise fund and $1.5 million in operating support for the Harrah's Cherokee Center Asheville (HCCA) enterprise fund. Transfers to other funds also include a $1.3 million transfer to the General Capital Projects Fund to provide funding for reparations and street maintenance.

Note 7—Long-term obligations

Lease and Subscription Based Information Technology Arrangement ("SBITA") liabilities – The City has entered into agreements to lease certain equipment, buildings, and land and improvements. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception.

The City has recorded sixteen (16) right to use leased assets. The underlying assets related to these leases are copiers, lighting, tower, transit, and other equipment, building space, and land and improvements. The City has multiple SBITAs for a variety of software systems used across the City. The related liabilities are discussed below. The right to use assets are amortized on a straight-line basis over the terms of the related leases or contract and included in Note 5 – Capital Assets.

The future lease obligations as of June 30, 2025, were as follows:

	Governmental-Type Activities		Business-Type Activities		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2026	$ 270,969	$ 86,731	$ 117,822	$ 8,922	$ 357,700
2027	285,812	80,172	114,206	7,183	365,984
2028	297,976	73,269	113,275	5,525	371,245
2029	312,824	66,016	114,933	3,867	378,840
2030	331,836	58,336	104,378	2,222	390,172
Thereafter	2,008,249	219,171	91,426	699	2,227,420
	$ 3,507,666	$ 583,695	$ 656,040	$ 28,418	$ 4,091,361

Note 7—Long-term obligations (continued)

The City has entered into subscription-based IT arrangements for the use of certain software systems. These agreements have been recorded at the present value of the future subscription payments as of the date of their inception.

The future SBITA obligations as of June 30, 2025, were as follows:

	Governmental-Type Activities		Business-Type Activities		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2026	$ 644,402	$ 20,445	$ 72,935	$ 4,169	$ 741,951
2027	240,233	5,604	77,190	2,226	325,253
2028	-	-	6,576	175	6,751
	$ 884,635	$ 26,049	$ 156,701	$ 6,570	$ 1,073,955

General Obligation Bonds, Limited Obligation Bonds, Revenue Bonds, and Installment Financing Contracts – The City has issued general obligation bonds, revenue bonds, limited obligation bonds (“LOBs”), special obligation bonds (SOBs) and direct placement installment financing agreements to provide funds for the acquisition and construction of major capital facilities and capital equipment related to both general and proprietary activities. All general obligation bonds are backed by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due. The revenue bonds are secured by the pledge of the net revenues derived from the acquired or constructed assets of the water system. The LOBs, SOBs and installment financing agreements are collateralized by the assets being financed and are not secured by the taxing power of the City. The revenue bonds LOBs and SOBs require the City to follow customary covenants including providing insurance certificates, budget data, and financial information on an annual basis.

Note 7—Long-term obligations (continued)

Long-term obligations at June 30, 2025 are comprised of the following individual issues:

	Issue Date	Final Maturity	Interest Rate	Original Issue	Principal Balance June 30, 2025	Governmental Activities	Business-Type
1. General Obligation Bonds:							
2020 Refunding Bonds A (Tax-Exempt)	03/25/2020	06/01/2040	2.00% - 5.00%	$ 12,625,000	$ 12,625,000	$ 12,625,000	$ -
2020 Refunding Bonds B (Taxable)	03/25/2020	06/01/2028	1.27% - 1.80%	8,200,000	2,990,000	2,990,000	-
2023 GO Refunding Bonds	02/09/2023	06/1/2043	3.50% - 5.00%	22,405,000	20,160,000	20,160,000	-
2023 GO Bonds C (Taxable)	10/18/2023	12/01/2037	4.81% - 5.50%	33,790,000	15,645,000	15,645,000	-
2023 GO Bonds B (Tax Exempt)	10/18/2023	12/01/2043	4.375% - 5.00%	9,925,000	9,825,000	9,825,000	-
				86,945,000	**61,245,000**	**61,245,000**	**-**
2. Installment Financing Contracts:							
2010 Installment financing (Parks & Recreation)	07/12/2010	07/12/2025	4.55%	1,100,000	36,667	36,667	-
2017 Limited Obligation Bonds	11/09/2017	10/01/2037	3.00% - 5.00%	25,000,000	16,820,001	13,253,027	3,566,974
2017 Special Obligation Bonds	11/09/2017	10/01/2037	2.50% - 5.00%	17,140,000	11,120,000	9,618,800	1,501,200
2021 Limited Obligation Bonds	04/29/2021	04/01/2041	2.00% - 3.00%	13,350,000	13,350,000	13,350,000	-
2021 Special Obligation Bonds	04/29/2021	04/01/2033	3.00% - 5.00%	17,240,000	11,125,000	10,619,925	505,075
2024 Installment financing	11/30/2023	07/01/2028	4.27%-4.237%	8,202,537	6,690,436	6,106,041	584,395
2025 Limited Obligation Refunding Bond	04/09/2025	04/01/2045	4.250% - 5.000%	39,360,000	39,360,000	38,632,839	727,161
2025 Limited obligation Taxable Bond	06/25/2025	04/01/2045	4.356% - 5.962%	34,025,000	34,025,000	34,025,000	-
				155,417,537	**132,527,104**	**125,642,299**	**6,884,805**
3. Revenue Bonds:							
2015 Water System Revenue Refunding Bonds	06/11/2015	08/01/2032	2.0% - 5.0%	50,625,000	19,985,000	-	19,985,000
2021 Water System Revenue Refunding Bonds	09/30/2021	08/01/2051	1.625% - 5.0%	38,125,000	35,865,000	-	35,865,000
2024 Water System Revenue Bonds	09/11/2024	08/01/2051	4.500% - 5.000%	26,905,000	26,905,000	-	26,905,000
				115,655,000	**82,755,000**	**-**	**82,755,000**
4. Other long-term indebtedness:							
2011 NC DENR, Drinking Water Revolving Loan	06/22/2011	05/01/2031	0.00%	198,194	59,458	-	59,458
NC State Cash Flow Loan	03/25/2025	6/30/2030	0.00%	2,791,793	2,791,793	2,791,793	-
				$ 2,989,987	**2,851,251**	**2,791,793**	**59,458**
Total General Obligation Bonds, Limited Obligation Bonds, Revenue Bonds, and Other Long-Term Obligations					**$ 279,378,355**	**$ 189,679,092**	**$ 89,699,263**

Note 7—Long-term obligations (continued)

The principal balances compared to the principal and unamortized balances in the preceding individual issues table are the unamortized premium balances as follows:

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds:			
2020 General Obligation Refunding Bonds	$ 1,620,994	$ -	$ 1,620,994
2023 General Obligation Refunding Bonds	2,592,768	-	2,592,768
2023B General Obligation Bonds	369,837	-	369,837
2023C General Obligation Bonds	9,056	-	9,056
Installment Financing Contracts:			
Limited Obligation Bonds, Series 2017	1,495,214	542,262	2,037,476
Special Obligation Bonds, Series 2017	742,418	115,869	858,287
Limited Obligation Bonds, Series 2021	1,085,568	-	1,085,568
Special Obligation Bonds, Series 2021	2,296,269	109,209	2,405,478
2025 LOBs Refunding	3,058,774	57,573	3,116,347
Revenue Bonds:			-
2015 Water System Revenue Refunding Bonds	-	2,733,402	2,733,402
2021 Water System Revenue Refunding Bonds	-	2,169,472	2,169,472
2024 Water System Revenue Bonds	-	3,473,034	3,473,034
	$ 13,270,898	$ 9,200,821	$ 22,471,719

Note 7—Long-term obligations (continued)

Future Maturities of Long-Term Obligations – Annual debt service requirements to maturity, including interest, are as follows (excluding compensated absences and unfunded OPEB obligations):

	General Obligation Bonds		Limited Obligation Bonds, Direct Placement and Installment Financings		Other Long-Term Obligations		Total	
Governmental Activities	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Year(s) Ending June 30,								
2026	$ 3,500,000	$ 2,558,014	$ 8,656,676	$ 5,128,598	$ -	$ -	$ 12,156,676	$ 7,686,612
2027	3,500,000	2,418,686	8,689,871	5,177,416	279,179	-	12,469,050	7,596,102
2028	3,500,000	2,278,318	8,760,243	4,761,848	558,359	-	12,818,602	7,040,166
2029	3,505,000	2,132,438	8,648,189	4,355,682	837,538	-	12,990,727	6,488,120
2030	3,505,000	1,958,366	7,151,273	3,998,034	1,116,717	-	11,772,990	5,956,400
2031-2035	17,505,000	7,314,174	34,000,623	15,483,947	-	-	51,505,623	22,798,121
2036-2040	17,510,000	3,687,768	30,066,935	8,689,961	-	-	47,576,935	12,377,729
2041-2045	8,720,000	719,850	19,668,489	2,940,257	-	-	28,388,489	3,660,107
	$ 61,245,000	$ 23,067,614	$ 125,642,299	$ 50,535,743	$ 2,791,793	$ -	$ 189,679,092	$ 73,603,357

	Revenue Bonds		Limited Obligation Bonds, Direct Placement and Installment Financings		Other Long-Term Obligations		Total	
Business-type Activities:	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Year(s) Ending June 30,								
2026	$ 6,240,000	$ 2,970,975	$ 868,949	$ 265,545	$ 9,910	$ -	$ 7,118,859	$ 3,236,520
2027	3,660,000	2,723,475	874,338	223,788	9,910	-	4,544,248	2,947,263
2028	3,845,000	2,535,850	887,284	180,813	9,910	-	4,742,194	2,716,663
2029	4,035,000	2,349,500	891,551	141,416	9,910	-	4,936,461	2,490,916
2030	4,205,000	2,174,822	733,727	109,318	9,909	-	4,948,636	2,284,140
2031-2035	18,625,000	8,316,147	1,919,377	253,351	9,909	-	20,554,286	8,569,498
2036-2040	13,890,000	5,610,806	528,065	87,431	-	-	14,418,065	5,698,237
2041-2045	16,645,000	2,852,875	181,514	25,866	-	-	16,826,514	2,878,741
2046-2050	8,105,000	858,319	-	-	-	-	8,105,000	858,319
2051-2055	3,505,000	79,256	-	-	-	-	3,505,000	79,256
	$ 82,755,000	$ 30,472,025	$ 6,884,805	$ 1,287,528	$ 59,458	$ -	$ 89,699,263	$ 31,759,553

General Obligations Bonds – The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities related to both general and proprietary activities. All general obligation bonds are backed by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due. In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreement. On November 8, 2016, voters approved a $74 million Bond Referendum. The bonds will be used to fund $32 million in Transportation improvements, $25 million for Affordable Housing initiatives and $17 million for Parks and Recreation improvements.

In October 2023, the City issued a direct placement general obligation bond anticipation note (“2023 GO Bonds C”) in an amount not to exceed $33,790,000.

In October 2023, the City issued a direct placement general obligation bond anticipation note (“2023 GO Bonds B”) in an amount not to exceed $9,925,000.

Note 7—Long-term obligations (continued)

In June 2022, The City issues a direct placement limited obligation bond anticipation note (LOBs 2022 BAN) in an amount not to exceed $42,000,000. The funds were used to pay the costs of various capital projects for the general government as well as Mass Transit. The note was purchased by Wells Fargo Bank, NA. Under the terms of the bond, the Bank advances monies to the City from time to time and the City, subject to its right of non- appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis

In April 2025, the City entered into a sixth amendment for the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued direct placement limited obligation bonds ("2025 LOBs") in the amount of $39,360,000. The funds were used to refund all of the project costs associated with the 2022 direct placement limited obligation bonds. The 2025 LOBs were underwritten by Wells Corporate and Investment Bank. The bonds have coupon rates ranging from 4.25% to 5.00% and extend out to 2045. There was no economic impact as a result of this refunding.

Revenue Bonds

The City has pledged future water customer revenues, net of specified operating expenses, to repay $50,625,000 in Revenue Refunding Bonds, Series 2015. The bonds are payable solely from water customer new revenue and are payable through 2032. At June 30, 2025, the total principal remaining to be paid directly by the City on the bonds is $19,985,000

Water System Revenue Bond Anticipation Notes, Series 2018 – In October 2018, the City issued a direct placement water revenue bond anticipation note ("2018 Water BAN") in an amount not to exceed $40,000,000. The note was purchased by Bank of America, N.A. (the "Bank"). The funds were used to pay certain engineering and construction costs associated with the North Fork Dam project. The 2018 Water BAN was retired in September 2021 when the City issued the 2021 Water System Revenue Refunding Bonds described above.

The water system revenue bonds have been issued pursuant to a General Trust Indenture dated as of December 1, 2005, Series Indenture Number 2 dated as of November 1, 2007, Series Indenture Number 3 dated as of June 1, 2015 and Series Indenture Number 4 dated as of September 30, 2021 (together the Indentures) between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. The Indentures authorize and secure all outstanding revenue bonds of the City's water system and contain several financial and operating covenants governing such matters as rates, additional bonds, reserve funds, annual budgets, maintenance of the system and insurance. Management believes the City was compliant with all such covenants during the fiscal year ended June 30, 2025.

The calculation for the rate covenant for the year ended June 30, 2025 is as follows:

Water Revenue and Expense Information	
Revenues	$ 39,616,689
Current Expenses	30,197,896
Net Revenues Available for Debt Service	$ 9,418,793
Senior Debt Coverage:	
Principal and Interest	$ 7,611,317
Subordinate Debt:	
Principal and Interest	9,910
Total Debt Service	$ 7,621,227
Rate Coverage Test	1.24

Note 7—Long-term obligations (continued)

Other Long-Term Indebtedness – In 2011, the City received a loan of $198,194 from the NCDENR for improvements to the North Fork Water Treatment Plant. The loan bears interest at the rate of zero percent per annum and is payable over twenty years. At June 30, 2025, the outstanding balance is $59,458.

Changes in long-term liabilities:

	Beginning Balance, Restated	Additions	Retirements		Ending Balance	Current Portion of Balance
Governmental Activities:						
Bonds and notes payable:						
Installment financing contracts	$ 94,936,880	$ 78,488,331	$ 47,782,912		$ 125,642,299	$ 8,656,676
General obligation bonds	64,755,000	-	3,510,000		61,245,000	3,500,000
Lease liabilities	1,635,130	2,302,894	430,358		3,507,666	270,969
Subscription liabilities	1,537,261	-	652,626		884,635	644,402
Other long-term indebtedness	-	2,791,793	-		2,791,793	-
Unamortized bond premiums	10,892,820	3,058,774	680,696		13,270,898	704,364
Total bonds and notes payable	173,757,091	86,641,792	53,056,592		207,342,291	13,776,411
Compensated absences payable	20,423,318	-	1,296,384	*	19,126,934	3,454,107
Net pension obligation - LGERS	53,278,757	1,470,139	-	*	54,748,896	-
Net pension obligation - LEOSSA	8,153,653	625,970	1,185,184		7,594,439	-
Net OPEB obligation	10,799,983	-	1,529,840		9,270,143	-
Total governmental activities	$ 266,412,802	$ 88,737,901	$ 57,068,000		$ 298,082,703	$ 17,230,518
Business-Type Activities:						
Bonds and notes payable:						
Revenue bonds	$ 61,015,000	$ 26,905,000	$ 5,165,000		$ 82,755,000	$ 6,240,000
Installment financing contracts	7,505,052	1,008,226	1,628,473		6,884,805	868,949
Lease liabilities	822,001	-	165,961		656,040	117,822
Subscription liabilities	225,824	-	69,123		156,701	72,935
Other long-term indebtedness	69,366	-	9,908		59,458	9,910
Unamortized bond premiums	6,182,930	3,565,688	547,797		9,200,821	692,296
Total bonds and notes payable	75,820,173	31,478,914	7,586,262		99,712,825	8,001,912
Compensated absences payable	3,939,647	-	428,112	*	3,511,535	580,628
Net pension obligation - LGERS	14,060,420	387,974	-		14,448,394	-
Net OPEB obligation	2,850,146	-	403,728	*	2,446,418	-
Total business-type activities	$ 96,670,386	$ 31,866,888	$ 8,418,102		$ 120,119,172	$ 8,582,540

Debt Margin – The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to 8% of the appraised value of property subject to taxation. At June 30, 2025, such statutory limit for the City was approximately $1,658,675,000 providing a legal debt margin of approximately $1,382,111,000. The City does not intend to extend its debt to any amount near the legal debt limit.

Note 8—Net position and fund balance

Net Position – Net investment in capital assets consists of the following:

	Governmental Activities	Business-Type Activities
Capital Assets, Net of Depreciation	$ 298,126,472	$ 356,406,870
Less capital asset-related debt	(207,342,291)	(99,712,825)
Other capital asset-related liabilities	(646,569)	(434,077)
Add deferred outflows	2,030,068	626,745
Add unspent bond proceeds	32,410,046	-
Net Investment in Capital Assets	$ 124,577,726	$ 256,886,713

Fund Balance - General Fund – The following schedule provides information on the portion of fund balance that is available for appropriation in the General Fund:

Total Fund Balance - General Fund	$ 127,017,796
Less non-spendable Items	13,641,952
Less stabilization by state statute	30,372,368
Funds Available for Appropriation	83,003,476
Less committed	10,540,978
Less assigned	48,417,002
Less fund balance policy	25,813,326
Remaining fund balance	$ (1,767,830)

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. As of year-end, the City's outstanding encumbrances were $8,044,764 and $44,054,188 in the General Fund and General Capital Projects Fund, respectively.

Note 9—Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions on behalf of employees, elected officials, public officials, and appointed members of boards and commissions; injuries to employees; and a variety of losses stemming from natural disasters and perils.

The City self-insures employee benefits, general liability and workers' compensation risks and purchases stop-loss insurance for claims that exceed certain specific and aggregate limits. The City purchases insurance for risks of loss on real and personal property assets. Revenues and expenses associated with the risk management program are recorded in the City's internal service funds.

For all of the self-insured retention (SIR) programs, the City retains the services of outside third-party administrators for the professional management and adjustment of claims, including estimates for claims incurred but not reported (IBNR).

Note 9—Risk management (continued)

The City's SIR for liability claims is $600,000 per occurrence and carries excess liability insurance with limits of $15 million across all liability lines: general, public officials, law enforcement, employment practices, employee benefits, and automobiles. The City also purchases insurance for real and personal property assets in the amount of $448,524,180. Coverage limits include $10 million sub-limits each for flood and earthquake. Additionally, the City purchases dam insurance with limits of $15 million for three structures with a combined estimated $50,000,000 insurance to value.

Since the City is in an area of the state that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase flood insurance through the National Flood Insurance Plan (NFIP). However, due to the self-insurance coverage and the flood coverage provided under the City's property insurance policy, the City chooses not to participate in the NFIP.

The City is also self-insured as provided under North Carolina General Statutes for Workers' Compensation and Employer Liability. The City's SIR for workers' compensation claims is $600,000 per occurrence. Excess workers' compensation insurance with statutory limits is maintained for any claims exceeding the $600,000 self-insured retention.

In accordance with G.S. 159-29, City employees are covered by a crime insurance policy with a $500,000 limit per occurrence. The policy provides $500,000 in coverage for employee dishonesty/forgery as well as computer and electronic funds transfer fraud coverage and $500,000 in theft coverage. The Director of Financial and Management Services and the Assistant Finance Director are individually bonded for $1,000,000 and $250,000, respectively.

Revenues and expenses associated with the employee health benefits program are recorded in the Health Fund. The employee health benefits program is funded by both employee and employer contributions. Employee benefits paid through this program include health, dental, life and disability insurance. The City's health benefits are self-insured for claims below a $225,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance

The following is a summary of changes in estimated claims payable in the Workers' Compensation and Property and Casualty funds at June 30:

	2025	2024
Beginning Balance	$2,866,480	$ 2,697,964
Add incurred claims and changes in IBNR	20,782,912	17,956,535
Less claim payments	(20,921,784)	(17,788,019)
Ending balance	$ 2,727,608	$ 2,866,480

Note 10—Pension plan obligations

North Carolina Local Governmental Employees' Retirement System

Plan Description – The City of Asheville is a participating employers 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.

Benefits Provided – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). 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. Increases are contingent upon actuarial gains of the plan.

Note 10—Pension plan obligations (continued)

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.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rates for the year ended June 30, 2025, were both 15.04% of compensation for law enforcement officers and 13.60% 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 City were $14,336,252 for the year ended June 30, 2025.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the City reported a liability of $69,197,290 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The City's proportions of the net pension liability was based on a projection of the City's long-term shares of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employer's, actuarially determined. At June 30, 2025, the City's proportion was 1.02644%, which was a increase of 0.00971% from its proportion measured as of June 30, 2024.

Note 10—Pension plan obligations (continued)

For the year ended June 30, 2025, the City recognized pension expense of $20,242,572. At June 30, 2025, the City 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	$ 12,125,985	$ 81,530
Net difference between projected and actual earnings on pension plan investments	9,407,331	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,364	779,399
City contributions subsequent to the measurement date	14,336,252	-
Total	$ 35,870,932	$ 860,929

$14,336,252 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, respectively, will be recognized as an increase of the net pension liability in the year ended June 30, 2026.

Note 10—Pension plan obligations (continued)

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

Years Ended June 30:	City of Asheville	ABC Board
2026	$ 6,282,380	$ 219,318
2027	13,354,819	420,262
2028	2,100,253	62,521
2029	(1,063,701)	(32,563)
Total	$ 20,673,751	$ 669,538

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 Rate	2.5 percent
Salary Increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment Rate of Return	6.50 percent, net of pension plan invesemtne expense, including inflation

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

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

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

Note 10—Pension plan obligations (continued)

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

Asset Class	Target 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%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 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 2.38%. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability	$ 122,619,624	$ 69,197,290	$ 25,250,073

Note 10—Pension plan obligations (continued)

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

Law Enforcements Officers Special Separation Allowance

Plan Description – The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn 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. 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. Separate financial statements are not issued for the Separation Allowance Plan.

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

	City
Retirees Receiving Benefits	31
Active Plan Members	174
Total	205

A separate report was not issued for the plan.

Summary of Significant Accounting Policies – The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. For the City, pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative expenses are recognized as incurred.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GAAP:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

Plan Contribution – The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and have chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made, in the City's case, in the General Fund operating budget. The City's obligations to contribute to this plan are established and may be amended by the North Carolina General Assembly. There were no contributions made to the plan by employees of the City. For the current year, the City paid benefits of $586,452, as benefits came due for the reporting period.

Note 10—Pension plan obligations (continued)

The City's total pension liability for the current year was determined as part of the December 31, 2024 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 4.28% discount rate per annum compounded annually and (b) projected salary increases of 3.23% to 7.75% per year. Both (a) and (b) included an inflation component of 2.5%. The assumptions did not include postemployment benefit increases. The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the City reported a total pension liability of $7,594,439 for their proportionate share of the net pension liabilities. The total pension liability was measured as of December 31, 2024 based on a June 30, 2024 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the City recognized pension expense of $550,319.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 59,115	$ 320,371
Changes of assumptions and Other Inputs	201,796	472,534
City benefit payments and plan administrative expense made subsequent to the measurement date	270,035	-
Total	$ 530,946	$ 792,905

Deferred outflows of resources for the City of $270,035 as related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Pension Expense Adjustment
2026	$ (142,061)
2027	(160,135)
2028	(97,133)
2029	(98,773)
2030	(33,892)
Total	$ (531,994)

Note 10—Pension plan obligations (continued)

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate – The following presents the City's total pension liability calculated using the discount rate of (4.28)%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 %) or 1-percentage-point higher (5.28%) than the current rate:

	City of Asheville
Beginning balance	$ 8,153,653
Service Cost	328,275
Interest on the total pension liability	297,695
Differences between expected and actual experience in the measurement of the total pension liability	(256,620)
Changes of assumptions or other inputs	(342,112)
Benefit payments	(586,452)
Other changes	-
Ending balance of the total pension liability	$ 7,594,439

Note 10—Pension plan obligations (continued)

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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. The sources of the mortality tables are as listed below:

Deaths after Retirement (Healthy) – Pub-2010 Safety Retirees Mortality Table projected generationally using MP2019. The male and female rates are set forward 1 year and adjusted by 97% for all ages.

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

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

Supplemental Retirement Income Plan

401(k) Retirement Plan – The City contributes to the Supplemental Retirement Income Plan (Plan), a section 401(k) 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 City. City Council has also extended this benefit to all regular full-time and regular part-time non-law enforcement City employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefits provisions to the North Carolina Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's base salary and all amounts contributed are vested immediately. In addition to the required contribution for law enforcement officers, the City makes a monthly contribution equal to five percent of non-law enforcement employees' base salary. Also, both law enforcement officers and non-law enforcement employees of the City may make voluntary contributions to the Plan.

The City contribution for law enforcement officers for the year ended June 30, 2025 was $860,043 and the officers' voluntary contributions were approximately $1,133,821. The City's contribution for non-police personnel was $4,026,826 with employee voluntary contributions of approximately $3,229,428.

Other Postemployment Benefits (OPEB):

Healthcare Benefits Plan Description – The City administers, under the terms of a City resolution, a single-employer defined benefit healthcare benefits ("HCB") plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. The plan provides postemployment healthcare benefits to employees retiring from the City with at least five years of creditable services that are eligible to receive benefit from the North Caroline Local Government Employees Retirement System and do not have other insurance available. The plan has been closed for employees who were hired after June 30, 2012. The plan, which has a June 30, 2025 year-end, does not issue a stand-alone report. Management of the HCB plan is vested with the City of Asheville City Council.

Note 10—Pension plan obligations (continued)

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

	City HCB Plan Membership
Inactive Employees or Beneficiaries Currently Receiving Benefits	163
Active Employees	308
Total	471

Benefits Paid – The benefit provided by the City include healthcare, prescription drug and vision benefits. The cost of the program is shared between plan members and the City, which pays about 60% of the cost of coverage, with a lower subsidy provided for fewer years of service. Dependent coverage is provided id enrolled at the time of the employee's retirement. In addition, if the retiree ceased to coverage or dies, dependent coverage will terminate.

Contributions – Retirees hired on or before December 31, 2006 without access to other insurance and who retire based on the provisions of the NC Local Governmental Employees' Retirement System will receive 100 percent of the subsidy amount. For those without access to other insurance who were hired between January 1, 2007 and June 30, 2012 and fulfill all eligibility requirements and for those who were hired on or before December 31, 2006 retiring on or after January 1, 2007 with access to other insurance through their spouse's employment, the City contribution towards the total cost of each plan based on the number of years of service with the City as follows:

Years of Service with the City	Percent of Subsidy Paid by the City
25 or more	100%
20 or more but less than 25	80%
15 or more but less than 20	65%
10 or more but less than 15	55%
5 or more but less than 10	50%
Less than 5	No subsidy or not eligible

Per a City resolution, the City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the board. For the current year, the City had no contributions. The Fund is account for as a trust fund.

Investments – The City has elected to partially pre-pay the future overall cost of coverage for these benefits by establishing a trust agreement according to General Statue 159-30.1(b). Investments of the OPEB Trust funds are made pursuant to a Deposit Agreement with the North Carolina Department of State Treasurer. The State Treasurer has the discretion to 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). At June 30, 2025 the Plan assets totaled $27,958,709 invested in the State Treasurer's Local Government Other Post Employment Benefits (OPEB Fund pursuant to G.S. 147-69.4. The State Treasure'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 Statue. At year-end, the State Treasurer's OBEB fund was invested as follows: State Treasurer's Long-Term Investment Fund (LTIF) 34.84% and BlackRock's MSCI ACWI Equity Index Non-Lendable Fund B 65.13%. The BlackRock MSCI ACWI Equity Non-Lendable Fund B is priced at $44.33 per share at June 30, 2025.

Note 10—Pension plan obligations (continued)

The target asset allocation for the plan by each major class is summarized in the table below:

Asset Class	Target Allocation
Fixed Income	45%
Equity Funds	55%
Total	100%

Rate of Return – For the year ended June 30, 2025, the annual money weighted rate of return of the investment, net of investment expense was 12.52%. The money weighted rate of return expresses investment performance, net investment expense, adjusted for the changing amounts actually invested.

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

Total OPEB liability	$ 39,675,271
Plan fiduciary net position	27,958,709
City's Net OPEB Liability	$ 11,716,562
Plan fiduciary net position as a percentage of the total OPEB liability	70.47%

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods including the measurement unless otherwise specified:

Inflation Rate	2.5 percent
Payroll Growth Assumption	3.25 percent, including inflation
Discount Rate	5.5 percent
Expected Long-term Rate of Return on Assets	5.5 percent
Annual Health Care Trends	7.5 percent decreasing to 4.5 percent in 2030

Mortality rates were based on the Pub-2010 General Employees Male and Female Mortality tables projected to the valuation date using the MP-2019, projected forward generationally from the valuation date using the MP-2019. The male rates are set forward 2 years and adjusted with the following factors: 80 and younger, 96.0%; age 81, 96.8%; age 82, 97.6%; age 83, 98.4%; age 84, 99.2%; age 85 and older, 100.0%. The female rates are adjusted with the following factors: 91 and younger, 100.0%; age 92, 102.5%; age 93, 105.0%; age 94, 107.5%; age 95 and older, 110.0%.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2025 was 5.50%. Pursuant to GASB 75, the discount rate should be a blend of a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) and the Expected Long-term Rate of Return on Assets. The Fidelity GO AA 20 Year index is often cited as an appropriate municipal bond benchmark, and that index was 4.81% on June 30, 2025. Since the Fiduciary Net Position is sufficient to cover the projected benefit payments, a discount rate of 5.50% was used to determine the TOL as of the Measurement Date. A discount rate of 5.50% was used at the prior measurement date.

Note 10—Pension plan obligations (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5 %) than the current discount rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	$ 14,899,669	$ 11,716,562	$ 8,821,775

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

	1% Decrease	Current	1% Increase
Net OPEB Liability	$ 8,436,568	$ 11,716,562	$ 15,417,828

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resource, Related to OPEB: The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liabity
Balance as of June 30, 2024	$ 38,498,015	$ 24,847,884	$ 13,650,131
Changes for the year:			
Service cost at the end of the year	738,114	-	738,114
Interest on TOL and cash flows	2,044,255	-	2,044,255
Difference between expected and actual experience	(1,859,812)	-	(1,859,812)
Changes in Assumption	2,710,439	-	2,710,439
Contributions - Employer	-	2,455,740	(2,455,740)
Net Investment income	-	3,110,825	(3,110,825)
Benefit Payments	(2,455,740)	(2,455,740)	-
	1,177,256	3,110,825	(1,933,569)
Balance as of June 30, 2025	$ 39,675,271	$ 27,958,709	$ 11,716,562

Changes in Assumptions – The medical trend was updated resulting in an outflow. The recommendations from the 2019 experience study for the NCLGERS pension plan were adopted. The following assumptions were updated for all groups (General, Firefighters and Law Enforcement Officers): salary increase rates, retirement rates, termination rates, disability rates, pre-retirement mortality and postretirement mortality. Collectively, these assumption changes resulted in a net outflow.

Note 10—Pension plan obligations (continued)

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB – For the year ended June 30, 2025, the City recognized OPEB expenses of $1,104,460. At June 30, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experince	$ 257,437	$ 2,207,060
Changes in assumption or other inputs	2,925,167	70,324
Net difference between projected and actual earnings on plan investments	-	1,822,805
Total	$ 3,182,604	$ 4,100,189

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be amortized and recognized as OPEB expense as follows:

Measurement Period Ended June 30:	
2026	$ 369,940
2027	(544,395)
2028	(505,242)
2029	(237,888)
	$ (917,585)

Note 10—Pension plan obligations (continued)

Total Pension Related Deferred Outflows of Resources:

	LGERS	LEOSSA	Total
Differences between expected and actual experience	$ 12,125,985	$ 59,115	$ 12,185,100
Changes of assumptions	-	201,796	201,796
Net difference between project and actual earnings on pension plan investments	9,407,331	-	9,407,331
Change in proportionate share between City funds contributions and proportionate share contributions	1,364	-	1,364
City contributions subsequent to measurement date	14,336,252	270,035	14,606,287
Total	$ 35,870,932	$ 530,946	$ 36,401,878

Total Pension Related Deferred Inflows of Resources:

	LGERS	LEOSSA	Total
Difference between expected and actual experience	$ 81,530	$ 320,371	$ 401,901
Changes of assumptions	-	472,534	472,534
Changes in proportion and differences between City contributions and proportionate share of contributions	779,399	-	779,399
Total	$ 860,929	$ 792,905	$ 1,653,834

Other Employment Benefits – In order to meet its statutory obligations for a death benefit under NCLGERS, the City opts to provide a death benefit through a group term life insurance program, which is provided on a non-contributory basis to all members of the retirement system after 30 days of employment. The benefit pays the designated beneficiary an amount equal to one time the annual salary based on rate of pay at the time of death. The plan also provides an accidental death and dismemberment benefit of two time's annual salary in the event of death by a covered member.

Note 11—Commitments and contingent liabilities

Federal and State Assisted Programs – The City 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 moneys 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 moneys.

Claims and Litigation – The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's attorney and management that the resolution of these matters will not have a material adverse effect on the City's financial position.

Note 12—Subsequent events

The date to which events occurring after June 30, 2025, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosure is November 14, 2025, which is the date on which the financial statements were issued.

Following Tropical Storm Helene, FEMA assigned the US Army Corps of Engineers (USACE) with a direct federal assistance (DFA) mission to provide temporary pretreatment systems for the North Fork Water Treatment Plant and the William DeBruhl Water Treatment Plant to reduce turbidity of the water before entering the treatment plants. The USACE Temporary Pretreatment Systems provided needed redundancy at the treatment plants and the ability to continuously treat and provide potable drinking water to the City of Asheville water distribution system and surrounding municipalities. The USACE's DFA mission to manage the Temporary Pretreatment System ended on August 9, 2025.

At their July 29, 2025 meeting, City Council approved the City entering into two separate contracts to keep these temporary pretreatment systems in place after the departure of the USACE, with the intent of funding these contracts through the FEMA Public Assistance (PA) program. In early October 2025, the City received official notification that FEMA had obligated funding that will allow the City to keep these temporary pretreatment systems in place through the end of November 2025.

Note 13—Restatements of beginning balances

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

During fiscal year 2025, the City established the Opioid fund to account for resources received under the statewide opioid litigation settlement. In prior years, these funds had been accounted for in the City's Grants Program fund. In fiscal year 2025, a change in financial reporting entity occurred when fund balance in the amount of $613,779 was moved from the Grant Program fund to the newly established Opioid fund.

Required Supplementary Financial Data

(unaudited)

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

- Schedule of Changes in Net OPEB Liability and Related Ratios
- OPEB Schedule of Employer Contributions
- Schedule of Net OPEB Liability
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability

THE CITY OF ASHEVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

*LAST NINE FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:									
Service cost at end of year	**$ 738,114**	$ 714,879	$ 915,738	$ 889,061	$ 982,590	$ 931,367	$ 1,329,239	$ 1,387,138	$ 1,484,673
Interest on the total OPEB liability	**2,044,255**	2,037,863	1,991,232	1,974,609	1,928,067	1,887,361	1,477,508	1,357,441	1,193,537
Difference between expected and actual experience	**(1,859,812)**	(192,320)	(1,543,737)	(170,408)	862,157	796,290	614,907	229,013	-
Changes of assumptions or other inputs	**2,710,439**	-	2,143,880	-	(363,344)	-	(2,550,116)	(1,260,476)	(1,834,783)
Benefit payments**	**(2,455,740)**	(2,421,240)	(2,703,518)	(2,250,363)	(2,705,778)	(3,003,716)	(2,549,739)	(1,833,676)	(1,796,639)
Net Change in Total OPEB Liability	**1,177,256**	139,182	803,595	442,899	703,692	611,302	(1,678,201)	(120,560)	(953,212)
Total OPEB liability - beginning	**38,498,015**	38,358,831	37,555,236	37,112,337	36,408,645	35,797,343	37,475,544	37,596,104	38,549,316
Total OPEB liability - ending (a)	**39,675,271**	38,498,013	38,358,831	37,555,236	37,112,337	36,408,645	35,797,343	37,475,544	37,596,104
Plan Fiduciary Net Position:									
Contributions - employer***	**2,455,740**	4,021,240	4,303,518	5,450,363	2,705,778	4,603,716	3,949,739	1,833,676	2,796,639
Net investment income	**3,110,825**	2,693,371	1,623,505	(2,660,422)	2,832,796	617,425	753,413	1,628,683	647,620
Benefit payments**	**(2,455,740)**	(2,421,240)	(2,703,518)	(2,250,363)	(2,705,778)	(3,003,716)	(2,549,740)	(1,833,676)	(1,796,639)
Administrative expense	-	-	-	-	-	-	-	(18,222)	-
Net Change in Plan Fiduciary Net Position	**3,110,825**	4,293,371	3,223,505	539,578	2,832,796	2,217,425	2,153,412	1,610,461	1,647,620
Plan fiduciary net position – beginning	**24,847,884**	20,554,513	17,331,010	16,791,432	13,958,636	11,741,211	9,587,799	7,977,338	6,329,718
Plan fiduciary net position – ending (b)	**27,958,709**	24,847,884	20,554,515	17,331,010	16,791,432	13,958,636	11,741,211	9,587,799	7,977,338
Net OPEB Liability - Ending (a) - (b)	**$ 11,716,562**	$ 13,650,129	$ 17,804,316	$ 20,224,226	$ 20,320,905	$ 22,450,009	$ 24,056,132	$ 27,887,745	$ 29,618,766

* This schedule will not present ten years' worth of information until available.

Notes to Schedule

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

Fiscal Year	Rate
2018	3.50%
2019	3.18%
2020	4.93%
2021	5.50%
2022	3.50%
2023	5.50%
2024	5.50%
2025	5.50%

Year Ending June 30,	Annual Money-Weighted Rate of Return Net of Investment Expenses
2017	3.10%
2018	3.18%
2019	3.18%
2020	4.93%
2021	20.29%
2022	(14.47)%
2023	8.95%
2024	12.61%
2025	12.52%

* This schedule will not present ten years' worth of information until available.

** Benefit payments are net of participant contributions. Net benefit payments of $2,455,740 paid directly from the employer are also included.

*** Employer contributions include $2,455,740 paid directly from the employer and $0 of contributions made to the OPEB Trust.

THE CITY OF ASHEVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
OPEB SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	$ 1,814,759	$ 2,165,899	$ 2,278,947	$ 2,088,820	$ 2,022,369	$ 2,813,919	$ 2,617,180	$ 3,154,334	$ 2,956,218	$ 3,074,210
Contributions in relation to the Actuarially Determined Contribution	2,455,740	4,016,443	4,303,518	5,450,363	2,705,778	4,603,716	3,949,739	1,833,676	2,796,639	2,732,062
Annual contribution deficiency (excess)	$ (640,981)	$ (1,850,544)	$ (2,024,571)	$ (3,361,543)	$ (683,409)	$ (1,789,797)	$ (1,332,559)	$ 1,320,658	$ 159,579	$ 342,148
Covered employee payroll*	$ 27,718,675	$ 27,083,839	$ 27,083,839	$ 29,742,583	$ 29,742,583	$ 31,230,511	$ 31,230,511	$ 51,490,890	$ 51,490,890	$ 51,490,890
Contribution as a percentage of covered payroll	**8.86%**	14.83%	15.89%	18.33%	9.10%	14.74%	12.65%	3.56%	5.43%	5.31%

* For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation

THE CITY OF ASHEVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET OPEB LIABILITY

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability	**$ 39,675,271**	$ 38,498,013	$ 38,358,831	$ 37,555,236	$ 37,112,337	$ 36,408,645	$ 35,797,346	$ 37,475,544	$ 37,596,104	$ 38,549,316
Plan fiduciary net position	**27,958,709**	24,847,884	20,554,515	17,331,010	16,791,432	13,958,636	11,741,211	9,587,799	7,977,338	6,329,717
Net OPEB Liability	**$ 11,716,562**	$ 13,650,129	$ 17,804,316	$ 20,224,226	$ 20,320,905	$ 22,450,009	$ 24,056,135	$ 27,887,745	$ 29,618,766	$ 32,219,599
Plan fiduciary net position as a percentage of the total OPEB liability	**70.47%**	64.54%	53.58%	46.15%	45.24%	38.34%	32.80%	25.58%	21.22%	16.42%
Covered employee payroll*	**$ 27,718,675**	$ 27,083,839	$ 27,083,839	$ 29,742,583	$ 29,742,583	$ 31,230,511	$ 31,230,511	$ 54,190,890	$ 51,490,890	$ 51,490,890
Net OPEB liability as percentage of covered payroll	**42.27%**	50.40%	65.74%	68.00%	68.32%	71.88%	77.03%	51.46%	57.52%	62.57%

*For years following the valuation date (when no new valuation is performed), covered payroll has been sent equal to the covered payroll from the most recent valuation

THE CITY OF ASHEVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) FOR
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability (asset) (%)	1.03%	1.02%	1.02%	1.02%	1.05%	1.04%	1.03%	0.99%	0.98%	1.02%
City's proportion of the net pension liability (asset) ($)	$ 69,197,290	$ 67,339,177	$ 57,453,431	$ 15,614,768	$ 37,418,058	$ 28,358,986	$ 24,417,330	$ 15,266,244	$ 20,765,576	$ 4,563,170
City's covered payroll	$ 72,777,158	$ 66,897,356	$ 67,421,102	$ 62,678,524	$ 64,324,536	$ 60,642,521	$ 57,979,959	$ 55,124,606	$ 54,033,708	$ 52,814,511
City's proportion of the net pension liability (assets) as a percentage of its covered payroll	95.08%	100.66%	85.22%	24.91%	58.17%	46.76%	42.11%	27.69%	38.43%	8.64%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%	91.63%	91.63%	94.18%	91.47%	98.09%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
** This will be the same percentage for all participant employers in the LGERS plan.

THE CITY OF ASHEVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

LAST TEN YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 14,336,252	$ 11,784,219	$ 9,776,635	$ 8,518,795	$ 7,013,294	$ 6,182,372	$ 5,147,263	$ 4,714,508	$ 4,317,255	$ 3,725,217
Contributions in relation to the contractually required contribution	14,336,252	11,784,219	9,776,635	8,518,795	7,013,294	6,182,372	5,147,263	4,714,508	4,317,255	3,725,217
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 79,823,989	$ 72,777,158	$ 66,897,356	$ 67,421,102	$ 62,678,524	$ 64,324,536	$ 60,642,521	$ 57,979,959	$ 55,124,606	$ 54,033,708
Contributions as a percentage of covered payroll	17.96%	16.19%	14.61%	12.64%	11.19%	9.61%	8.49%	8.13%	7.83%	6.89%

THE CITY OF ASHEVILLE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICIER'S SPECIAL SEPARATION ALLOWANCE

*LAST NINE FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability									
Service cost at end of the year	$ 328,275	$ 301,940	$ 535,001	$ 513,563	$ 354,936	$ 342,934	$ 341,057	$ 270,136	$ 293,341
Interest	297,695	308,998	165,588	167,038	254,233	273,300	225,204	263,231	254,404
Difference between expected and actual experience	(256,620)	80,397	(106,890)	28,124	(431,249)	74,674	805,349	89,765	-
Changes of assumptions or other inputs	(342,112)	170,378	(449,281)	40,421	542,125	246,953	(305,018)	408,573	(158,932)
Benefit payments	(586,452)	(594,878)	(569,057)	(633,683)	(645,218)	(649,873)	(720,265)	(728,632)	(662,420)
Net Change in Total Pension Liability	(559,214)	266,835	(424,639)	115,463	74,827	287,988	346,327	303,073	(273,607)
Total pension liability, beginning	8,153,653	7,886,818	8,311,457	8,195,994	8,121,167	7,833,179	7,486,852	7,183,779	7,457,386
Total Pension Liability, ending	$ 7,594,439	$ 8,153,653	$ 7,886,818	$ 8,311,457	$ 8,195,994	$ 8,121,167	$ 7,833,179	$ 7,486,852	$ 7,183,779
Covered Employee Payroll	$ 11,593,645	$ 10,686,008	$ 10,686,008	$ 14,006,091	$ 14,006,091	$ 12,923,253	$ 11,649,921	$ 10,663,986	$ 11,005,974
Total pension liability as a percentage of covered employee payroll	65.51%	76.30%	73.81%	59.34%	58.52%	62.84%	67.24%	70.21%	65.27%

* This schedule will not present ten years' worth of information until available

Notes to the Schedule:
No assets are accumulated in a trust that meets the criteria in GAAP nor does the plan provide pay related benefits.

December 31, 2024 Measurement Date: The Municipal Bond Index Rate Decreased from 3.77% to 4.28%.
December 31, 2023 Measurement Date: The Municipal Bond Index Rate Decreased from4.05% to 3.77%.
December 31, 2022 Measurement Date: The Municipal Bond Index Rate Decreased from 2.06% to 4.05%.
December 31, 2021 Measurement Date: The Municipal Bond Index Rate Decreased from 2.12% to 2.06%.
December 31, 2020 Measurement Date: The Municipal Bond Index Rate Decreased from 3.26% to 2.12%.
December 31, 2019 Measurement Date: The Municipal Bond Index Rate Decreased from 3.64% to 3.26%.
December 31, 2018 Measurement Date: The Municipal Bond Index Rate Increased from 3.16% to 3.64%.
December 31, 2017 Measurement Date: The Municipal Bond Index Rate Decreased from 3.86% to 3.16%.
December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%.
The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from 0.5% to 1.0%.

APPENDIX C

DEFINITION OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

DEFINITION OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

In addition to summaries of the provisions of the General Indenture and the Series Indenture contained elsewhere in this Official Statement, the following is a summary of certain other provisions of the General Indenture and the Series Indenture. This summary does not purport to be complete and is qualified in its entirety by express reference to the General Indenture and the Series Indenture.

DEFINITIONS OF CERTAIN TERMS

"*Account*" *or* "*Fund*" means one of the special funds or accounts created and established under the Indenture.

"*Accountant*" means a firm of independent certified public accountants as may be selected by the City and not unacceptable to the Trustee.

"*Act*" means The State and Local Government Revenue Bond Act, General Statutes of North Carolina Section 159-80 *et seq.*, as the same may hereafter be amended.

"*Additional Bonds*" means Bonds issued under the Indenture and meeting the requirements of the Indenture.

"*Annual Budget*" means the annual budget concerning the operation of the Water System for each Fiscal Year.

"*Authenticating Agent*" means with respect to any given Series of Bonds, the Registrar or any other entity appointed in the related Series Indenture to act as an authenticating agent for such Series of Bonds or a portion thereof.

"*Authorized Denomination*" means $5,000 or any integral multiple thereof.

"*Balloon Indebtedness*" means (1) any obligation issued in anticipation of the issuance of a Series of Bonds and (2) a Series of Bonds, either (a) 25% or more of the Principal Installments of which are payable in a single Fiscal Year or (b) 25% or more of the Principal Installments of which may, at the option of the holder thereof, be redeemed at one time, and in either event which portion of the Principal Installments is not required by the documents pursuant to which such Bonds are issued to be amortized by redemption prior to such date.

"*Bond*" means one of the obligations delivered pursuant to the Indenture, including all Series of Bonds and bond anticipation notes issued pursuant to a Series Indenture.

"*Bond Counsel*" means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the City and not unacceptable to the Trustee.

"*Business Day*" means any day other than (a) a day on which banking institutions in New York, New York, or in the State or in the cities in which the Trustee or the Paying Agent have their respective offices are authorized to close or (b) a day on which the New York Stock Exchange is closed.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined under the Indenture or (ii) the report of an accountant as to audit or other procedures called for by the Indenture.

"*City*" means the City of Asheville, North Carolina.

"*City Representative*" means the City Manager or Finance Officer of the City and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the City then authorized to perform such act or discharge such duty.

"*Co-Trustee*" means any entity meeting the qualifications of a Trustee that is appointed as Co-Trustee pursuant to the Indenture.

"*Code*" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code in the Indenture will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto.

"*Construction Fund*" means the Fund so designated and established under the Indenture.

"*Consulting Engineer*" means the City's engineer or a firm of engineers or utilities consultants with recognized expertise for advising governmental entities with respect to the construction, maintenance and use of the Water System from time to time employed by the City and not unacceptable to the Trustee.

"*Costs of Construction*" means the costs reasonably incurred in connection with the Water System or any portion thereof, including but not limited to the costs of (1) acquisition of all property, real or personal, tangible or intangible, and all interests in connection therewith including all rights-of-way and easements therefor, (2) physical construction, installation and testing, including the costs of labor, services, materials, supplies and utility services used in connection therewith, (3) architectural, engineering, legal, financial advisory and other professional services, (4) premiums for insurance policies taken out and maintained during construction, to the extent not paid for by a contractor for construction and installation, (5) any taxes, assessments or other charges which become due during construction, (6) expenses incurred by the City or on its behalf with its approval in seeking to enforce any remedy against any contractor or sub-contractor in respect of any default under a contract relating to construction, (7) Costs of Issuance, (8) interest on the Bonds during the construction of any portion of the Water System or for such other period as permitted by law, (9) miscellaneous expenses incidental thereto and (10) reimbursements of such Cost of Construction properly incurred prior to the issuance of the Bonds.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable by or reimbursable to the City, related to the authorization, sale and issuance of Bonds.

"*Current Expenses*" means the current expenses of operation, maintenance and current repair of the Water System, as calculated in accordance with generally accepted accounting principles except as otherwise provided in the Indenture, and includes, without limiting the generality of the foregoing: insurance premiums; any Rebate Deposit; fees and expenses of the Trustee and any Paying Agent; fees and expenses of any entity providing credit support or liquidity for any Series of the Bonds; administrative and

engineering expenses of the City relating solely to the Water System; labor; executive compensation; the cost of materials and supplies used for current operations; and charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred as determined by the City in accordance with generally accepted accounting principles except as otherwise provided in the Indenture. "*Current Expenses*" will not include (i) any allowance for depreciation or replacements of capital assets of the Water System, (ii) moneys payable as Interest or interest on General Obligation Indebtedness, Subordinate Indebtedness or Other Indebtedness, (iii) moneys deposited or transferred to the Reserve Fund under the applicable Series Indenture and (iv) any expense paid from a source other than Revenues. When generally accepted accounting principles provide that amounts be treated as Current Expenses but (1) the timing of the required payment of the expense or a portion thereof, while known, is more than one year in the future or (2) the actual timing of the required payment of the expense is not readily determinable (such as post-employment benefits calculated actuarially) the City may include as a Current Expense the amount required to be paid for in the current period rather than the entirety of amounts required to be expensed.

"*Debt Service Fund*" means the Fund so designated and established by the Indenture.

"*Derivative Agreement*" means an interest rate swap, collar, floor, forward, option, put, call or other agreement however denominated, relating to the Bonds and entered into for the purpose of lowering borrowing costs or reducing borrowing risks.

"*Direct Subsidy Bonds*" means any Bonds, Subordinate Indebtedness, Other Indebtedness or General Obligation Indebtedness incurred or issued under an interest subsidy program established under the Code.

"*Electronic Means*" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes issued by the Trustee, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"*Event of Default*" means any of the events of default specified in the Indenture together with any other events specified as such in a Series Indenture.

"*Federal Securities*" means, to the extent otherwise permitted by law, (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged; (b) obligations the payment of the principal of and interest on which is fully guaranteed as full faith and credit obligations of the United States of America (including any securities described in (a) or (b) issued or held in the name of the Trustee in book entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are held in the name of the Trustee and are not subject to redemption or purchase prior to maturity at the option of anyone other than the Owner; (c) any bonds or other obligations of the State or of any agency, instrumentality or local governmental unit of the State which are (i) not callable prior to maturity or (ii) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody's, if the Bonds are rated by Moody's, and S&P, if the Bonds are rated by S&P and Fitch, if the Bonds are rated by Fitch, within the highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the

maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; or (d) direct evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

"*Finance Officer*" means the finance officer of the City appointed in accordance with Section 159-24 of the General Statutes of North Carolina, or any successor statute, or the official succeeding to the Finance Officer's principal functions.

"*Financial Consultant*" means an independent person or firm with recognized expertise for advising governmental entities with respect to financial forecasting and analysis of water systems from time to time employed by the City and not unacceptable to the Trustee.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year, or such other twelve-month period adopted as the Fiscal Year of the City.

"*Fitch*" means Fitch Ratings, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, "*Fitch*" will be deemed to refer to any other nationally recognized securities rating agency designated by a City Representative by notice to the Trustee.

"*General Indenture*" or "*Indenture*" means the Amended and Restated General Trust Indenture dated as of September 1, 2021 between the City and the Trustee, as may be further supplemented and amended.

"*General Obligation Indebtedness*" means (i) general obligation indebtedness incurred by the City which is payable from Net Revenues and the proceeds of which are used to provide for capital costs of the Water System and (ii) general obligation indebtedness of another governmental unit which is payable from Net Revenues as a result of the City having assumed such general obligation indebtedness or having otherwise agreed to pay in connection with acquisition of assets for the Water System.

"*Independent Insurance Consultant*" means a person or firm, appointed by the City and not unacceptable to the Trustee, qualified to survey risks and to recommend insurance coverage for facilities such as the Water System and having a favorable reputation for skill and experience in such surveys and such recommendations, which insurance consultant, in the case of an individual, must not be an officer or employee of the City and, in the case of a firm, must not have a partner, director, member, officer or employee who is an officer or employee of the City.

"*Interest*" means (i) the amount designated as interest on any Bond and (ii) payments due from the City under a Derivative Agreement other than for termination thereof.

"*Interest Payment Date*" means, with respect to the 2026 Bonds, each February 1 and August 1, beginning August 1, 2026.

"*Investment Securities*" means investments permitted under Section 159-30 of the North Carolina General Statutes, as amended from time to time, or as otherwise permitted by law.

"*LGC*" means the North Carolina Local Government Commission or any successor to its functions under the laws of the State.

"*Mail*" means first-class United States mail, postage prepaid.

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

"*Net Revenues*" means the excess of Revenues over Current Expenses.

"*Other Indebtedness*" means capital leases, installment financing agreements or other contracts used to provide capital improvements to the Water System, the payments under which are payable from Net Revenues after payment of the principal of and Interest on the Bonds and the principal of and interest on General Obligation Indebtedness and Subordinate Indebtedness.

"*Outstanding*" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment (it being understood that a payment to an Owner of the purchase price of a Bond, as prescribed in the related Series Indenture, is not payment of a Bond) at maturity or redemption prior to maturity or on acceleration;

(b) Bonds deemed paid under the Indenture;

(c) Bonds for the payment of the principal of and interest on which Federal Securities have been set aside; and

(d) Bonds in lieu of which other Bonds have been authenticated under the Indenture.

"*Owner*" means any person in whose name any Outstanding Bond is registered on the books of the Registrar.

"*Paying Agent*" means the Trustee or, in lieu of the Trustee, any other entity appointed in a Series Indenture to act as a paying agent for a Series of Bonds.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"*Principal and Interest Requirements on the Bonds*" means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on the Bonds during such Fiscal Year, excluding any capitalized interest, plus (ii) any Principal Installments of the Bonds during such Fiscal Year.

(a) For purposes of computing "*Principal and Interest Requirements on the Bonds,*" the rate of interest used to determine (i) above will be a rate per annum equal to (1) with respect to Bonds

which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, (2) with respect to Bonds which bear interest at a variable or periodically determined rate of interest, the average of all the interest rates in effect on the Bonds (or as certified by a financial institution or investment banking firm acceptable to the Finance Officer which would have been in effect on the Bonds had such Bonds been Outstanding) during the immediately preceding twelve-month period and (3) with respect to Direct Subsidy Bonds, any subsidy payments that are received or expected to be received and deposited in the Debt Service Fund to be used to pay interest on such Direct Subsidy Bonds, the interest rate will be calculated by subtracting the applicable direct subsidy percentage from the stated interest rate (in other words, the City will receive a credit against the interest paid or to be paid on such Direct Subsidy Bonds). If the City has entered into a Derivative Agreement under which it will receive payments calculated on a notional amount equal to the principal amount of a Series of the Bonds and will make payments calculated on the same notional amount, the interest used to calculate (1) above will be the amount to be paid by the City, and the amount to be received will be deducted; payments on a variable or periodic basis under such an agreement will be calculated in accordance with clause (2) above.

(b) For purposes of computing "*Principal and Interest Requirements on the Bonds,*" the method used to determine (ii) above will be the actual planned Principal Installments, except for any Balloon Indebtedness the Principal Installment will be deemed to be the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years (or such other time period as certified by the Finance Director over which the City intends to refinance such Balloon Indebtedness) on a level debt service basis at an interest rate equal to the rate borne by such Bonds on the date calculated; provided, however, if the date of calculation is within 12 months of the final maturity date of such Series of Bonds, the City will use the actual planned Principal Installment unless the City reasonably expects to refinance the aggregate Principal of such Series of Bonds then Outstanding and in such case, then the payment terms of the expected refinancing are to be used for purposes of calculating Principal for such Series of Bonds.

"*Principal and Interest Requirements for General Obligation Indebtedness*" means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on the General Obligation Indebtedness during such Fiscal Year, excluding any capitalized interest, plus (ii) any principal on the General Obligation Indebtedness due during such Fiscal Year. Principal and interest for purposes of this definition will be computed in the manner in which the principal of and interest on the Bonds is calculated under the definition of *"Principal and Interest Requirements on the Bonds."*

"*Principal and Interest Requirements for Other Indebtedness*" means, with respect to any particular Fiscal Year, an amount equal to the sum of all payment obligations with respect to Other Indebtedness during such Fiscal Year. If the payment obligation under any Other Indebtedness is stated in terms of principal and interest, such principal and interest will be computed for purposes of this definition in the manner in which the principal of and interest on the Bonds is calculated under the definition of *"Principal and Interest Requirements on the Bonds."*

"*Principal and Interest Requirements for Subordinate Indebtedness*" means, with respect to any particular Fiscal Year, an amount equal to the sum of (i) all interest payable on Subordinate Indebtedness due during such Fiscal Year, excluding any capitalized interest, plus (ii) any principal of the Subordinate Indebtedness during such Fiscal Year. Principal and interest for purposes of this definition will be computed in the manner in which the principal of and interest on the Bonds is calculated under the definition of *"Principal and Interest Requirements on the Bonds."*

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Indenture of Sinking Fund Payments payable before such future date, plus (ii) any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such Sinking Fund Payments.

"*Principal Payment Date*" means any date upon which a Principal Installment is due and payable.

"*Qualified Reserve Fund Substitute*" means, for purposes of satisfying the Reserve Requirement by other than a cash deposit, (1) an irrevocable letter of credit, naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long-term debt obligations are rated by at least one national rating agency in the "A" rating category or higher, or the equivalent, (2) a surety bond issued by a financial institution whose long-term rating is in the "A" rating category or higher, or equivalent, by at least one national rating agency or (3) a policy of reserve fund insurance issued by an insurance company whose claims-paying ability is rated by at least one national rating agency in the "A" rating category or higher, or the equivalent. In each case, ratings set forth above shall be determined at the time of issuance of such Qualified Reserve Fund Substitute and without regard to ratings subcategories.

"*Rebate Deposit*" means the amount required to be deposited into the Rebate Fund as a result of the computation made under the Indenture.

"*Rebate Fund*" means the Fund so designated and established under the Indenture.

"*Record Date*" means the fifteenth day of the month next preceding the Interest Payment Date.

"*Redemption Date*" means the date on which 2026 Bonds have been called for redemption or are to be redeemed pursuant to the Series Indenture.

"*Redemption Price*" means, with respect to any 2026 Bond, the principal amount thereof plus the applicable premium, if any, payable on redemption thereof plus accrued interest to the Redemption Date.

"*Registrar*" means any entity appointed in a Series Indenture to act as the Registrar for a Series of Bonds or a portion thereof.

"*Released Revenues*" means Revenues released from the grant of security for the Bonds under the Indenture.

"*Reserve Fund*" means the Fund so designated and established under the Indenture.

"*Revenue Fund*" means the Fund so designated and established under the Indenture.

"*Revenues*" means all rates, fees (including any tap or impact fees), rentals, assessments (unless a Certificate of a City Representative filed with the Trustee states that, pursuant to a resolution adopted by the City Council, such assessments are not to be Revenues because the proceeds thereof are to be utilized exclusively for the payment of the cost of the capital projects for which they were collected) or other charges or other income received by the City in connection with the ownership, management and operation of the Water System, and all parts thereof, including amounts received from the investment or deposit of

moneys in any Fund or Account (but not including amounts received from interest or other investment income earned in the Construction Fund and the Rebate Fund and, during the construction period, the Reserve Fund), all as calculated in accordance with generally accepted accounting principles except as otherwise provided in the Indenture, but shall not include (i) net proceeds of insurance or condemnation awards or other extraordinary items, (ii) any amounts collected by the City representing sales or use taxes which may be required by law or agreement to be paid to the State or a governmental unit thereof, (iii) refundable deposits made by customers of the Water System or (iv) Released Revenues.

"*S&P*" means S&P Global Ratings, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by a City Representative by notice to the Trustee.

"*Series of Bonds*" *or* "*Series*" means any series of Bonds issued under a Series Indenture.

"*Series Indenture*" means Series Indenture, Number 7, dated as of June 1, 2026, or, as applicable, any indenture or other document supplementing the General Indenture, executed by the City and effective in accordance with the General Indenture, providing for the issuance of a Series of Bonds.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid by the City on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the City by reason of the maturity of a Bond or by call for redemption at the election of the City.

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

"*Subordinate Indebtedness*" means debt incurred by the City, the payment of the principal and interest on which is secured by Net Revenues after payment of the principal of and Interest on the Bonds and the proceeds of which are used to provide for capital costs of the Water System, including any loan or other obligation payable to the State under a State loan program unless by its terms it is stated to be on parity with the Bonds.

"*Supplemental Indenture*" means any indenture supplemental to the Indenture delivered under the Indenture amending or supplementing the Indenture.

"*Surplus Account*" means the account so designated and established under the Indenture.

"*Trustee*" means the Trustee with respect to the Bonds and any other person at any time substituted in its place as provided in the Indenture.

"*Trust Estate*" means all property and rights conveyed by the City under the Granting Clauses of the Indenture.

"*2026 Account*" means the account by that name in the Construction Fund created under Series Indenture for the 2026 Bonds.

"*2026 Bonds*" means the Bonds to be issued pursuant to the General Indenture and Series Indenture.

"*Water Major Capital Improvements Fund*" means the Fund so designated and established under the Indenture.

"*Water Operations Fund*" means the Fund so designated and established by the Indenture.

"*Water System*" means the water system owned by the City providing water services within the jurisdiction of the City and its surrounding areas, including any and all additions, modifications, replacements and parts thereof and other assets so designated under the Indenture.

FUNDS AND ACCOUNTS

Under the Indenture, the City has established the following special funds and account:

(1) Revenue Fund;

(2) Debt Service Fund;

(3) Water Operations Fund;

(4) Water Major Capital Improvements Fund;

(5) Construction Fund;

(6) Rebate Fund;

(7) Reserve Fund; and

(8) Surplus Account.

The Trustee or the City may also create such other Funds or Accounts as either deems necessary or desirable in the administration of the Indenture. The Debt Service Fund, the Construction Fund, the Reserve Fund and the Rebate Fund will be held by the Trustee, but the Debt Service Fund and the Construction Fund may be held by another financial institution having trust powers with the approval of the City and the North Carolina Local Government Commission. The Revenue Fund, the Water Operations Fund, the Water Major Capital Improvements Fund and the Surplus Account will be held by the City.

Construction Fund. The City will establish a 2026 Account within the Construction Fund to keep the proceeds of the 2026 Bonds so deposited separate from the proceeds of any other series of Bonds issued under the General Indenture. The Trustee shall disburse money in the 2026 Account to pay the Costs of Construction and the Costs of Issuance of the 2026 Bonds.

Revenue Fund. See **"CERTAIN PROVISION OF THE GENERAL INDENTURE—Revenues"** in the Official Statement.

Debt Service Fund. The Trustee will disburse amounts deposited in the Debt Service Fund as follows:

(1) on each Interest Payment Date, to the Persons entitled thereto, Interest due on such date.

(2) subject to the provisions of the Indenture requiring the application thereof to the payment or redemption of any particular Bond, on each Principal Payment Date, to the Owners, the amounts required for the payment of the Principal Installments due on such date.

(3) on each Redemption Date, to the Owners, the amount required for redemption of Bonds called for redemption.

If on any Interest Payment Date or Principal Payment Date, there is a deficiency in the Debt Service Fund, the amount of such deficiency will be made up from the following Funds and in the order or priority set forth below:

(1) Revenue Fund;

(2) Surplus Account;

(3) Water Major Capital Improvements Fund;

(4) the account of the Reserve Fund securing a Series of Bonds to pay the principal of and interest on such Series of Bonds, to the extent such deficiency is attributable to the Series of Bonds secured by that account of the Reserve Fund; and

(5) Construction Fund.

Rebate Fund. The Trustee will pay from the Rebate Fund amounts required to be paid to the United States at the times and in the amounts required by the Indenture and the Code.

Water Major Capital Improvements Fund. The Water Major Capital Improvements Fund will be applied for the following purposes:

(1) paying the cost of extensions, additions and capital improvements to, or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the Water System, or paying any extraordinary maintenance and repair or any expenses which are not Current Expenses;

(2) transfer to the Debt Service Fund to make up any deficiency therein in accordance with the order of priorities established in the Indenture; and

(3) repaying Subordinate Indebtedness or Other Indebtedness.

Reserve Fund. The 2026 Bonds will not be secured by the Reserve Fund.

Surplus Account. Moneys held in the Surplus Account will be applied in the following order of priority: (1) first, to pay a termination payment under a Derivative Agreement; (2) second, to pay Current Expenses; (3) third, to pay for any other purpose related to the Water System from time to time authorized by the City; and (4) fourth, to pay for any lawful purpose of the City (subject to certain limitations as described in the Official Statement).

INVESTMENTS

The Trustee will invest moneys held in the Debt Service Fund, the Construction Fund, the Reserve Fund and the Rebate Fund, at the written direction of the City, in Investment Securities. The City will invest all Funds and Accounts held by it pursuant thereto in such Investment Securities as it determines in its sole discretion. The proceeds of any remarketing of a Series of the Bonds will be held uninvested or will be invested, at the written discretion of the City, in Federal Securities maturing not later than the earlier of 30 days or the date needed for payment. The City will invest, and as to the Debt Service Fund, the Reserve Fund, the Construction Fund and the Rebate Fund, will direct the Trustee in writing to invest all moneys held under the Indenture under the investment instructions as provided in connection with a Series of Bonds.

The Trustee will deposit earnings from investment of moneys in the Rebate Fund immediately on receipt thereof into the Rebate Fund and from investment of moneys in the Construction Fund immediately on receipt thereof into the Construction Fund. Each Series Indenture will establish the disposition of earnings from the investment of moneys in the Reserve Fund. All earnings from the investment of moneys held in any other Fund and Account under the Indenture will be credited to the Revenue Fund.

The Trustee will conclusively rely on the City's written instructions as to both the suitability and legality of all directed investments. Ratings of investments will be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee will have no responsibility to monitor the ratings of investments after the initial purchase of such investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries and may charge its ordinary and customary fees for such investments. The Trustee will not be liable for any loss from any directed investments. Although the City recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the City agrees that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered or made available by the Trustee.

COVENANTS OF THE CITY

Annual Budgets. The City will approve an Annual Budget covering the fiscal operations of the Water System for the following Fiscal Year and will file the same with the Trustee. Such budget need not necessarily be the budget prepared by the City for budgeting purposes. The Annual Budget will set forth for such Fiscal Year the estimated Revenues, the Principal and Interest Requirements on the Bonds, the Principal and Interest Requirements for Subordinate Indebtedness, the Principal and Interest Requirements for General Obligation Indebtedness and the Principal and Interest Requirements on Other Indebtedness, due and payable or estimated to become due and payable during such Fiscal Year, and estimated Current Expenses in at least quarterly allotments, each of the Water System. The City may at any time adopt and file with the Trustee an amended Annual Budget regarding the Water System in the manner provided in the Indenture for the adoption of the Annual Budget. Copies of the Annual Budget for the Water System as then amended and in effect will be made available by the Trustee at normal business hours in the Trustee's designated corporate trust office for inspection by any Owner. If the City does not approve an Annual Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Annual Budget of the Water System for the preceding Fiscal Year will be deemed to have been adopted and be in effect for such Fiscal Year until the Annual Budget of the Water System for such Fiscal Year has been adopted as provided above; provided, however, that the water rates for such Fiscal Year, when using the Annual Budget for the preceding Fiscal Year, will be adjusted by the City so that the water rates are sufficient to meet the rate covenant contained in the Indenture. The filing of information with the Trustee under this Section may be

satisfied by posting such information on the City's website or other publicly available site provided that the City notifies the Trustee in writing, electronically or otherwise, a list of the information that is available and provides a link or web address for such information. If the web address changes, the City will inform the Trustee of the new web address. The City will not expend for Current Expenses in any Fiscal Year sums in excess of the reasonable or necessary amount thereof.

Issuance of Additional Bonds. See **"CERTAIN PROVISION OF THE GENERAL INDENTURE—Issuance of Additional Bonds"** in the Official Statement.

Rate Covenant. Before the commencement of each Fiscal Year, the City will fix, establish or maintain or cause to be fixed, established and maintained such rates and charges for the provision of services of the Water System, and revise or cause to be revised the same, as necessary, as will produce Revenues at least equal in such Fiscal Year to the total of (i) the Current Expenses budgeted for such Fiscal Year, as may be amended from time to time, plus (ii) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds to become due during that Fiscal Year plus (iii) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness to become due in such Fiscal Year plus (iv) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Year plus (v) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Year plus (vi) 100% of (1.00 times) the amount required to reimburse the provider of a Qualified Reserve Fund Substitute for any amounts owing thereunder; but no less than an amount sufficient to produce Revenues in such Fiscal Year at least equal to 100% of (1.00 times) the amount necessary to make the deposits required by the Indenture.

The City will, within 90 days after the end after the end of each Fiscal Year, so long as the Bonds are Outstanding, deliver to the Trustee a Certificate reflecting its compliance with the rate covenant in the Indenture, which may be the City's estimate based on unaudited financial information.

If the City fails to meet the rate covenant set forth above, the City, will, as promptly as possible, take all action necessary to increase Revenues and decrease expenses which will result in producing Revenues necessary to meet such rate covenant in the following Fiscal Year, including promptly retaining a Financial Consultant to make recommendations as to a revision of rates, fees and charges and possible reductions in expenses which will result in producing the required Revenues necessary to meet such rate covenant in the following Fiscal Year. The City, will give written notification to the Trustee and the North Carolina Local Government Commission upon retaining a Financial Consultant to make such recommendations.

If the City fails to meet the rate covenant set forth above and the Revenues continue to be insufficient to meet the rate covenant by the end of the Fiscal Year beginning on the July 1 twelve months after the beginning of the Fiscal Year during which the City failed to meet such rate covenant, the Trustee may in its sole discretion take possession of any moneys in the Revenue Fund and administer the application thereof or a majority of the registered Owners of the Bonds may instruct the Trustee to require that an Event of Default under the Indenture be deemed to have occurred and require the Trustee to take possession of any moneys in the Revenue Fund under the Indenture. If the Trustee does so, it may disburse money in the Revenue Fund in such manner as it may determine. If the City fails to meet the rate covenant set forth above and the Revenues continue to be insufficient to meet the rate covenant by the end of the second Fiscal Year beginning on the July 1 twenty-four months after the beginning of the Fiscal Year during which the City failed to meet such rate covenant, the Trustee shall take possession of any moneys in the Revenue Fund and administer the application thereof and a majority of the registered Owners of the Bonds may instruct the Trustee to require that an Event of Default hereunder has occurred.

The Trustee shall relinquish possession of the Revenue Fund only upon the delivery of a written Certificate of the Financial Consultant, retained by the City, or an Accountant certifying the City's compliance with the rate covenant.

Construction; Maintenance of System. The City will complete or cause to be completed the additions, extensions and improvements of the Water System provided for in the Indenture in accordance with plans and specifications approved by a Consulting Engineer and in an economical and efficient manner with all practicable dispatch and thereafter will maintain or cause to be maintained the Water System in good condition and will continuously operate or cause to be operated the same in an efficient manner and at a reasonable cost as a municipal revenue-producing enterprise.

Insurance; Condemnation. The City will carry or cause to be carried such insurance with a reputable insurance carrier or carriers, such as is maintained or carried by similar municipal systems as the Water System, including, public liability insurance against loss or damage by fire, explosion, hurricane, flood, cyclone, occupancy or other hazards and risks, and said property loss and damage insurance will at all times be in an amount sufficient to indemnify in amounts sufficient to repair the Water System for loss, but not less than the principal amount of the Bonds Outstanding, to the extent that such insurance is obtainable.

The City will deposit the proceeds of any insurance or condemnation, with respect to the Water System, in excess of $100,000 in any given Fiscal Year (i) in the Water Major Capital Improvements Fund, to rebuild or replace the Water System or portion thereof giving rise to the referenced proceeds unless a Consulting Engineer certifies in writing to the Trustee that such rebuilding or replacement is not necessary to maintain the Water System or (ii) to the extent the proceeds are not fully expended under clause (i), in the Debt Service Fund, to redeem or pay Bonds under a Series Indenture.

The City may provide for and maintain the insurance required under the Indenture partially or wholly by means of a self-insurance fund maintained by the City. Reserves for a self-insurance fund will be determined by using actuarial principles and the portion allocable to the Water System will be payable from Revenues as a Current Expense. Any self-insurance fund will be reviewed annually by the City's risk manager or an Independent Insurance Consultant. The Trustee will conclusively rely on a letter of the City's risk manager or an Independent Insurance Consultant (dated as of the first day of the fiscal year) as to the adequacy of any self-insurance fund as measured against standards in the industry for the risks being assumed.

Adding to or Removing from the System. The Water System may be sold, mortgaged, leased or otherwise disposed of, in whole or in part, or the obligations of the City with respect to all of the Outstanding Bonds assigned, to another political subdivision or public agency in the State authorized by law to own and operate such systems only (i) if there is filed with the Trustee (A) a report prepared by a Financial Consultant showing that there is no material adverse effect on the ability of the Water System to produce Revenues to satisfy the rate covenant described under the caption "**COVENANTS OF THE CITY--*Rate Covenant***" above, (B) written evidence from any rating agency then rating the Bonds that such disposition will not adversely affect its rating then in effect on the Bonds, (C) an opinion of Bond Counsel that such disposition will not adversely affect the federal or state income tax treatment of interest on the Bonds and (ii) for a disposition in whole, if such political subdivision or public agency assumes all of the obligations of the City under the Indenture.

Any part of the Water System constructed on behalf of or with funds provided by a governmental unit other than the City may be sold, leased or otherwise disposed of to that governmental unit, if the Trustee receives a certificate from the Financial Consultant which states that the projected Revenues of the Water System as it will exist after the proposed disposition for each of the two Fiscal Years subsequent to the year in which the disposition is expected to be completed are equal to the sum of the Current Expenses projected for such period plus 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year plus 100% of (1.00 times) the maximum Principal and Interest Requirements for Subordinate Indebtedness in any Fiscal Year plus 100% of (1.00 times) the maximum Principal and Interest Requirements for General Obligation Indebtedness due in any Fiscal Year plus 100% of (1.00 times) the maximum Principal and Interest Requirements for Other Indebtedness due in any Fiscal Year.

Any part of the Water System may be sold, mortgaged, leased or otherwise disposed of to a private utility only as a whole or substantially as a whole, and only if (i) the net proceeds to be realized will be sufficient, together with other moneys available therefor, to discharge the lien of the Indenture as to all Series of Bonds or portion thereof related thereto and such proceeds are deposited in a separate segregated account for such purpose and (ii) the Trustee has received an opinion of Bond Counsel to the effect that such disposition will not adversely affect the federal and state income tax treatment of the interest on the Bonds.

The City has reserved the right to sell, lease or otherwise dispose of any of the property comprising a part of the Water System hereafter determined in the manner provided in the Indenture to be no longer necessary, useful or profitable in the operation thereof. Before any such sale, lease or other disposition of such property other than in the ordinary course of business, a City Representative will make a finding in writing determining that such property comprising a part of the Water System is no longer necessary, useful or profitable in the operation thereof, and such finding will be approved by resolution of the City if the amount to be received therefor is in excess of 1% of the total assets of the Water System net of accumulated depreciation. All proceeds derived from the sale, lease or other disposition of any property comprising a part of the Water System as provided above, will be deposited in the Water Major Capital Improvements Fund.

If the City acquires a water system, or a portion thereof, the City Council will designate, as soon as practicable, whether or not the acquired assets will constitute a part of the Water System for purposes of this Indenture. If the acquired assets will not be a part of the Water System, the City will maintain, operate and account for such assets in a way that the assets can be owned and operated independently of the Water System. The City Council may subsequently designate such assets be included as part of the Water System.

Liens or Charges. The City may create or permit to be created a lien on the Water System in order to secure the issuance of Other Indebtedness as long as the Finance Officer certifies at the time of the creation of the lien that (i) loss of the property secured by the lien will not materially adversely affect the ability of the City to meet its financial obligations under the Indenture, including the ability of the City to meet its rate covenant described under the caption "**COVENANTS OF THE CITY--*Rate Covenant***" above and (ii) the current value of all parts of the Water System subject to a lien securing Other Indebtedness, including property which may be added to the Water System as a result of issuance of the proposed Other Indebtedness, does not exceed 20% of the current value of the Water System's tangible assets. The City will not otherwise create or permit to be created any lien or charge on the Water System. The City will pay or cause to be discharged or make provisions to satisfy and discharge, within 60 days after the same accrues, all claims and demands for labor, materials, supplies or other items which, if unpaid, might by law become a lien on the Water System or the Revenues on a parity with the lien of the Bonds, except for the liens permitted by the Indenture. The City need not pay or cause to be discharged or make provision for

any lien or charge as long as the validity thereof is being contested in good faith by appropriate legal proceedings.

Issuance of Subordinate Indebtedness. The City may issue Subordinate Indebtedness if:

(a) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available, adjusted in the manner provided in the Indenture, were at least equal to (1) 120% of (1.20 times) the maximum Principal and Interest Requirements on the Bonds, (2) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in that Fiscal Year, including the Subordinate Indebtedness to be issued, (3) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in that Fiscal Year and (4) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in that Fiscal Year; or

(b) (1) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available were at least equal to (A) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Year, (B) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness in such Fiscal Year, excluding the Subordinate Indebtedness to be issued, (C) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness in such Fiscal Year and (D) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness in such Fiscal Year; and

(2) the Net Revenues, as projected by a report of a Financial Consultant filed with the Trustee, for the first two Fiscal Years following (I) the date capitalized interest, if any, provided from the proceeds of the proposed Subordinate Indebtedness is expended in the case of the acquisition of assets for or construction of improvements to the Water System or (II) the date the proposed Subordinate Indebtedness is incurred in any other case, are at least equal to (A) 120% of (1.20 times) the Principal and Interest Requirements on the Bonds for such Fiscal Years, (B) 100% of (1.00 times) the Principal and Interest Requirements for Subordinate Indebtedness, including the Subordinate Indebtedness to be issued, to become due in such Fiscal Years, (C) 100% of (1.00 times) the Principal and Interest Requirements for General Obligation Indebtedness to become due in such Fiscal Years and (D) 100% of (1.00 times) the Principal and Interest Requirements for Other Indebtedness to become due in such Fiscal Years; and

(3) no Event of Default under the Indenture or under the agreement securing the Subordinate Indebtedness has occurred and is continuing.

For purposes of calculating Net Revenues in paragraph (1) or paragraph (2)(A) if any rates, fees or charges of the Water System have been increased since the date of such audited financial statements or will be increased on or before the date the proposed Subordinate Indebtedness is issued, the Finance Officer may add to the Net Revenues his estimate of the additional Revenues that would have been included in the calculation of Net Revenues if such rates, fees and charges had been in effect in such Fiscal Year; and if an existing water system is to be acquired by the City on or before the date the proposed Subordinate Indebtedness is issued, the Finance Officer may add to the Net Revenues his estimate of the additional Revenues that would be have included in the calculation of Net Revenues if such acquisition had been in effect in such Fiscal Year.

Notwithstanding the foregoing, the City may issue Subordinate Indebtedness to refund all or any Principal amount of Bonds, Subordinate Indebtedness, General Obligation Indebtedness or

Other Indebtedness if the debt service on the Bonds, Subordinate Indebtedness, General Obligation Indebtedness or Other Indebtedness, as applicable, remaining Outstanding after the issuance of the refunding Subordinate Indebtedness will decrease as a result of such refunding.

All calculations under the Indenture may exclude any Bonds, Subordinate Indebtedness or other applicable indebtedness to be refunded by the proposed.

Released Revenues. Revenues will become Released Revenues on the filing of the following with the Trustee:

(a) a resolution of the City Council describing a specific identifiable portion of Revenues and approving that such Revenues be excluded from the term Revenues;

(b) either (1) a certificate prepared by the Finance Officer showing that Net Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of Revenues covered by the City Council's resolution described in (a) above are excluded, were at least equal to the larger of (A) the amounts needed for making the required deposits and payments under the Indenture, or (B) an amount not less than 150% of average Principal and Interest Requirements on the Bonds for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues; or (2) a certificate prepared by a Financial Consultant showing that the estimated Net Revenues (excluding the specific identifiable portion of Revenues covered in the resolution adopted by the City Council described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the City Council, will not be less than the larger of (A) the amounts needed for making the required deposits and payments under the Indenture, or (B) an amount not less than 150% of the average Principal and Interest Requirements on the Bonds for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues;

(c) an opinion of the City's bond counsel to the effect that the exclusion of such specific identifiable portion of revenues from the definition of Revenues and from the pledge and lien of this Indenture will not, by itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; provided, however this provision is only applicable to those Bonds that are intended to be excludable from gross income for purposes of federal income tax; and

(d) written confirmation from each of the rating agencies that has been requested by the City to maintain a rating on the Bonds and are then maintaining a rating on any of the Bonds to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of this Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the specific identifiable portion of Revenues described in the resolution of the City Council and collected after such filing shall no longer be included in Revenues and shall be excluded from the pledge and lien of the Indenture, unless subsequently included in Revenues and in the pledge and lien of this Indenture under a Supplemental Indenture or a Series Indenture.

SUPPLEMENTAL INDENTURES

Effective On Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture of the City may be executed and delivered, which, on the filing with the Trustee of a copy thereof certified by a City Representative and execution by the Trustee, will be fully effective in accordance with its terms:

(a) to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(b) to add to the covenants and agreements of and the limitations and restrictions on the City in the Indenture other covenants and agreements or limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(c) to surrender any right, power or privilege reserved to or conferred on the City by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the Indenture;

(d) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of the Trust Estate, including the Net Revenues or any other revenues or assets;

(e) to modify any of the provisions of the Indenture in any respect whatsoever, but only if (i) such modification will be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture cease to be Outstanding and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(f) to provide for the delivery of a Qualified Reserve Fund Substitute;

(g) to include additional facilities, property or equipment within the definition of "*Water System*" and the revenues therefrom within the definition of "*Revenues*"; and

(h) in the event of changes to generally accepted accounting principles or changes in law, in each case which become effective after the date of the Indenture, to modify any definition in this Indenture so as to perpetuate the meaning and effect of such definition as originally intended at the time of the execution of the Indenture;

provided that any changes do not, in the opinion of Bond Counsel, adversely affect the interests of the owners of the Bonds.

Effective On Consent of Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be executed and delivered, which, on (i) the filing with the Trustee of a copy thereof certified by a City Representative, and (ii) the filing with the Trustee and the City of an instrument in writing, made by the Trustee consenting thereto, will be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the Indenture; or

(2) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect.

(3) to effectuate such changes in the Indenture which do not adversely affect the interests of the Owners.

Any such Supplemental Indenture may also contain one or more of the purposes specified under the caption "**SUPPLEMENTAL INDENTURES--*Effective On Filing With the Trustee***" and, in that event, the consent of the Trustee required by the Indenture will be applicable only to those provisions of such Supplemental Indenture as contain one or more of the purposes set forth in (i), (ii) and (iii) above.

Supplemental Indentures Effective On Consent of Owners. Exclusive of Supplemental Indentures covered above, the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, will be required for the execution by the City and the Trustee of any indenture or indentures supplemental thereto; provided, however, that without the consent of the Owners of all the Bonds Outstanding nothing contained in the Indenture will permit, or be construed as permitting:

(a) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Bond, or a reduction in the principal amount of or premium payable on any redemption of any outstanding Bond or the rate of interest thereon;

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

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

(d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture.

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

CONSENT TO AMENDMENTS BY INITIAL PURCHASER, UNDERWRITER OR REMARKETING AGENT

Notwithstanding anything in the General Indenture or a Series Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any Series of the Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental indenture as required or permitted by the Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners, and (2) any Owner is not entitled to receive, nor is the City required to provide, any prior notice or other documentation regarding such amendment or supplemental order.

DEFAULT AND REMEDIES

Events of Default. If any of the following events occur, an "Event of Default" under the Indenture is deemed to have occurred:

(a) a failure to pay the principal of or premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption including sinking fund redemptions;

(b) a failure to pay any installment of Interest when the same becomes due and payable;

(c) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as described in subsections (a) and (b) above) contained in the Bonds or in the Indenture on the part of the City to be observed or performed, which failure continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee, which may give such notice in its discretion and must give such notice at the written request of Owners of not less than 25% of the principal amount of the Bonds, unless the Trustee, or the Trustee and Owners of a principal amount of Bonds not less than the principal amount of Bonds the Owners of which requested such notice, as the case may be, agrees in writing to an extension of such period prior to its expiration; and

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

Further events which will constitute "Events of Default" hereunder may be set forth in a Series Indenture.

Remedies on Default. On the occurrence and continuance of an Event of Default, the Trustee may, or if required by the written direction of a majority of the registered Owners of the Bonds, must, declare the Bonds to be immediately due and payable, whereupon they will, without further action, become due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding.

The provisions of the preceding paragraph are subject to the condition that if, after the principal of any of the Bonds has been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter provided, the City causes to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal of and interest on all Bonds which will have become due otherwise than by reason of such declaration (with interest on

such overdue installments of interest, at the rate per annum borne by the respective Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default under the Indenture other than nonpayment of the principal of the Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default will be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee will promptly give written notice of such waiver, rescission or annulment to the City and will give notice thereof by Mail to all Owners; but no such waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

On the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and on the written direction of registered owners of not less than a majority in principal amount of the Bonds and receipt of indemnity to its satisfaction, must, in its own name and as the trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the City to carry out any agreements with or for the benefit of the Owners and to perform its duties under the Indenture;

(2) take whatever action at law or in equity may appear necessary or desirable to enforce its rights against the City.

On the occurrence and continuance of any Event of Default, the Trustee may, or if required by a majority of the registered Owners of the Bonds or the provisions of the Indenture, must, take possession of any moneys in the Revenue Fund, the Water Operations Fund, the Water Major Capital Improvements Fund and the Surplus Account and administer the application thereof.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. If any Event of Default has occurred and if requested in writing by the Owners of a majority in aggregate principal amount of Bonds and indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners. When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Priority of Payments After Default. If, on the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of the principal or Redemption Price then due of and interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by redemption) and any other amounts received or collected by the Trustee acting under the Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Indenture, will be applied, subject to the restrictions contained under the caption **"DEFAULT AND REMEDIES--*Subordination of Claims for Interest*"**, as follows and no payments will be made with respect to Subordinate Indebtedness, General Obligation Indebtedness or Other Indebtedness:

Unless the principal of all of the Bonds has become or has been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amounts available are not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which have become due and, if the amounts available are not sufficient to pay in full all the Bonds due, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To be held for the payment to the persons entitled thereto, as the same become due, of the principal or Redemption Price of and interest on the Bonds which thereafter become due and, if the amounts available are not sufficient to pay in full all the Bonds due on any date, together with such interest, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto, without any discrimination or preference.

If the principal of all of the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid on the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions described above, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, having due regard to the amount of moneys available for such application and the likelihood of additional money becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose, will constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the City, to any Owner or to any other person for any delay in applying such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture. Whenever the Trustee will exercise discretion in applying such moneys, it will fix the date (which must be an Interest Payment Date unless the Trustee deems another date more suitable) on which such application is to be made. The Trustee will not be required to make payment to any Owner unless its Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Owners' Right to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds will have the right, at any time, to the extent permitted by law, by instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver, and any other proceedings under the Indenture; provided that such direction may not be otherwise than in accordance with the provisions of the Indenture. The Trustee will not be required to act on any direction given to it as described above until the indemnity described in the Indenture is furnished to it by such Owners.

Limitation on Rights of Owners. No Owner will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, for the protection or enforcement of

any right under the Indenture unless such Owner has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than 25% in principal amount of the Bonds have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there has been offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity have been declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or by law. It is understood and intended that no one or more Owners will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under law with respect to the Bonds or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity must be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all Owners.

Each Owner by its acceptance of a Bond will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture or any Series Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. The provisions of this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by Owners of at least 25% in principal amount of the Bonds, or to any suit instituted by any Owner for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Subordination of Claims for Interest. No claim for interest appertaining to any of the Bonds which in any way at or after maturity has been transferred or pledged separate and apart from the Bond to which it appertains will, unless accompanied by such Bond, be entitled, in case of an Event of Default under the Indenture, to any benefit by or from the Indenture, except after the prior payment in full of the principal of all of the Bonds then due and of all claims for interest then due not so transferred or pledged.

DEFEASANCE

If the City pays or causes to be paid or is deemed to have paid to the Owner of any Bond the principal of and interest due and payable, and thereafter to become due and payable on such Bond, or any portion of such Bond in any integral multiple of the Authorized Denomination thereof, such Bond or portion thereof will cease to be entitled to any lien, benefit or security under the Indenture. If the City pays or causes to be paid the principal of, premium, if any, and interest due and payable on all Outstanding Bonds, pays or causes to be paid all other sums payable by the City, including all fees, expenses and other amounts payable to the Trustee and any Paying Agent and all amounts owing to the provider of a Qualified Reserve Fund Substitute, then the right, title and interest of the Trustee in and to the Trust Estate will thereupon cease, terminate and become void.

Any Bond will be deemed to be paid within the meaning and for all purposes of the Indenture when (a) payment of the principal of such Bond plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) either (i) has been made

or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment, (1) moneys, sufficient to make such payment or (2) non-callable Federal Securities maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond is deemed to be paid under the Indenture, as aforesaid, such Bond will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Federal Securities.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph will be deemed a payment of such Bonds as aforesaid until (a) proper notice of redemption of such Bonds has been previously given in accordance with the applicable Series Indenture, or if said Bonds are not to be redeemed within the next 35 days, until the City has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owners of such Bonds in accordance with the applicable Series Indenture, that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date on which moneys are to be available for the payment of the principal of said Bonds plus interest thereon to the due date thereof, or (b) the maturity of such Bonds.

BONDS NOT DELIVERED FOR PAYMENT

If any Bond is not presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, or if any interest check is not cashed, if funds sufficient to pay such Bond have been made available by the City to the Trustee or any Paying Agent for the benefit of the Owner thereof, all liability of the City to the Owner thereof for the payment of such Bond will forthwith cease, terminate and be completely discharged, and it will then be the duty of the Trustee and any Paying Agent to hold such funds in trust, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond who will thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. Any money that is so set aside or transferred and that remains unclaimed by the Owners for a period of five and one-half years after such payment has become due and payable will be treated as abandoned property under N.C.G.S. § 116B-53, or any successor statute, and the Trustee or Paying Agent will report and remit this property to the Escheat Fund according to the requirements of N.C.G.S. § 116B *et seq.*, or any successor statute. Thereafter, the Owners may look only to the Escheat Fund for payment and then only to the extent of the amounts so received without any interest thereon, and the City and the Trustee or Paying Agent will have no responsibility with respect to such money.

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APPENDIX D

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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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 on the basis of 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 in order 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 approval prior to 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 in order to assist the unit in working out a plan for refinancing, 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 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 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 with respect to 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 in accordance with such plan.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

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Parker Poe

June __, 2026

City of Asheville, North Carolina
Asheville, North Carolina

The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

$42,375,000
City of Asheville, North Carolina
Water System Revenue Bonds, Series 2026

Ladies and Gentlemen:

We have acted as bond counsel ("*Bond Counsel*") in connection with the issuance and delivery by the City of Asheville, North Carolina (the "*City*") of $42,375,000 aggregate principal amount of its Water System Revenue Bonds, Series 2026 (the "*2026 Bonds*"). The City is a municipal corporation organized and existing under the constitution and laws of the State of North Carolina (the "*State*") and is empowered to issue the 2026 Bonds pursuant to the State and Local Government Revenue Bond Act, Section 159-80 *et seq.* of the General Statutes of North Carolina, as amended (the "*Act*"), subject to the approval of the Local Government Commission of North Carolina.

The 2026 Bonds are issuable only as fully registered bonds and will be numbered, will bear interest payable at the rates and at the times, and will be subject to redemption, all as provided in the Amended and Restated General Trust Indenture dated as of September 1, 2021 (the "*General Indenture*"), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), and the provisions of Series Indenture, Number 7 dated as of June 1, 2026 (the "*Series Indenture*") between the City and the Trustee.

The 2026 Bonds are being issued to (1) finance the costs of extensions, additions and capital improvements to, or the acquisition, renewal or replacement of capital assets of, or purchasing and installing new equipment for the water system owned by the City, (2) refund the City's Water System Revenue Refunding Bonds, Series 2015 maturing on August 1, 2026 through August 1, 2032, and (3) pay the costs incurred in connection with the sale and issuance of the 2026 Bonds. In connection with the issuance of the 2026 Bonds, we have examined the following: (a) the Act; (b) executed copies of the General Indenture and the Series Indenture; and (c) such other laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering this opinion. We have also examined a specimen 2026 Bond.

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

1. The City is a municipal corporation of the State. Pursuant to the Act, the City is empowered to issue the 2026 Bonds for the purposes set forth in the General Indenture and to execute, deliver and perform its obligations under the General Indenture and the Series Indenture.

2. The General Indenture and the Series Indenture have been duly authorized, executed and delivered by the City, and, assuming due authorization and execution by the Trustee, are valid, binding and enforceable obligations, respectively, of the City. All right, title and interest of the City in and to the Trust Estate (as defined in the General Indenture) have been validly pledged and assigned to the Trustee, and the General Indenture creates a valid security interest in the Trust Estate.

3. The 2026 Bonds have been duly authorized, executed and issued in accordance with applicable law, including the Act, and the General Indenture and represent valid, binding and enforceable special obligations of the City. The 2026 Bonds are entitled to the benefits and security of the General Indenture and the Series Indenture for the payment thereof in accordance with the terms of the General Indenture and the Series Indenture.

4. The principal of and interest on the 2026 Bonds are special obligations payable by the City solely from the sources described in the General Indenture and the Series Indenture. The principal of and interest on the 2026 Bonds are not payable from the general funds of the City, nor do they constitute a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the funds which are pledged under the General Indenture and the Series Indenture. Neither the credit nor the taxing power of the State or the City are pledged for the payment of the principal of or interest on the 2026 Bonds, and no owner of the 2026 Bonds has the right to compel the exercise of the taxing power by the State or the City or the forfeiture of any of its property in connection with any default thereon.

5. Interest on the 2026 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax; however, such interest on the 2026 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "*Code*") for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest on the 2026 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the 2026 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2026 Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026 Bonds.

6. Interest on the 2026 Bonds is exempt from all State of North Carolina income taxation.

The rights of the owners of the 2026 Bonds and the enforceability of the 2026 Bonds, the General Indenture and the Series Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally or by equitable principles, whether considered at law or in equity.

Our services as Bond Counsel in connection with the issuance of the 2026 Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026 Bonds and the tax status of interest thereon. 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.

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 2026 Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating to the financial resources of the City, or the ability of the City to make the payments required under the General Indenture and the Series Indenture, that may have been relied upon by anyone in making the decision to purchase the 2026 Bonds.

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

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

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APPENDIX F

BOOK-ENTRY SYSTEM

Beneficial ownership interests in the 2026 Bonds will be available only in book-entry form. Beneficial owners of the 2026 Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the 2026 Bonds purchased. So long as DTC or its nominee is the registered owner of the 2026 Bonds, references in this Official Statement to the Owners of the 2026 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Indenture contains provisions applicable to periods when DTC or its nominee is not the registered owner.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the 2026 Bonds, payment of interest and other payments with respect to the 2026 Bonds to DTC participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2026 Bonds and 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 2026 Bonds. The 2026 Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate in the aggregate principal amount of each maturity of the 2026 Bonds will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2026 Bonds, as DTC's Partnership nominee, reference herein to the Owners or registered owners of the 2026 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the 2026 Bonds.

DTC, the world's largest 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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*" and collectively with the Direct Participants, the "*Participants*"). DTC has Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2026 Bonds (the "*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such name as may be requested by an authorized representative of DTC. The deposit of 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2026 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2026 Bonds, such as prepayments, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2026 Bonds may wish to ascertain that the nominee holding the 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2026 Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2026 Bonds to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments with respect to the 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC (nor its nominee), the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such

payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. The City cannot and does not give assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the City and the Underwriter believe to be reliable, but the City and the Underwriter take no responsibility for the accuracy thereof.

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CITY OF ASHEVILLE
NORTH CAROLINA