# Metropolitan Sewerage District of Buncombe County, North Carolina



## Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2026

# Annual Comprehensive Financial Report

## for the Fiscal Year Ended June 30, 2026

| PRINCIPAL OFFICIALS | |
|---|---|
| **Board Member** | **Representative of** |
| M. Jerry VeHaun, Chairman | Town of Woodfin |
| Jackie W. Bryson, Secretary/Treasurer | Woodfin Sanitary Water & Sewer District |
| Matt Ashley. Jr. | Town of Montreat |
| Mark Endries | Town of Weaverville |
| William G. Lapsley | Henderson County |
| Esther Manheimer | City of Asheville |
| Martin Moore | Buncombe County |
| Chris Pelly | City of Asheville |
| Jim Player | Town of Fletcher |
| Nathan Pennington | Buncombe County |
| Allan Tarleton | Town of Biltmore Forest |
| Robert C. Watts | Town of Black Mountain |
| Al Whitesides | Buncombe County |
| Gwen Wisler | City of Asheville |

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

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

Prepared By: Financial Services Department

W. Scott Powell, CLGFO, Director of Finance  Cheryl S. Rice, Accounting Manager

Jody Germaine, Budget Analyst

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# Introduction Section

# Metropolitan Sewerage District

## OF BUNCOMBE COUNTY, NORTH CAROLINA

October 26, 2026

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

We are pleased to present the Annual Comprehensive Financial Report of the Metropolitan Sewerage District of Buncombe County, North Carolina (MSD or District) for the fiscal year ended June 30, 2026. State law requires local governments to publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. MSD's Bond Order requires release of such audited financial statements within six months of the close of the fiscal year. This Annual Report presents MSD's financial statements and adds this transmittal letter and statistical data to assist the reader in analyzing our financial statements.

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

Cherry Bekaert LLP, a firm of licensed certified public accountants, has audited the financial statements. The goal of the independent audit was to provide reasonable but not absolute assurance that MSD's financial statements for the fiscal year ended June 30, 2026, are free of material misstatement.

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

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that MSD's financial statements for the fiscal year ended June 30, 2026, are fairly presented in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

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

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

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

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

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

# Profile of the District

## A. Overview

The District was created by the state of North Carolina in 1962 to provide a wastewater treatment plant serving the City of Asheville and surrounding communities, including Biltmore Forest, Weaverville, Black Mountain, Montreat, Woodfin, the Woodfin Sanitary Water & Sewer District, and certain other unincorporated areas of Buncombe County. Through separate contractual arrangements, the District also serves customers in the Cane Creek Water and Sewer District in northern Henderson County and in the Avery Creek Sanitary Sewer District in southern Buncombe County. The collection system has been extended over the years as a result of expansion and development, and now collects wastewater through approximately 1,175 miles of sewer line with 35,400 manholes and serves approximately 61,000 residential and commercial customers and over 20 significant industries.

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

With the Sewer Consolidation, which was signed in 1990, the District agreed to take possession of and to operate, maintain, and repair or replace, as necessary, the various collector sewer systems, which were simultaneously deeded to MSD by these same political subdivisions. Many of the collector sewer systems were undersized, deteriorated, and inadequately maintained. Since taking over the sewer systems, the District has developed and implemented, with input from its member political subdivisions, an ongoing Capital Improvement Program (the "CIP"). Approximately 1,486,000 linear feet of existing sewer line have been replaced since consolidation, representing over 28.3% of the entire collection system.

In addition, the District expects to replace approximately 200,000 feet of existing sewer lines over the next five years. The District also has an aggressive program in effect for systematic preventative maintenance of collector sewers. The lines are first cleaned using water under high pressure and then are videotaped. The cleaning reduces line blockages and overflows, and the videotapes enable the District to locate and repair problems in the lines. The District cleans and inspects by videotaping between 15% and 20% of its system each year.

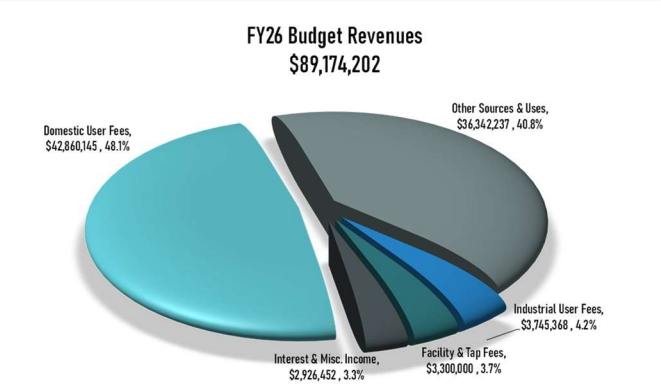
The District also owns, operates, and maintains a 40 million gallon per day (MGD) wastewater treatment plant to treat raw sewage and industrial wastewater as well as a hydroelectric facility, which is used to generate power for the wastewater treatment plant, which helps defray utility costs for the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

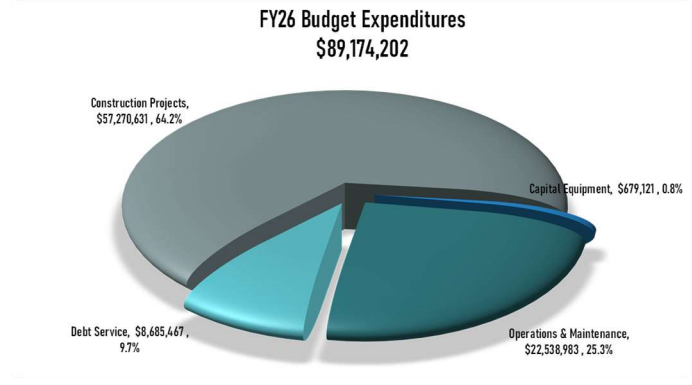
Member agencies providing water service include the sewer fees on their water bills and provide customer service and collection services to the District for a negotiated fee. However, the District direct bills about 700 customers, predominantly local industries, and private residences served by wells, yet connected to the sewer system.

## B. Budget

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

After the Board approves the budget, it is administered by Department heads who may make transfers of appropriations within a department and by the General Manager who may make transfers between departments. Budget to actual comparisons of financial data for the fiscal year ended June 30, 2026, are in the supplemental information following the notes to the financial statements.



## Factors Affecting Financial Condition

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

### A. Local Economy

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

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

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

### B. Long-Term Financial Planning

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

In 2015, the District developed a Facility Plan for the WRF. It focused on future regulatory requirements, the viability of existing processes, long-term costs, and needed performance. This comprehensive plan recommends various options for the future of the treatment plant and will help the District continue to protect our local environment by implementing the latest technologies in a phased, cost-efficient manner. This plan has been updated in 2025 with Preliminary Engineering Reports for upcoming projects.

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

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

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

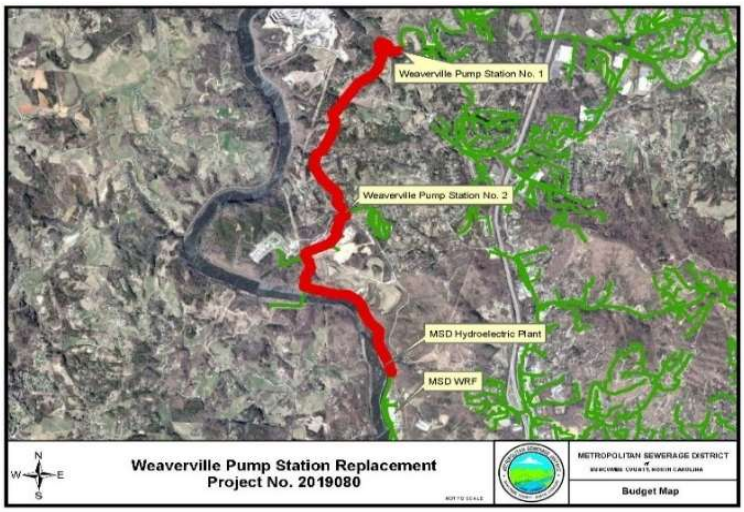
## Major Initiatives and Accomplishments

### A. Collection System & Plant Rehabilitation

The District maintains an aggressive, proactive rehabilitation program for both the regional 1,175-mile collection system and the treatment plant facility. MSD assumed ownership and maintenance of the local public collection systems in 1991 and since that time over $610.7 million has been re-invested back into the system.

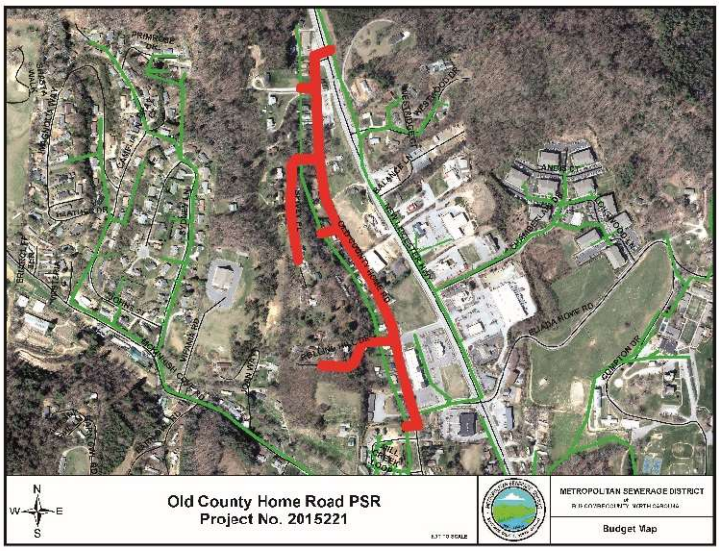
#### ➤ Weaverville Pump Station Replacement

This $25.9M project is for the replacement of the Weaverville Pumping System. The new 5MGD pump station and force main have been sized to accommodate a future expanded service area and sewer flows through 2070. Weaverville PS No. 1 will convey flow directly to the plant, and PS No. 2 (which currently repumps 100% of the flow) will be converted to a smaller residential pump station. Construction began in late 2024 and is nearly complete.



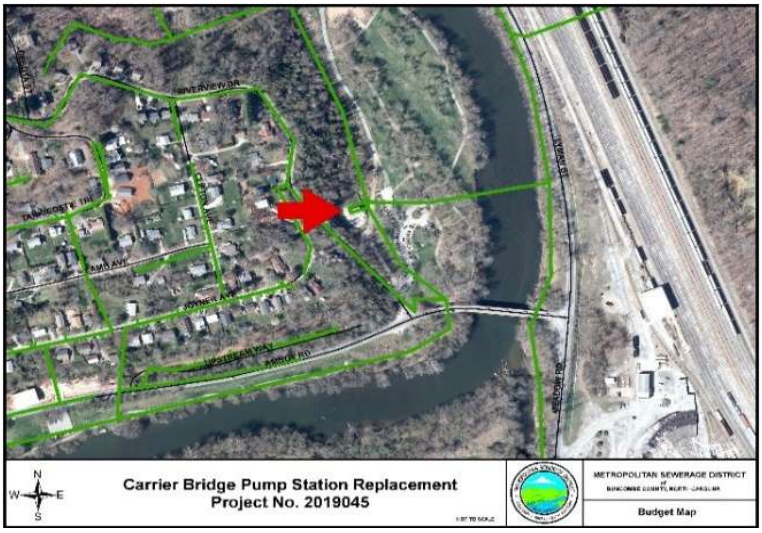
## Old County Home Rd. PSR

This Private Sewer Rehabilitation project replaced and upsized approximately 4,592LF of existing 4-inch and 8-inch sewer main in West Asheville along Old County Home Rd. The existing PVC and vitrified clay sewer pipes were in poor condition and were undersized for the area served. The project also included rerouting a portion of the Erwin Hills PS force main to improve hydraulic conveyance and reduce backups and overflows.



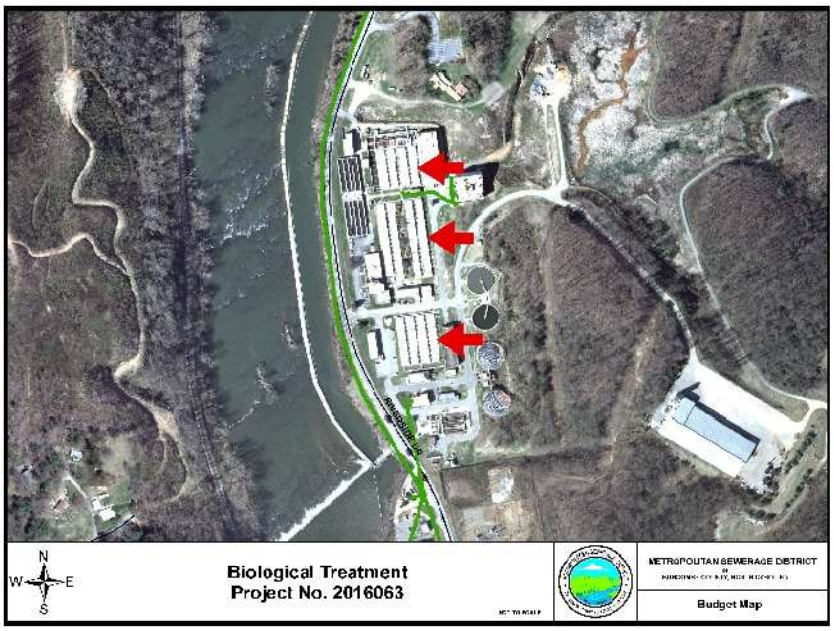

## Carrier Bridge Pump Station Replacement

This $96M project is for the replacement of the Carrier Bridge Pump Station. Carrier Bridge is the District's largest pump station and serves significant areas of Buncombe and northern Henderson Counties. Its current capacity is 22 MGD and will be expanded to 40 MGD with the ability to be further expanded in the future. The project includes two pipeline river crossings which are complete. Construction of the pump station and associated piping began in November 2025 and is expected to be complete in late 2028.



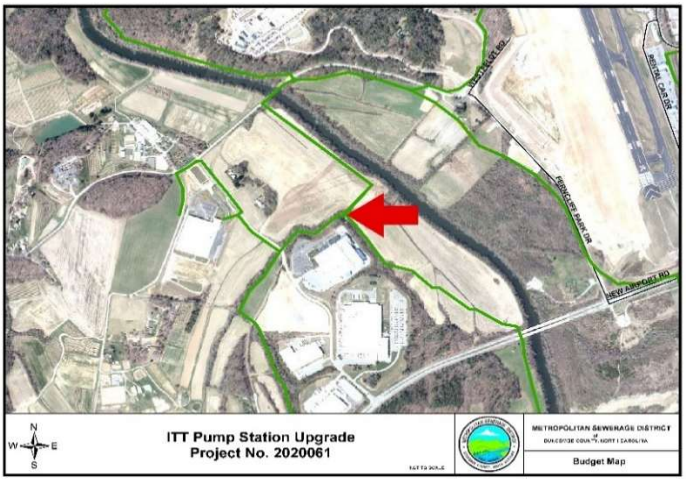
## Biological Treatment

This project will replace the plant's existing biological treatment process, Rotating Biological Contactors (RBC's). This is the most significant project ever proposed by the District and is being driven by regulatory requirements and by the age and condition of the RBCs. The Biological Treatment Alternatives Evaluation (ongoing) will identify the replacement treatment technology. MSD is currently pilot testing one of the technologies that was short-listed. That testing is expected to conclude late in 2026 and a second short-listed technology will be piloted thereafter. The Alternatives Evaluation will be finalized after pilot testing, and design of the new system will follow. This $250M project must be complete and in compliance by 2037.



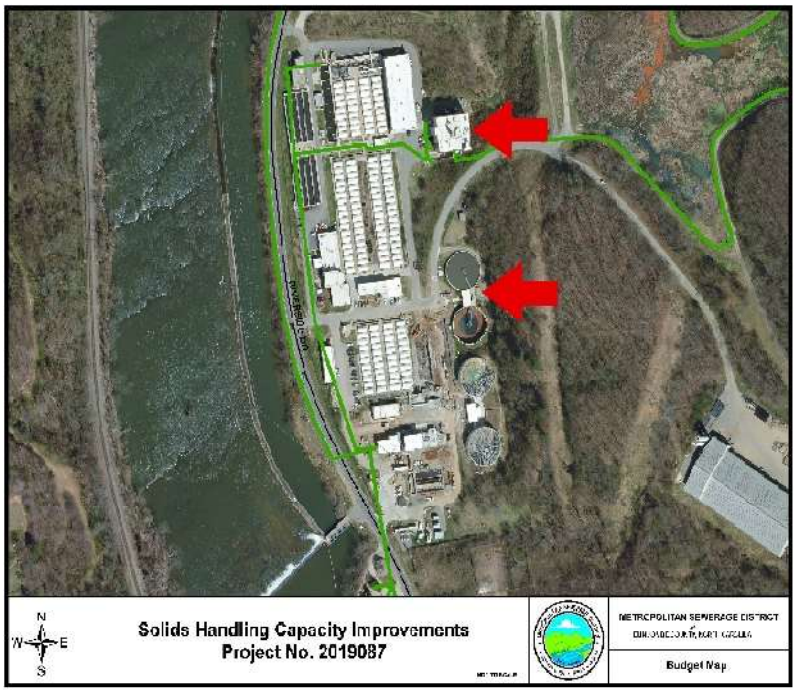

## ITT Pump Station Upgrade

The ITT Pump Station is located near the Broadpointe Industrial Park in south Asheville. The station is in fair to poor condition and requires an increase in pumping capacity. The new station will be upgraded from 0.9mgd (existing capacity) to 2.0mgd in the initial construction phase. Capacity can easily be increased again to 3.75mgd by replacing pumps. The project includes a new access route that will allow ingress/egress during flooding events. The project was bid in July 2026 and awarded in the amount of $6.1M. Construction will begin in late 2026 and is expected to last 20 months.



### ➢ Solids Handling Capacity Improvements

This project will increase the capacity of the solids handling processes at the treatment plant, and replace aging infrastructure. Additional capacity is needed to accomodate future flow rates and increased sludge generation from the future biological treatment. The Solids Handling Prelim. Engineering Report (PER) was completed in January 2026 and selected thermal drying as the replacement technology for the existing sewage sludge incinerator. A design-build project is underway to replace the existing thickening, dewatering, and disposal processes. A design-build team will be selected in late 2026 and construction is expected to last through 2031. This project has been budgeted at $150M.




## Significant Reduction of Sanitary Sewer Overflows

Reduction of Sanitary Sewer Overflows (SSO's) is one of the District's primary goals related to the collection system. This has been accomplished by aggressive rehabilitation and preventative maintenance (line cleaning) programs. Over the past twelve years, the District has realized a significant reduction of SSO's – from 289 in FY2000 to 14 in FY2026.

## National Environmental Achievement Award

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

NATIONAL Environmental Achievement AWARDS

## Peak Performance Award Recognition

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

## Excellence in Management Recognition Award

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

## Improved Customer Service Response

The Systems Services Department reclassified a management position to that of a first responder to handle emergency calls between 2:00 p.m. and 10:30 p.m. as well as holidays, which reduced average response time from 90 minutes in FY2006 to 29 minutes in FY2026.

## Environmental Regulations Compliance

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

Another requirement of the annual Collection Systems permit is to perform preventative maintenance on at least 600,000 linear feet of sewer line. During the current year, the District cleaned approximately 1,082,000 linear feet.

## Continuing Disclosure Obligation

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

## Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan Sewerage District of Buncombe County, North Carolina for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This was the thirty-first consecutive year that the District has achieved this prestigious award. In order to receive a Certificate of Achievement award, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

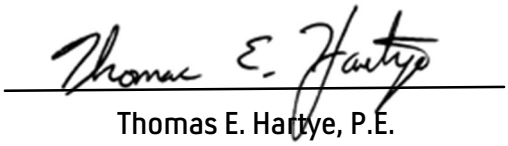
In addition, the District also received the GFOA's Distinguished Budget Presentation Award for its annual FY2026 budget document. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged proficient in several categories, including a policy document, a financial plan, an operations guide, and a communications device. This is the twenty-eighth consecutive year that the District has achieved this prestigious award.

## Acknowledgments

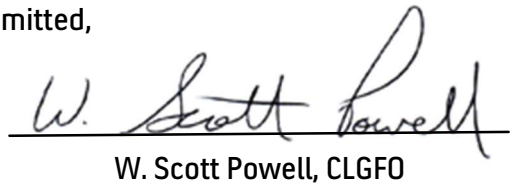
The preparation of this report could not have been accomplished without the dedicated services of staff throughout the District and the District's independent auditor, Cherry Bekaert LLP. We would like to acknowledge the hard work and dedication of Cheryl Rice, the District's Accounting Manager. In addition,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

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

Respectfully Submitted,

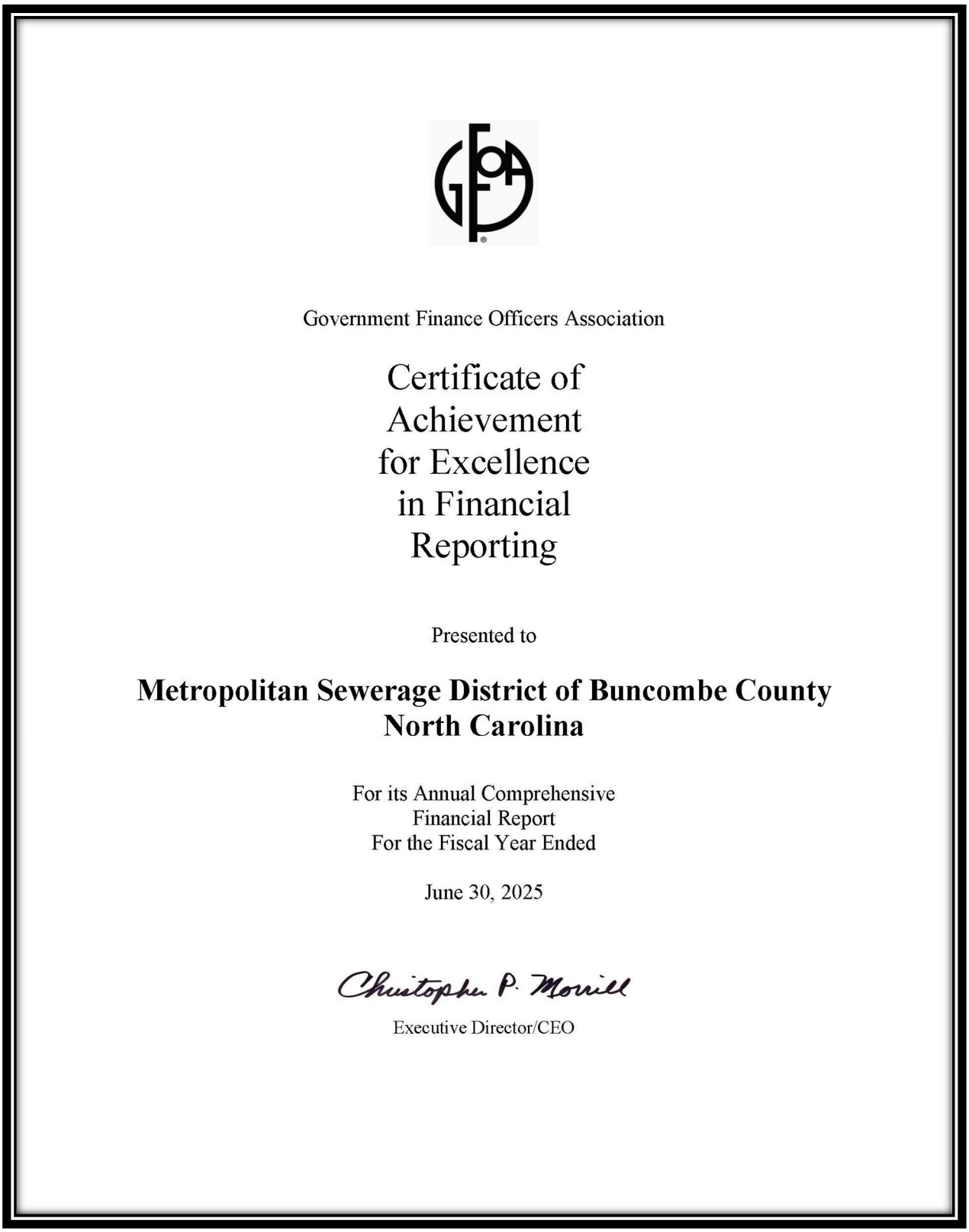


Thomas E. Hartye, P.E.
General Manager



W. Scott Powell, CLGFO
Director of Finance

# Certificate of Achievement



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

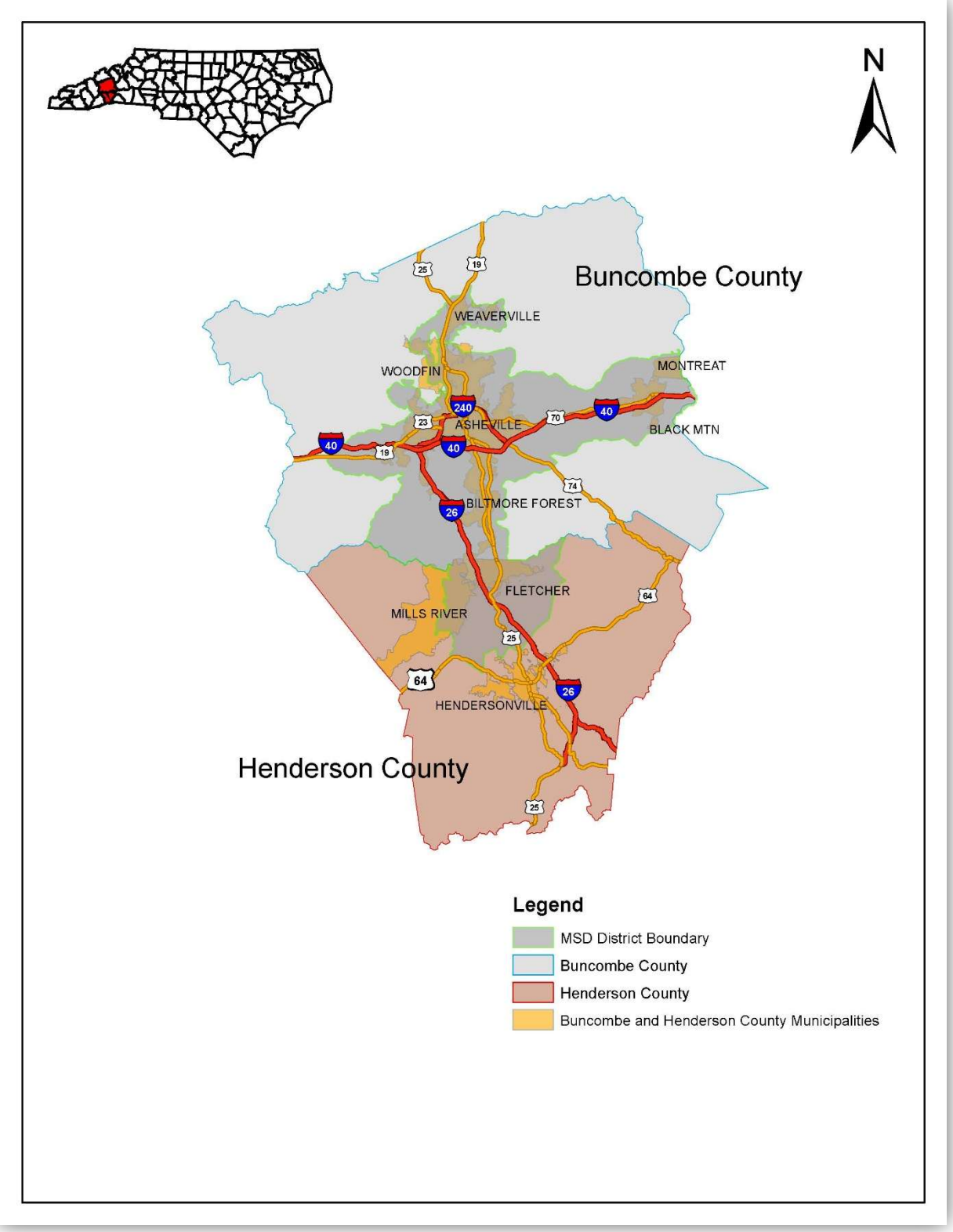
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

Christopher P. Morrill

Executive Director/CEO

# Map of District Boundary



# Principal Officials

| Board Members | Representative of |
|---|---|
| Matt Ashley, Jr. | Town of Montreat |
| Jackie W. Bryson, Secretary/Treasurer | Woodfin Sanitary Water & Sewer District |
| Mark Endries | Town of Weaverville |
| William G. Lapsley | Henderson County |
| Esther Manheimer | City of Asheville |
| Martin Moore | Buncombe County |
| Chris Pelly | City of Asheville |
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| Allan Tarleton | Town of Biltmore Forest |
| Robert C. Watts | Town of Black Mountain |
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| Gwen Wisler | City of Asheville |

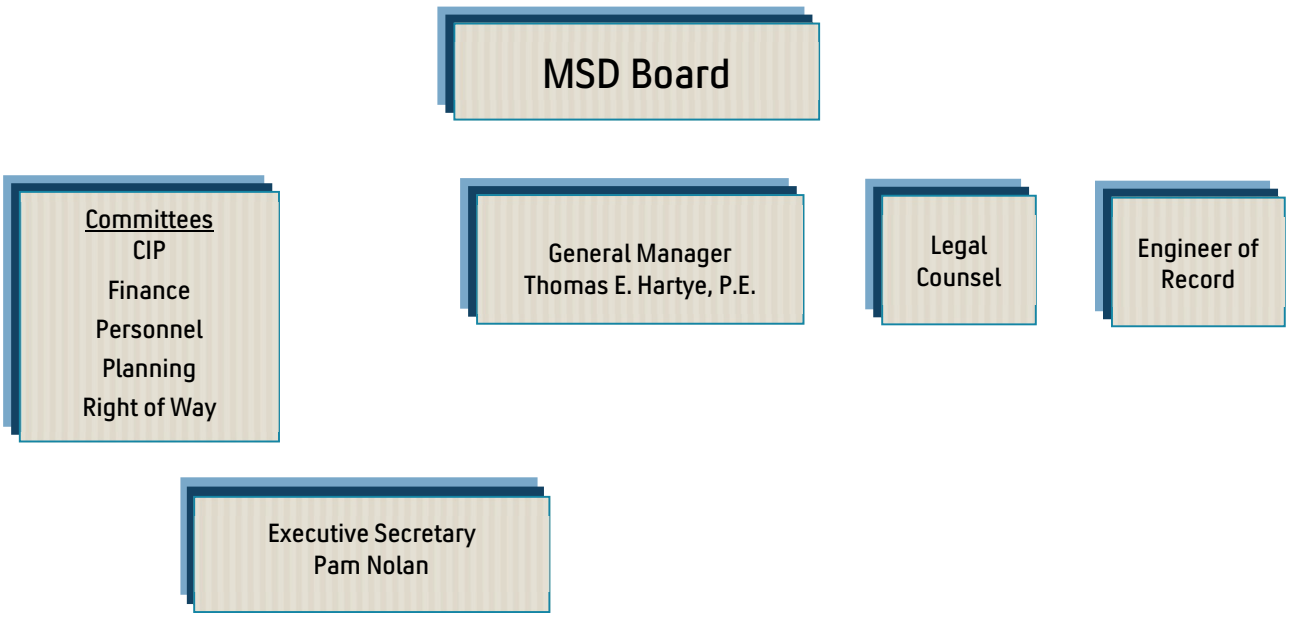
**Legal Counsel**
Roberts & Stevens, P.A.

**Engineer of Record**
McGill Associates, P.A.

**General Manager**
Thomas E. Hartye, P.E.

**Director of Finance**
W. Scott Powell, CLGFO

# Organizational Chart




| Engineering | Financial Services | Human Resources | Information Technology | System Services | Waste Treatment |
|---|---|---|---|---|---|
| Director<br>Hunter Carson, P.E. | Director<br>W. Scott Powell, CLGFO | Director<br>Pam Thomas | Director<br>Matthew Walter | Director<br>Mike Stamey, P.E. | Director<br>Bart Farmer |
| Project Management<br>Design/Drafting<br>Capital Projects<br>Right-of-Way<br>Allocations<br>Taps<br>Sewer Expansion | Accounting<br>Budget<br>Cash Flow Mgmt.<br>Finance<br>Financial Forecasting<br>Fleet Maintenance<br>Investments<br>Purchasing<br>Warehouse | Employee Relations<br>Payroll<br>Employee Benefits<br>Environmental Health & Safety | Information Technology<br>Management Information Systems<br>Geographical Information Systems | Construction Administration<br>Construction (in-house)<br>Emergency Maintenance<br>Preventative Maintenance<br>Technical Services | Operations<br>Industrial Waste<br>Reclamation Services<br>Electrical<br>Mechanical<br>Pump Station Maintenance<br>Facilities Maintenance |
| # of employees = 15 | # of employees = 11 | # of employees = 6 | # of employees = 10 | # of employees = 65 | # of employees = 44 |

Number of Employees: 152

# Financial Section

Cherry Bekaert LLP
Your Guide Forward

## Report of Independent Auditor

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Metropolitan Sewerage District of Buncombe County, North Carolina (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2026, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

***Required Supplementary Information***

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

***Supplementary Information***

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District, as of and for the year ended June 30, 2025 (none of which is presented herein), and our report dated October 16, 2025 expressed an unmodified opinion on those basic financial statements. That audit was conducted for purposes of forming an opinion on the basic financial statements as a whole. The accompanying supplemental financial data, as listed in the table of contents, includes summarized information from the June 30, 2025 supplemental financial data for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2025 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental financial data for the year ended June 30, 2025 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
October 26, 2026

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# Management's Discussion and Analysis

As management of the Metropolitan Sewerage District of Buncombe County (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2026.

## Overview of the Financial Statements

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

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

### A. Basic Financial Statements

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

- The **Statement of Net Position** presents information on all the District's assets, plus deferred outflows of resources, less liabilities, and deferred inflows of resources with the difference reported as net position. This Statement provides information about the types and amounts of resources (assets), deferred outflows of resources, the obligations to the District's employees and creditors (liabilities), and deferred inflows of resources, which may be used to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing liquidity and financial flexibility.

- The **Statement of Revenues, Expenses, and Changes in Net Position** presents the current year's results of operations and can be used to determine how successful the District has been in collecting revenues, controlling expenses, and recovering costs through user fees and charges.

- The final required financial statement is the **Statement of Cash Flows**. This Statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and related financing activities, and may be used to determine how cash originated, what that cash was used for, and how these activities resulted in the change to cash balance during the year.

- The **Notes to the Financial Statements** provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The District uses notes to ❶ present information in greater detail than is possible within the financial statements themselves, ❷explain the nature of the amounts reported in the financial statements and how those amounts were determined, and ❸report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

- In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information**. The District presents the progress in funding its obligations to provide pension and OPEB benefits to its employees.

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

## Financial Summary and Detailed Analysis of the District

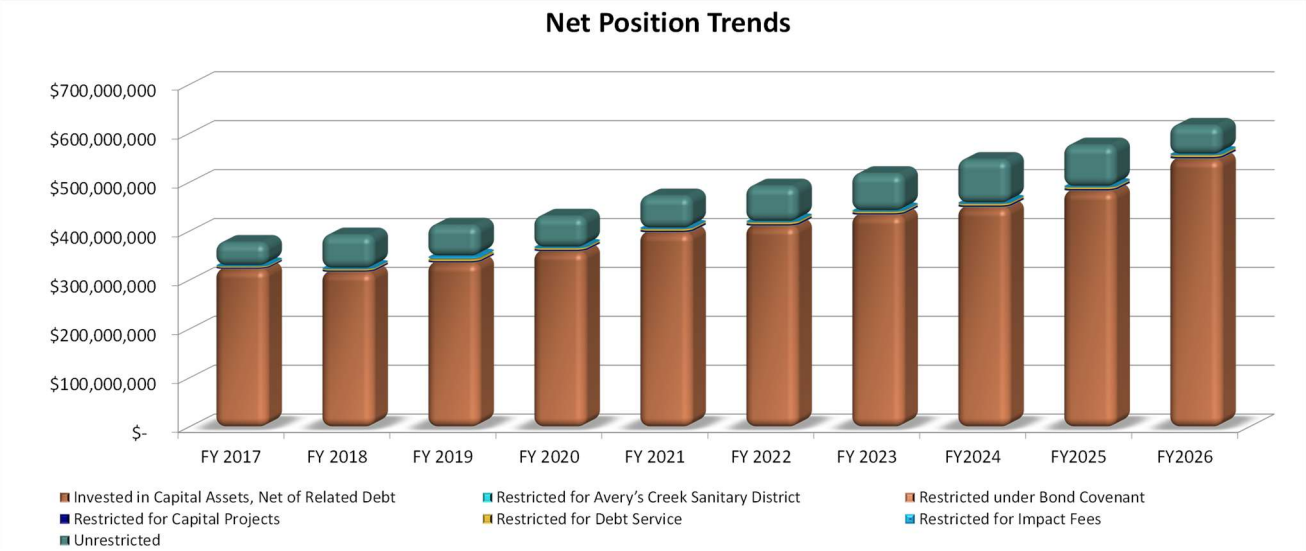
### A. Net Position

As previously noted, net position may serve over time as one useful indicator of an entity's financial condition. The District's assets plus deferred outflows of resources exceeded liabilities and deferred inflows by $618.3 million at June 30, 2026.

The largest proportion of the District's net position, approximately 88.9%, reflects the District's net investment in capital assets (e.g., land, buildings, interceptor and collector sewer lines, treatment facilities, equipment, etc.), less any related debt outstanding that was issued to acquire these items. As these assets are required to provide wastewater collection and treatment services, these resources are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources as the capital assets cannot be used to liquidate these liabilities.

An additional $7.7 million or 1.2% of the District's net position are funds restricted by the Bond Order to be held in reserve for either debt service or for emergency capital equipment repair or replacement. The remaining balance of $60.7 million is unrestricted and may be used to fund pay-as-you-go capital projects, medical or workers' compensation claims, replacement reserves, or any other legal purpose.

The District's overall financial position improved during the fiscal year ended June 30, 2026 as overall net position grew by 7.0%. The District's financial strategy is to set rates at a level sufficient to cover operating and debt service expenses as well as to provide about half of the funding for pay-as-you-go infrastructure rehabilitation. The success of this approach is visible in the continuing growth of the District's net position. Current assets will decrease gradually as cash and investments are used to rehabilitate infrastructure, until the next planned revenue bond issuance.



## Table 1—Condensed Statement of Net Position

| | FY 2026 | FY 2025 | % Increase (Decrease) 2026 Vs. 2025 |
|---|---|---|---|
| Current and Other Assets | $ 87,718,957 | $ 111,851,648 | (21.58%) |
| Capital Assets, net | 615,259,913 | 555,977,543 | 10.66% |
| Total Assets | 702,978,870 | 667,829,191 | 5.26% |
| | | | |
| Deferred Outflows of Resources | 4,629,068 | 5,399,584 | (14.27%) |
| | | | |
| Long-Term Liabilities Outstanding | 72,375,147 | 79,429,021 | (8.88%) |
| Other Liabilities | 16,058,370 | 14,911,230 | 7.69% |
| Total Liabilities | 88,433,517 | 94,340,251 | (6.26%) |
| | | | |
| Deferred Inflows of Resources | 868,469 | 871,575 | (0.37%) |
| | | | |
| Net Position: | | | |
| Net Investment in Capital Assets | 549,911,711 | 484,513,370 | 13.50% |
| Restricted for: | | | |
| Debt Service | 6,308,016 | 6,058,890 | 4.11% |
| Bond Covenant | 1,418,360 | 1,365,403 | 3.88% |
| Unrestricted | 60,667,865 | 86,079,286 | (29.52%) |
| Total Net Position | $ 618,305,952 | $ 578,016,949 | 6.97% |

Current and other assets decreased by $24.1 million from the prior year. The District had two ongoing infrastructure projects which used reserves and current revenue in the amount of $43.9 million in the current year. This amount is included in the District's construction in progress and is a substantial part of the $59.3 million increase in capital assets.

Long-term liabilities, which consist of bonds, compensated absences, and postemployment benefit obligations, decreased $7.1 million from the previous year. The District decreased bonds payable by $6.1 million in the current year. The District's pension plan liability decreased $671,000 due to the decrease in its share of the state's cost-sharing multiple-employer defined benefit pension plan. The decrease was offset by a $223,000 increase in its other postemployment health insurance benefit plan, which is not prefunded.

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

| | FY 2026 | FY 2025 | % Increase (Decrease) 2026 Vs. 2025 |
|---|---|---|---|
| Operating Revenues: | | | |
| Sewer Charges | $ 52,123,659 | $ 45,803,098 | 13.80% |
| Facility and Tap Fees | 10,545,299 | 7,597,834 | 38.79% |
| Miscellaneous | 3,902,023 | 1,547,343 | 152.18% |
| Total Operating Revenues | 66,570,981 | 54,948,275 | 21.15% |
| | | | |
| Operating Expenses: | | | |
| Salaries and Employee Benefits | 10,707,280 | 13,584,505 | (21.18%) |
| Contractual Services | 2,463,676 | 2,057,203 | 19.76% |
| Utilities | 1,665,566 | 2,036,484 | (18.21%) |
| Repairs and Maintenance | 1,055,098 | 1,097,008 | (3.82%) |
| Other Supplies and Expenses | 2,285,407 | 2,505,159 | (8.77%) |
| Insurance Claims and Expenses | 2,915,614 | 3,235,657 | (9.89%) |
| Depreciation | 13,670,972 | 13,169,966 | 3.80% |
| Total Operating Expenses | 34,763,613 | 37,685,982 | (7.75%) |
| Operating Income | 31,807,368 | 17,262,293 | 84.26% |
| | | | |
| Other Non-operating Revenues (Expenses): | | | |
| Investment Income | 3,272,947 | 4,289,383 | (23.70%) |
| Interest Expense | (2,425,031) | (2,441,236) | (0.66%) |
| Loss on Sale of Surplus Property | (9,756) | (9,435) | 3.40% |
| Capital Contribution | 7,643,475 | 10,523,414 | (27.37%) |
| Total Other Non-operating Revenues (Expenses) | 8,481,635 | 12,362,126 | (31.39%) |
| | | | |
| Change in Net Position | 40,289,003 | 29,624,419 | 36.00% |
| | | | |
| Total Net Position, beginning of year | 578,016,949 | 548,392,530 | 5.40% |
| | | | |
| Total Net Position, end of year | $618,305,952 | $578,016,949 | 6.97% |

This section discusses significant factors contributing to the District's 7.0% increase in net position from $578 million to $618.3 million.

## A. Operating Revenues

- Sewer revenues increased 13.80%. The District raised domestic sewer rates by 5.0% at the beginning of the fiscal year 2026. The additional increase was due to better than anticipated revenue as a result of increased usage over the previous year.

## B. Operating Expenses

- **Salaries and Employee Benefits**—The District experienced a 21.2% decrease during current year. A significant portion of the decrease pertained to last year's implementation treatment of accounting pronouncement GASB No. 101 through operations rather than as a restatement. In the current year, the District had a 2.8% cost of living increase and a 5.5% increase in pension expenses associated with the statewide Local Governmental Employees Retirement System.

- **Contractual Services**— The District experienced a 19.8% increase in the current year. Due to Hurricane Helene, some of the District's billing partners did not bill according to their normal bill cycles last year. In the current year, billings resumed to pre–Hurricane Helene levels.

- **Utilities Expense**—An increase in internally generated hydroelectric power attributed to the 18.2% decrease in current year expenses.

- **Other Supplies and Expenses**—The District experienced a 11.7% decrease in current year expense due to decreased use of chemical supplies for the high-rate primary treatment process.

- **Insurance Claims and Expenses**— The District experienced a 9.9% decrease in current year's expenses due to a decrease in medical claims in the current year.

**C. Investment Income**—The 23.7% decrease in investment income was a direct result of using unrestricted cash and cash equivalents to invest in capital assets in the current year.

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

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

## Significant Capital Asset and Long-Term Financing Activity

### A. Capital Assets

The District owns capital assets with a historical cost of $875,974,050. These assets consist of land (including easements), improvements including a hydroelectric dam, buildings, collector sewer lines, interceptor lines (large pipelines into which collector sewer lines feed), construction equipment and machinery, service vehicles, office machines, computer hardware and software.

The District has begun several projects expected to cost $645.9 million to complete and on June 30, 2026, was committed to contracts expected to cost $64.2 million.

Major capital asset transactions during the year include:

- Rehabilitation of over 31,000 feet of sewer line including:
    - Elk Mountain Place GSR
    - Old County Home Road PSR
    - Jonestown Road at Riverside Drive
- Rehabilitation of major plant and pump station assets:
    - Plant Incinerator
    - Intermediate Clarifier Effluent Trough
    - Carrier Pump Station Replacement
    - Weaverville Pump Station Replacement

### Table 3—Capital Assets

| | FY 2026 | FY 2025 |
|---|---|---|
| Land | $ 2,811,065 | $ 2,811,065 |
| Easements | 13,415,641 | 12,848,034 |
| Improvements Other than Buildings | 20,318,296 | 11,797,190 |
| Buildings | 60,371,787 | 60,463,613 |
| Machinery and Equipment | 90,886,267 | 92,593,895 |
| Interceptor Sewer Lines | 135,565,276 | 135,384,641 |
| Collector Sewer Lines | 479,991,734 | 462,199,396 |
| Construction in Progress | 72,613,984 | 28,692,101 |
| Subtotal | 875,974,050 | 806,789,935 |
| | | |
| Less: Accumulated Depreciation | (260,714,137) | (250,812,392) |
| | | |
| Net Property, Plant and Equipment | $ 615,259,913 | $ 555,977,543 |

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

## B. Debt Administration

At June 30, 2026, the District had $64,502,293 in par value of outstanding debt. Unlike cities and counties, the District does not have a debt limit. However, the District's Bond Order requires that user rates be set to achieve a minimum debt service coverage ratio of 1.2 annually. This means that in any year, after the District pays all current operating expenses, the net revenues remaining must be at least 120% of that year's principal and interest payments.

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

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

## Currently Known Facts, Decisions or Conditions

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

**A. Unemployment**—From 2003 through 2025, Asheville's unemployment rate has been among the lowest compared to the other ten metropolitan areas in North Carolina. As of June 2025, Asheville's unemployment rate was 3.4%. This is above the state and national averages of 3.5% and 4.4%, respectively. Over the past year, about 2,000 jobs have been subtracted from the economy, decreasing current employment to 188,500.

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

Key drivers include:

- Specialized health care industry
- Restructured manufacturing sector
- Baby-boom generation fueled population growth
- Growing professional services sector
- Stable tourism activity
- Resilient housing market

➤ **Local Healthcare Employment**—At over 35,600 workers, health services is now the largest industry sector in the Asheville metropolitan area. Ambulatory health services is the chief source of the new jobs. Strong gains in well-paying health services have softened the earlier losses in the traditional manufacturing sector. Historically, stable growth in local healthcare services has had an average annual rate of 2% to 4%. Healthcare has had a 1.4% increase in employment over the previous year.

- **Manufacturing Employment**—With 18,700 workers, manufacturing continues to be transformed into a high-skilled sector restructured around an advanced group of machinery, plastics, and electronics manufacturers. Manufacturing did experience a 2.1% decrease over the previous year.

- **Continued Moderate Population Growth**—Population growth remains a consistent and stable contributor to the local economy. Estimates indicate moderate growth patterns will continue between 1.5% and 2.0% per year. More than 95% of local population growth is from in-migration, with the remaining from births over deaths.

- **Professional and Business Sector**—The confluence of retiring baby-boomers, local quality of life, and economic growth has resulted in the emergence of a growing professional and business services sector. This sector includes many highly technical and well-paid services such as engineering, computer design, and temporary employment services. The professional and business sector experienced a 4.2% increase over the previous year.

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

Based on the District's projections for residential, commercial, and industrial sewer use, sewer rates will increase by 7.0% for the fiscal year ended June 30, 2027. Current projections indicate adequate funding for operations, debt service, and the District's long-term Capital Improvement Program.

## Requests for Additional Information

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

# Statement of Net Position
# June 30, 2026

| | | |
|---|---|---|
| **Assets:** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ | 42,678,335 |
| Investments | | 24,987,682 |
| Restricted cash and cash equivalents | | 7,430,337 |
| Receivables (net): | | |
| Accounts | | 9,932,593 |
| Sales | | 673,143 |
| Employee | | 9,597 |
| Interest | | 93,736 |
| Inventories | | 467,735 |
| Prepaid expenses | | 27,439 |
| **Total current assets** | | 86,300,597 |
| **Noncurrent assets:** | | |
| Restricted cash and cash equivalents | | 1,418,360 |
| **Capital assets:** | | |
| Land | | 2,811,065 |
| Easements | | 13,415,641 |
| Plant and equipment | | 787,133,360 |
| Construction in progress | | 72,613,984 |
| Less: accumulated depreciation | | (260,714,137) |
| Total capital assets | | 615,259,913 |
| **Total noncurrent assets** | | 616,678,273 |
| **Total assets** | | 702,978,870 |
| **Deferred outflows of resources:** | | 4,629,068 |
| **Liabilities:** | | |
| **Current liabilities:** | | |
| Payments from current assets: | | |
| Accounts payable and accrued expenses | | 7,453,468 |
| Current portion of compensated absences payable | | 1,250,758 |
| Payments from restricted cash and cash equivalents: | | |
| Bond interest payable | | 1,062,321 |
| Current portion of long term obligations | | 6,291,823 |
| **Total current liabilities** | | 16,058,370 |
| **Noncurrent liabilities:** | | |
| Compensated absences, net of current portion | | 2,255,303 |
| Total other post-employment benefits | | 3,702,000 |
| Net pension liability | | 6,649,639 |
| Derivative liability | | 141,620 |
| Long-term obligations, net of current maturities | | 59,626,585 |
| **Total noncurrent liabilities** | | 72,375,147 |
| **Total liabilities** | | 88,433,517 |
| **Deferred inflows of resources:** | | 868,469 |
| **Net position:** | | |
| Net investment in capital assets | | 549,911,711 |
| Restricted for: | | |
| Debt service | | 6,308,016 |
| Bond covenant | | 1,418,360 |
| Unrestricted | | 60,667,865 |
| **Total net position** | $ | 618,305,952 |

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

# Statement of Revenues, Expenses, and Changes in Net Position
# For the Year Ended June 30, 2026

| | | |
|---|---|---|
| **Operating revenues:** | | |
| Sewer charges | $ | 52,123,659 |
| Facility and tap fees | | 10,545,299 |
| Miscellaneous | | 3,902,023 |
| **Total operating revenues** | | 66,570,981 |
| **Operating expenses:** | | |
| Salaries and employee benefits | | 10,707,280 |
| Contractual services | | 2,463,676 |
| Utilities | | 1,665,566 |
| Repairs and maintenance | | 1,055,098 |
| Other supplies and expenses | | 2,285,407 |
| Insurance claims and expenses | | 2,915,614 |
| Depreciation | | 13,670,972 |
| **Total operating expenses** | | 34,763,613 |
| **Operating income** | | 31,807,368 |
| **Other nonoperating revenues (expenses):** | | |
| Investment income | | 3,272,947 |
| Interest expense | | (2,425,031) |
| Loss on disposal of surplus property | | (9,756) |
| Capital contribution | | 7,643,475 |
| **Total other nonoperating revenues (expenses)** | | 8,481,635 |
| **Change in net position** | | 40,289,003 |
| **Total net position, beginning of year** | | 578,016,949 |
| **Total net position, end of year** | $ | 618,305,952 |

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

# Statement of Cash Flows
# For the Year Ended June 30, 2026

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from customers | $ | 62,279,344 |
| Sales tax received | | 164,859 |
| Cash paid to employees for services | | (7,919,470) |
| Cash paid for goods and services | | (12,315,046) |
| Other operating revenue | | 3,902,150 |
| **Net cash change in operating activities** | | 46,111,837 |
| | | |
| **Cash flows from capital and related financing activities** | | |
| Acquisition and construction of capital assets | | (65,144,689) |
| Proceeds from flood damage | | - |
| Proceeds from sale of surplus property | | 38,102 |
| Principal paid on bond maturities | | (6,051,824) |
| Interest paid on bond maturities | | (2,573,102) |
| **Net cash change in capital and related financing activities** | | (73,731,513) |
| | | |
| **Cash flows from investing activities:** | | |
| Proceeds from sale of investments | | 78,085,603 |
| Purchases of investments | | (80,756,722) |
| Income on investments | | 3,263,430 |
| **Net cash change in investing activities** | | 592,311 |
| | | |
| **Net change in cash and cash equivalents** | | (27,027,365) |
| | | |
| Cash and cash equivalents, July 1 | | 78,554,397 |
| Cash and cash equivalents, June 30 | $ | 51,527,032 |
| | | |
| **Reconciliation to the Statement of Net Position:** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ | 42,678,335 |
| Restricted cash and cash equivalents | | 7,430,337 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | | 1,418,360 |
| | $ | 51,527,032 |

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

# Statement of Cash Flows
# For the Year Ended June 30, 2026 (continued)

| | | |
|---|---|---|
| **Reconciliation of operating income to net cash provided by operating activities:** | | |
| Operating income | $ | 31,807,368 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | | 13,670,972 |
| Changes in assets and liabilities: | | |
| (Increase) in receivables | | (224,628) |
| Decrease in inventory | | 35,079 |
| (Increase) in prepaid items | | (24,489) |
| Increase in accounts payable and accrued expenses | | 778,804 |
| Increase in other post-employment benefits | | 223,000 |
| Increase in accrued compensated absences | | 27,130 |
| Decrease in deferred outflows of resources - pensions | | 603,198 |
| (Increase) in deferred outflows of resources - other post-employment benefits | | (110,297) |
| (Decrease) in net pension liability | | (671,194) |
| (Decrease) in deferred inflows of resources - other post-employment benefits | | (112,000) |
| Increase in deferred inflows of resources - pensions | | 108,894 |
| **Total adjustments** | | 14,304,469 |
| **Net cash provided by operating activities** | $ | 46,111,837 |

**Noncash investing, capital, and financing activities:**

1. At various times during the year ended June 30, 2026 the District received contributions of sewer lines constructed by developers with a reported estimated fair value of $7,643,475.

2. During the year ended June 30, 2026, a total of $12,816 of unrealized appreciation increased the fair value of investments not considered to be cash equivalents.

3. During the year ended June 30, 2026, a total of $4,876,784 of construction in process was purchased on account.

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

# Notes to Basic Financial Statements
# June 30, 2026

## Note 1–Summary of Significant Accounting Policies

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

### A. Reporting Entity

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

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

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

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

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

The District owns, operates, and maintains a Wastewater Treatment Plant as well as the related network of collector and interceptor sewers. The Treatment Plant has a capacity to treat up to 40 million gallons per day, but currently receives an average of 19.5 million gallons per day from approximately 61,000 residential and commercial customer accounts transported through approximately 1,175 miles of collector sewers.

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

## B. Basis of Presentation—Fund Accounting

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

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

## C. Measurement Focus and Basis of Accounting

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

## D. Budgetary Data

Budgets are adopted as required by state statute and in compliance with the Bond Order. All annual appropriations lapse at fiscal year-end. The budget is prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions during the fiscal year. Expenditures may not legally exceed appropriations at the functional level. Management is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any function must be approved by the governing board. There was one budget amendment.

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

## E. Deposits and Investments

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

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

The District's Bond Order limits investments to:

**a.** government obligations;

**b.** obligations of the following agencies: Federal Financing Bank, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), The Federal National Mortgage Association (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration;

**c.** direct general obligations of the State secured by the full faith and credit and taxing power of the State rated in one of the two highest rating categories by Moody's and S&P;

**d.** bonds and notes of any North Carolina local government or public authority (other than the District), subject to such restrictions as the Secretary of the Local Government Commission may impose, provided such bonds or notes are rated in one of the two highest rating categories by Moody's and S&P;

**e.** savings certificates or certificates of deposit issued by any commercial bank or savings and loan association organized under the laws of the State or in any federal bank or savings and loan association having its principal office in the State; provided, however, that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof; or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State, be fully collateralized by obligations reserved by financial institution;

**f.** prime quality commercial paper (having original maturities of not more than 270 days) bearing the highest rating of Moody's and S&P and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation;

**g.** participating shares in the government portfolio of North Carolina Capital Management Trust, provided that the investments of such fund are limited to those qualifying for investment under this definition and that said fund is certified by the Local Government Commission;

**h.** a commingled investment pool established and administered by the State Treasurer pursuant to G. S. 147-69.3;

i. repurchase agreements with respect to Government Obligations if entered into with certain restrictions;

j. any other investment now or hereafter permitted for investment of funds by the District by the General Statutes of North Carolina, including, without limitation, Section 159-30 of the General Statutes of North Carolina.

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

## F. Restricted Assets and Liabilities

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

At June 30, 2026, the bond interest payable of $1,062,321 and the current portion of long-term debt of $6,291,823 represent total restricted liabilities of the District.

## G. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated based on the percentage of receivables that were written off in prior years. The allowance was $3,720,408 as of June 30, 2026.

## H. Inventories

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

## I. Capital Assets

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

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

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

## J. Deferred Outflows of Resources/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net assets that applies to a future period and therefore will not be recognized as an expense until that period.

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

## K. Compensated Absences

The District accrues a liability for earned leave that carries over to future periods and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When determining the liability, the flow assumption of leave is considered taken on a first in, first out ("FIFO") basis.

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

plan retirement contributions and payroll taxes are recorded. Accumulated earned vacation on June 30, 2026, is $1,091,997. See Note 3D for further details.

The sick leave policy of the District provides for the unlimited accumulation of sick leave. Any unused sick leave accumulated at the time of retirement may be used in the determination of the length of service for retirement benefit purposes. Any unused sick leave accumulated for employees that leave the county before retirement is forfeited.

The District uses a five-year look-back period to estimate the amount of sick leave that has been earned and will be used as sick leave over the employee's service period. The liability for sick leave is based on this estimate. On June 30, 2026, the sick leave liability is $2,414,064. See Note 3D for further details.

## L. Cash Equivalents

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

## M. Use of Estimates

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

## N. Pensions and OPEB

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS), and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

# Note 2–Deposits and Investments

A reconciliation of the District's deposits and investments for disclosure purposes and cash, cash equivalents, and investments for financial statement presentation as of June 30, 2026, is included below:

| | |
|---|---|
| Cash on hand | $ 350 |
| Deposits | 2,001,934 |
| Investments | 74,512,430 |
| **Total** | $ 76,514,714 |
| **Presentation on Statement of Net Position** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 42,678,335 |
| Investments | 24,987,682 |
| Restricted cash and cash equivalents | 7,430,337 |
| **Noncurrent Assets** | |
| Restricted cash and cash equivalents | 1,418,360 |
| **Total** | $ 76,514,714 |

## A. Deposits

All of the District's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the District, these deposits are considered to be held by the District's agent in the District's name.

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

Because of the inability to measure the exact amount of collateral pledged for the District under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and the District relies on the State Treasurer to monitor those financial institutions. The District's formally adopted investment policy attempts to mitigate custodial credit risk for deposits by pre-qualifying the financial institutions receiving funds. The District also complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2026, the District's deposits had a carrying amount of $2,001,934 and a bank balance of $4,437,889 of the bank balance, $250,000 was covered by federal depository insurance and $4,187,889 in interest-bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2026, the District had $350 cash on hand.

## B. Investments

As of June 30, 2026, the District had the following investments and maturities.

| Investment Type | Valuation Measurement Method | Fair Value | Less Than 6 Months | 6 to 12 Months | 1 to 3 Years | 3 to 5 Years |
|---|---|---|---|---|---|---|
| US Government Agencies | Fair Value –Level 2 | $ 9,470,825 | $ - | $ 9,470,825 | N/A | N/A |
| Commercial Paper | Fair Value –Level 2 | 15,516,857 | 14,167,809 | 1,349,048 | N/A | N/A |
| NC Capital Management Trust–Government | Fair Value –Level 1 | 49,524,748 | 49,524,748 | N/A | N/A | N/A |
| Total | | $ 74,512,430 | $ 63,692,557 | $ 10,819,873 | N/A | N/A |

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

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

- **Interest Rate Risk**—As a means of limiting its exposure to changes in fair value arising from rising interest rates, the District's formally adopted investment policy calls for structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and/or scheduled debt service, thereby avoiding the need to sell securities on the open market prior to maturity. In addition, the District invests operating funds primarily in shorter-term securities.

- **Credit Risk**—Credit risk is the risk of loss due to the failure of the security issuer or backer. The District's formally adopted investment policy mitigates credit risk by limiting investments to the safest types of securities and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. As of June 30, 2026, the District's investments in commercial paper were at least P-1 by Standard & Poor's, F-1 by Fitch Ratings, and A-1 by Moody's Investors Service. The District's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2026. The District's investments in US Agencies (Federal Home Loan Bank and Federal Home Loan Mortgage Corporation) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

- **Custodial Credit Risk**—For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's formally adopted investment policy requires all transactions to be conducted on a delivery-versus-payment (DVP) basis and to be held by a contracted third-party custodian and evidenced by safekeeping receipts. At June 30, 2026, the District did not have any investments exposed to custodial credit risk.

- **Concentration of Credit Risk**—The District's investment policy mitigates concentration of credit risk, that is, the risk from the failure of any one entity or industry, by limiting the maximum amount of the District's portfolio that may be invested in Bankers' Acceptances and Commercial Paper to 20% each.

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

## C. Hedging Derivative Instrument

At June 30, 2026, the District had the following hedging derivative instrument:

| | | | | Changes in Fair Value | | | | Fair Value - June 30, 2026 | |
|---|---|---|---|---|---|---|---|---|---|
| Type | Objective | Valuation Measurement Method | Notional Amount | Classification | Amount | Effective Date | Maturity Date | Classification | Amount |
| Cash Flow Hedge: | | | | | | | | | |
| Pay-Fixed Interest Rate Swap | Hedge of changes in cash flows on the 2005/2008A Series Revenue Refunding Bonds | Fair Value Level 2 | $13,440,000 | Deferred Outflow of Resources | $120,146 | 1/6/2005 | 7/1/2031 | Debt | $ (141,620) |

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

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

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

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

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

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

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

  Starting in fiscal year 2006, the notional value of the swap and the principal amount of the associated debt declined in equal amounts. As the swap now applies to the Series 2008A Bonds, the remaining notional value of the swap is correlated to the variable rate bond principal amount of $33,635,000. Starting in fiscal year 2010, the notional value of the swap and the principal amount of the associated debt declines in similar amounts until the debt is completely retired. The notional amount outstanding is $13,440,000 as of June 30, 2026.
  The bonds' variable rate coupons are determined by the remarketing agent based on prevailing market conditions. This usually approximates SIFMA. The bonds and the related swap agreement both mature on July 1, 2031.

- **Credit Risk**—As of June 30, 2026, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty was rated Aa2 by Moody's and A+ by Standard & Poor's, and AA by Fitch Ratings as of June 30, 2026. To mitigate the potential credit risk, if the counterparty's credit quality falls below Baa3 (Moody's) and BBB-(S&P), the value of the swap may be fully collateralized by the counterparty or by several other means specified in the International Swap Dealers Association (ISDA) Master Agreement and Counterparty Schedule.

- **Interest Rate/Basis Risk**—As noted above, the swap exposes the District to basis risk should the relationship between SIFMA and the bonds' variable rate coupons determined by the remarketing agent, changing the synthetic rate on the bonds.

  The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 3.2910% and the actual synthetic rate for the period ending June 30, 2026 of 3.2410%. As of June 30, 2026, the rate on the District's bonds was 2.6200% whereas 100% of SIFMA was 2.6700%. If a change occurs that results in the rates moving in a direction unfavorable to the District, the expected cost savings may not be realized.

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

- **Market Access Risk/Rollover Risk**—The District's interest rate exchange contract is for the term (maturity) of the bonds and, therefore, there is no market-access risk or rollover risk.

# Note 3–Long-Term Obligations

## A. Long-Term Debt

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

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

The District currently has the following issues outstanding:

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

The following is a summary of changes in the District's long-term debt for the fiscal year ended June 30, 2026:

| | Balance July 1, 2025 | Additions | Retirements | Balance June 30, 2026 |
|---|---|---|---|---|
| Revenue Bonds: | | | | |
| Revenue Refunding Bonds, Series 2008A issued to refund the Series 2005 Revenue Refunding Bonds: | | | | |
| Interest at variable rates in the weekly mode, payable monthly, due serially until 2031 | $ 15,955,000 | $ - | $ 2,485,000 | $ 13,470,000 |
| Total Bonds – Series 2008A | $ 15,955,000 | $ - | $ 2,485,000 | $ 13,470,000 |
| | | | | |
| Revenue Refunding Bonds, Series 2013 issued to refund Series 2003 and Series 2008B Revenue Refunding Bond: | | | | |
| 2.0% to 5.00% serial bonds issued May 1, 2013, with maturities on each July 1, 2014 through 2029 varying from $1,065,000 to $4,255,000: interest payable semi-annually | $ 6,050,000 | $ - | $ 1,145,000 | $ 4,905,000 |
| Total Bond – Series 2013 | $ 6,050,000 | $ - | $ 1,145,000 | $ 4,905,000 |
| | | | | |
| Revenue Bonds, Series 2014 issued to construct certain sewerage projects: | | | | |
| 2.0% to 5.00% serial bonds issued May 21, 2014, with maturities on each July 1, 2016 through 2039 varying from $535,000 to $1,430,000: interest payable semi-annually | $ 13,985,000 | $ - | $ 925,000 | $ 13,060,000 |
| | | | | |
| 5.00% term bonds issued May 21, 2014, at 112.950%, due July 1, 2039: interest payable semi-annually | $ 4,685,000 | $ - | $ - | $ 4,685,000 |
| Total Bond – Series 2014 | $ 18,670,000 | $ - | $ 925,000 | $ 17,745,000 |

| | Balance July 1, 2025 | Additions | Retirements | Balance June 30, 2026 |
|---|---|---|---|---|
| Revenue Bonds (continued): | | | | |
| Revenue Bonds, Series 2017 issued to construct certain sewerage projects and to refund portions of Series 2009A: | | | | |
| 3.0% to 5.00% serial bonds issued July 11, 2017, with maturities on each July 1, 2018 through 2039 varying from $620,000 to $2,260,000: interest payable semi-annually | $ 25,275,000 | $ - | $ 1,480,000 | $ 23,795,000 |
| 5.00% term bonds issued July 11, 2017, at 97.704%, due July 1, 2042: interest payable semi-annually | $ 4,520,000 | $ - | $ - | $ 4,520,000 |
| Total Bond – Series 2017 | $ 29,795,000 | $ - | $ 1,480,000 | $ 28,315,000 |
| Total Revenue Bonds | $ 70,470,000 | $ - | $ 6,035,000 | $ 64,435,000 |
| Direct Borrowings - State Revolving Fund: | | | | |
| 2009 North Carolina Water Pollution Control Revolving Fund used to construct certain sewerage projects: | | | | |
| $672,980 revolving loan issued August 18, 2009 unpaid principal sum is reduced by one-half as "Principal Forgiveness", interest accrues at 0%, 20 annual installments May 1, 2011 to 2030 | $ 84,117 | $ - | $ 16,824 | $ 67,293 |
| Total Direct Borrowings - State Revolving Fund | $ 84,117 | $ - | $ 16,824 | $ 67,293 |
| Total Long-Term Obligations | 70,554,117 | - | 6,051,824 | 64,502,293 |
| Plus, net unamortized discounts and premiums | 1,637,731 | - | 221,616 | 1,416,115 |
| | $ 72,191,848 | $ - | $ 6,273,440 | $ 65,918,408 |
| Series 2008A | 2,485,000 | | | 2,585,000 |
| Series 2013 | 1,145,000 | | | 1,180,000 |
| Series 2014 | 925,000 | | | 960,000 |
| Series 2017 | 1,480,000 | | | 1,550,000 |
| Direct Borrowings - 2009 State Revolving Fund | 16,824 | | | 16,823 |
| Less current portion | 6,051,824 | | | 6,291,823 |
| | $ 66,140,024 | | | $ 59,626,585 |

Maturities of long-term debt are as follows:

| Year Ending June 30: | Serial Maturity | Principal Mandatory Sinking Fund Requirements (Term Bonds) | Total | Interest |
|---|---|---|---|---|
| 2027 | 6,291,823 | - | 6,291,823 | 2,382,372 |
| 2028 | 6,546,823 | - | 6,546,823 | 2,125,982 |
| 2029 | 6,796,823 | - | 6,796,823 | 1,859,045 |
| 2030 | 7,071,824 | - | 7,071,824 | 1,581,423 |
| 2031 | 4,265,000 | - | 4,265,000 | 1,354,454 |
| | 30,972,293 | - | 30,972,293 | 9,303,275 |
| | | | | |
| Five Years: | | | | |
| 2036 | 17,465,000 | - | 17,465,000 | 4,410,139 |
| 2041 | 6,860,000 | 6,145,000 | 13,005,000 | 1,637,213 |
| 2043 | - | 3,060,000 | 3,060,000 | 96,406 |
| | $ 55,297,293 | $ 9,205,000 | $ 64,502,293 | $ 15,447,034 |

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

## B. Variable Debt

- **Interest Rates**—Interest rates for variable debt change weekly as determined by the responsible remarketing agent based on competitive municipal bond rates in the secondary market.

- **Liquidity Agreement**—The District has entered into a remarketing agreement with Wells Fargo to perform various functions in connection with the Series 2008A variable debt. The Remarketing Agent's major responsibilities include ❶soliciting of purchases of Bonds from qualified investors, ❷processing and recordkeeping for such purchases, ❸billing and receiving payment for Bonds purchased, and ❹determining the interest rate on the Bonds as provided in the Series Resolution.

## C. Hedging Derivative and Associated Hedged Debt

As of June 30, 2026, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows.

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

| Fiscal Year Ending June 30 | Variable Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| | Principal | Interest | Swap, Net | Total |
| 2027 | 2,585,000 | 290,831 | 68,934 | 2,944,765 |
| 2028 | 2,685,000 | 220,702 | 52,311 | 2,958,013 |
| 2029 | 2,785,000 | 147,954 | 35,068 | 2,968,022 |
| 2030 | 2,890,000 | 72,465 | 17,176 | 2,979,641 |
| 2031 | 1,240,000 | 36,374 | 8,622 | 1,284,996 |
| 2032 | 1,285,000 | 2,806 | 665 | 1,288,471 |
| | $ 13,470,000 | $ 771,132 | $ 182,776 | $ 14,423,908 |

The computations above are based on the following interest assumptions.

| | Terms | Rates at June 30, 2026 |
|---|---|---|
| Interest Rate Swap: | | |
| Fixed Payment to Counterparty | Fixed | 3.2910% |
| Variable Payment from Counterparty | 100% of SIFMA | (2.6700%) |
| Net Interest Rate Swap Payments | | .6210% |
| Variable-rate Bond Coupon Payments | Remarketed Rate | 2.6200% |
| Synthetic Interest Rate on Bonds | | 3.2410% |

## D. Compensated Absences

Changes to the liability for compensated absences were as follows:

| | | |
|---|---|---|
| Balance - June 30, 2025 | $ | 3,478,931 |
| Additions | | 1,225,964 |
| Deductions | | (1,198,834) |
| Balance - June 30, 2026 | $ | 3,506,061 |

For the year ended June 30, 2026, the District estimates that $1,250,758 is the current portion of this liability.

## E. Net Pension Liability (LGERS)

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

| | | |
|---|---|---|
| Balance - June 30, 2025 | $ | 7,320,833 |
| Additions | | - |
| Deductions | | (671,194) |
| Balance - June 30, 2026 | $ | 6,649,639 |

## F. Other Post-Employment Benefits (OPEB)

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

| | | |
|---|---|---|
| Balance - June 30, 2025 | $ | 3,479,000 |
| Additions | | 223,000 |
| Deductions | | - |
| Balance - June 30, 2026 | $ | 3,702,000 |

## Note 4–Capital Assets

A summary of changes in capital assets follows below.

| | Balance June 30, 2025 | Additions | Disposals | Transfers | Balance June 30, 2026 |
|---|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | | |
| Land | $ 2,811,065 | $ - | $ - | $ - | $ 2,811,065 |
| Easements | 12,848,034 | - | - | 567,607 | 13,415,641 |
| Construction in Progress | 28,692,101 | 65,069,721 | - | (21,147,838 | 72,613,984 |
| Total Capital Assets Not Being Depreciated | 44,351,200 | 65,069,721 | - | (20,580,231) | 88,840,690 |
| | | | | | |
| Capital Assets Being Depreciated | | | | | |
| Bldgs. & Waste Treatment Plants | 60,463,613 | - | (91,826) | - | 60,371,787 |
| Improvements & Other than Bldgs. | 11,797,190 | - | (49,751) | 8,570,857 | 20,318,296 |
| Machinery & Equipment | 84,060,090 | 196,394 | (3,092,226) | 1,123,583 | 82,287,841 |
| Interceptor Sewer Lines | 135,384,641 | - | - | 180,635 | 135,565,276 |
| Collector Lines | 462,199,396 | 7,643,475 | (419,953) | 10,568,816 | 479,991,734 |
| Automobiles & Trucks | 6,592,650 | 91,610 | (163,329) | - | 6,520,931 |
| Computer Equipment | 1,175,033 | - | - | 136,340 | 1,311,373 |
| Office Furniture & Equipment | 766,122 | - | - | - | 766,122 |
| Total Capital Assets Being Depreciated | 762,438,735 | 7,931,479 | (3,817,085) | 20,580,231 | 787,133,360 |
| | | | | | |
| Less Accumulated Depreciation | | | | | |
| Bldgs. & Waste Treatment Plants | (26,467,765) | (1,204,784) | 63,393 | - | (27,609,156) |
| Improvements & Other than Bldgs. | (7,046,946) | (926,426) | 49,751 | - | (7,923,621) |
| Machinery & Equipment | (57,281,065) | (3,530,287) | 3,072,801 | - | (57,738,551) |
| Interceptor Sewer Lines | (35,131,928) | (1,478,445) | - | - | (36,610,373) |
| Collector Lines | (118,177,805) | (5,961,072) | 419,953 | - | (123,718,924) |
| Automobiles & Trucks | (4,947,627) | (527,637) | 163,329 | - | (5,311,935) |
| Computer Equipment | (1,175,031) | (22,724) | - | - | (1,197,755) |
| Office Furniture & Equipment | (584,225) | (19,597) | - | - | (603,822) |
| Total Accumulated Depreciation | (250,812,392) | (13,670,972) | 3,769,227 | - | (260,714,137) |
| | | | | | |
| Capital Assets Being Depreciated, Net | 511,626,343 | (5,739,493) | (47,858) | 20,580,231 | 526,419,223 |
| | | | | | |
| Total Capital Assets | $ 555,977,543 | $ 59,330,228 | $ (47,858) | $ - | $ 615,259,913 |

- **Contributed Infrastructure**—The District's responsibility is to maintain existing collector and interceptor sewer lines as well as to provide wastewater treatment. The majority of sewer lines added to the District are constructed by member agencies or developers and donated to the District. Occasionally, owners of private lines will petition the District to take over their sewer lines as well. This infrastructure must meet minimum District engineering standards, and when accepted by Board action, the District assumes all responsibility for future maintenance and rehabilitation. During the year ended June 30, 2026, the District accepted capital assets with an acquisition value of $7,643,475.

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

## Note 5–Pension Plan Obligation

### A. North Carolina Local Governmental Employees' Retirement System

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

- **Benefits Provided**—LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60.

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

- **Contributions**—Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. District employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The District's contractually required contribution rate for the year ended June 30, 2026 was 14.35% for general employees actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the District were $1,617,413 for the year ended June 30, 2026.

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

- **Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**—At June 30, 2026, the District reported a liability of $6,649,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024.

  The total pension liability was then rolled forward to the measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions. The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2026, the District's proportion was 0.10761% measured as of June 30, 2025, which was a decrease of 0.00098% from its proportion measured as of June 30, 2024.

  For the year ended June 30, 2026, the District recognized pension expense of $1,709,311. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 1,621,830 | $ - |
| Changes in assumptions | - | - |
| Net difference between projected and actual investment earnings | - | 198,043 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 54,702 | 75,426 |
| District's contribution subsequent to the measurement date | 1,617,413 | - |
| Total | $ 3,293,945 | $ 273,469 |

  $1,617,413 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2027.

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

| Year Ending June 30: | | |
|---|---|---|
| 2027 | $ | 1,471,165 |
| 2028 | | 250,334 |
| 2029 | | (73,254) |
| 2030 | | (245,182) |

- **Actuarial Assumptions**—The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases | 3.25 to 8.25 percent, including inflation and productivity factor |
| Investment rate of return | 6.5 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 29.0% | 2.4% |
| Global Equity | 42.0% | 6.8% |
| Real Estate | 8.0% | 6.1% |
| Alternatives | 8.0% | 7.9% |
| Opportunistic Fixed Income | 7.0% | 5.1% |
| Inflation Sensitive | 6.0% | 4.2% |
| 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**—The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

| | 1% Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|---|---|---|
| District's proportionate share of the net pension liability (asset) | $ 12,678,562 | $ 6,649,639 | $ 1,694,146 |

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

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

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

- **Funding Policy**—Employee contributions are voluntary and must conform to applicable IRS limits. The District has a graduated matching contribution plan as follows: if an employee contributes 1%, 2%, or 3%, the District will contribute 2%, 4%, or 5%, respectively, of their salary to either the 401(k) Plan or the 457 Plan described below. The District Board has the authority to establish and amend contribution requirements. During the year ended June 30, 2026, a total of $467,244 and $555,240 were contributed by the District and employees, respectively.

## C. Deferred Compensation Plan

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

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

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

- **Funding Policy**—Employee contributions are voluntary and must conform to applicable IRS limits. The District has a graduated matching contribution plan as follows: if an employee contributes 1%, 2%, or 3%, the District will contribute 2%, 4%, or 5%, respectively, of their salary to either the 401(k) Plan described above or a 401(a) Plan. The District Board has the authority to establish and amend contribution requirements. During the year ended June 30, 2026, $12,935 and $13,418 were contributed by the District and employees, respectively, to the deferred compensation plan.

# Note 6–Other Employment Benefits

## A. Death Benefits

- **Plan Description**—The District has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 consecutive months

of salary in a row during the 24 months prior to his/her death, but the benefit may not be below $25,000 or exceed $50,000. All death benefit payments are made from the Death Benefit Plan. The District has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the District, the District does not determine the number of eligible participants. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. The District considers these contributions to be immaterial.

# Note 7–Other Post-Employment Benefits

## A. Healthcare Benefits

- **Plan Description**—Under terms of a District resolution, the District administers a single-employer defined benefit group health and dental insurance plan (the GHD Plan). The District Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust. However as of June 30, 2026, the District set aside $3,482,175. These funds are to be used to meet the District's future post-employment obligation.

- **Benefits Provided**—As of May 14, 2008, the plan allows retirees to continue coverage under the District's self-insured group health and dental insurance plan until the earlier of ❶reaching age 65; or ❷becoming covered under another group medical plan; or ❸failing to timely pay any required premium for such coverage.

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

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

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

Membership in the District's GHD Plan consisted of the following at July 1, 2025, the date of the latest actuarial valuation:

| | Employees |
|---|---|
| Retirees Receiving Benefits | 16 |
| Active Plan Members | 145 |
| Total | 161 |

## B. Total OPEB Liability

The District's total OPEB liability of $3,702,000 was measured as of July 1, 2025 and was determined by an actuarial valuation as of July 1, 2025.

- **Actuarial Assumptions and Other Inputs**—The total OPEB liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|---|---|
| Salary Increases | 3.00 percent |
| Discount Rate | 4.71 percent |
| Healthcare cost trend rates | 7.00% for fiscal year end 2026, decreasing 0.25% per year to an ultimate rate of 5.00% |

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

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

| | Total OPEB Liability |
|---|---|
| Balance at July 1, 2025 | $ 3,479,000 |
| | |
| Changes for the year | |
| Service cost | 174,000 |
| Interest | 146,000 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 76,000 |
| Changes in assumptions or other inputs | (14,000) |
| Other changes | - |
| Benefit payments | (159,000) |
| Net changes | 223,000 |
| | |
| Total | $ 3,702,000 |

Mortality rates were based on the PUB-2010 Mortality Table, with improvement scale MP-2021 fully generational.

The actuarial assumptions used in the July 1, 2025 valuation were based on the results of an actuarial experience study for the period July 2015 through December 2019.

- **Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**—The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.71 percent) or 1-percentage-point higher (5.71 percent) than the current discount rate:

| | Discount Rate | | |
|---|---|---|---|
| | 1% Decrease | (4.71%) | 1% Increase |
| Total OPEB Liability | $ 3,951,000 | $ 3,702,000 | $ 3,470,000 |

- **Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**—The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current healthcare cost trend rates:

| | 1% Decrease | Discount Rate (Medical-7.0%) | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $ 3,407,000 | $ 3,702,000 | $ 4,040,000 |

- **OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**—For the year ended June 30, 2026, the District recognized OPEB expense of $316,000. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 193,000 | $ 421,000 |
| Changes in assumptions | 77,000 | 174,000 |
| Benefit payments and administrative costs made subsequent to the measurement date | 353,297 | - |
| Total | $ 623,297 | $ 595,000 |

$353,297 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2027.

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

| Year Ending June 30: | |
|---|---|
| 2027 | $ (64,000) |
| 2028 | (104,000) |
| 2029 | (84,000) |
| 2030 | (28,000) |
| 2031 | (54,000) |
| Thereafter | 9,000 |

## Note 8–Risk Management

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

All employees participate in the program and are responsible for premium and co-payment amounts as determined by the District. Charges to the Enterprise Fund are adjusted annually so that the program revenues and expenses are approximately equal and there is an adequate amount in reserves in the event the District decides to discontinue the plan. The accrued self-insurance claims liability of $382,268 reported at June 30, 2026 represents estimated claims liabilities, including incurred but not reported losses, at the estimated ultimate cost of settling the claims using historical experience as determined by the Third-Party Administrator (TPA).

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

| Fiscal Years Ended June 30 | Beginning of Fiscal Year Liability | Current Year Claims & Changes in Estimates | Claim Payments | Balances at Fiscal Year End |
|---|---|---|---|---|
| 2024 | $ 199,628 | $ 2,377,003 | $ 1,989,074 | $ 587,557 |
| 2025 | $ 587,557 | $ 2,715,756 | $ 3,110,148 | $ 193,165 |
| 2026 | $ 193,165 | $ 2,516,236 | $ 2,327,133 | $ 382,268 |

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

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

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

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

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

## Note 9–Commitments

As of June 30, 2026, the District had begun sewer projects expected to incur future costs of approximately $645.9 million, and the District is committed under various contracts encumbered for sewer construction and rehabilitation estimated to cost $64.2 million to complete. The majority of encumbered contracts are expected to be completed within the next fiscal year, and the projects currently under construction are scheduled to be completed within the next two to five years.

## Note 10–Bond Covenants

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

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

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

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

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

The various Bond Series Resolutions require either monthly or semi-annual deposits of the upcoming principal and interest payments to be received by the Trustee at least one day prior to the payment date. In other words, during the fiscal year ended June 30, 2026, the Long-Term Debt Service Requirement equaled principal and interest due on January 1, 2026 and July 1, 2026.

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

| | |
|---|---|
| Operating Revenues | $ 63,326,814 |
| Interest and Other Non-Operating Revenue | 6,507,358 |
| | |
| Adjustments to Revenues: | |
| Interest Income allocable to Non-Operating Funds | (96,227) |
| Grants and Donations | (3,244,167) |
| Facility, Tap, and Other Fees | (10,611,084) |
| Loss on Disposal of Property | 9,756 |
| Adjusted Revenues | 55,892,450 |
| | |
| Operating Expenses | (34,691,441) |
| Unusual or Infrequent Item-Flood Damage | (72,172) |
| | |
| Adjustments to Expenses: | |
| Pension plan and OPEB contributions net of expense | (365,558) |
| Trustee and liquidity expense capitalized | (94,440) |
| Add back Depreciation | 13,670,972 |
| Adjusted Operating Expenses | (21,552,639) |
| | |
| Income Available for Debt Service | $ 34,339,811 |
| | |
| Long-Term Debt Service Requirement | $ 8,780,984 |
| Minimum Required Percentage | 120% |
| Minimum Required Income | $ 10,537,181 |

Therefore, the District believes it is in compliance with the rate covenant as income available for debt service is in excess of 120% of the annual required debt service. The actual coverage ratio is 391%.

## Note 11–Deferred Outflows and Inflows of Resources

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Deferred bond refunding charges | $ 570,206 | $ - |
| Accumulated decrease in fair value of hedging derivative | 141,620 | - |
| Pensions – difference between expected and actual experience | 1,621,830 | - |
| Pensions – change in assumptions | - | - |
| Pensions – net difference between projected and actual investment earnings | - | 198,043 |
| Pensions – changes in proportion and difference between employer contributions and proportionate share of contributions | 54,702 | 75,426 |
| Contributions to pension plan made subsequent to measurement date | 1,617,413 | - |
| OPEB- difference between expected and actual experience | 193,000 | 421,000 |
| OPEB-Changes in assumptions | 77,000 | 174,000 |
| OPEB-benefit payments and administrative cost made subsequent to measurement date | 353,297 | - |
| Total | $ 4,629,068 | $ 868,469 |

## Note 12–Claims and Judgments

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

The District has received federal grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The District management believes that such disallowances, if any, would not be significant.

## Note 13 - Subsequent Events

On October 22, 2026, the District issued $97,410,000 in Revenue Bonds, Series 2026, bearing interest rates ranging from 5.0% to 5.25%, with a final maturity date of July 1, 2046.

The bonds were issued to finance upgrades and repairs to the District's infrastructure. Principal and interest are payable solely from the net revenues of the District.

Because this debt issuance occurred subsequent to the fiscal year ended June 30, 2026, the financial statements as of and for the year then ended do not include any liability for these bonds or any pro forma impact of the capital construction project.

# Required Supplemental Information

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# Local Government Employees' Retirement System
## Required Supplemental Information
## Schedule of the District's Proportionate Share of the Net Pension Liability
### Last Ten Fiscal Years

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability % | 0.108% | 0.109% | 0.112% | 0.111% | 0.118% | 0.117% | 0.119% | 0.120% | 0.124% | 0.126% |
| District's proportionate share of the net pension liability $ | $ 6,649,639 | $ 7,320,833 | $ 7,440,310 | $ 6,247,882 | $ 1,803,202 | $ 4,173,404 | $ 3,257,717 | $ 2,851,318 | $ 1,896,515 | $ 2,678,811 |
| District's covered payroll | $ 11,538,699 | $ 10,777,561 | $ 10,035,420 | $ 9,124,071 | $ 9,159,822 | $ 9,236,242 | $ 9,081,052 | $ 8,788,983 | $ 8,600,473 | $ 8,383,296 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 57.63% | 67.93% | 74.14% | 68.48% | 19.69% | 45.19% | 35.87% | 32.44% | 22.05% | 31.95% |
| Plan fiduciary net position as a percentage of the total pension liability | 85.68% | 83.30% | 82.49% | 84.14% | 95.51% | 88.61% | 90.86% | 91.63% | 94.18% | 91.47% |

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

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,617,413 | $ 1,552,062 | $ 1,373,222 | $ 1,239,847 | $ 1,024,648 | $ 922,750 | $ 816,121 | $ 698,651 | $ 654,448 | $ 614,323 |
| Contributions in relation to the contractually required contribution | $ 1,617,413 | $ 1,552,062 | $ 1,373,222 | $ 1,239,847 | $ 1,024,648 | 922,750 | 816,121 | 698,651 | 654,448 | 614,323 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Districts's covered payroll | $ 11,397,916 | $ 11,538,699 | $ 10,777,561 | $ 10,035,420 | $ 9,124,071 | $ 9,159,822 | $ 9,236,242 | $ 9,081,052 | $ 8,788,983 | $ 8,600,473 |
| Contributions as a percentage of covered payroll | 14.19% | 13.45% | 12.74% | 12.35% | 11.23% | 10.07% | 8.84% | 7.69% | 7.45% | 7.14% |

# Schedule of Changes in the Total OPEB Liability and Related Ratios

## Last Nine Fiscal Years*

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Total OPEB Liability | | | | | | | | | |
| Service cost | $ 174,000 | $ 185,000 | $ 171,000 | $ 234,000 | $ 212,000 | $ 189,000 | $ 162,000 | $ 161,000 | $ 156,000 |
| Interest | 146,000 | 148,000 | 129,000 | 80,000 | 92,000 | 113,000 | 109,000 | 110,000 | 106,000 |
| Changes of benefit terms | - | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | 76,000 | (457,000) | 153,000 | (231,000) | 181,000 | (75,000) | 124,000 | (441,000) | - |
| Changes of assumptions | (14,000) | 17,000 | 35,000 | (414,000) | 134,000 | 159,000 | 433,000 | 188,000 | - |
| Benefit payments | (159,000) | (107,000) | (230,000) | (283,000) | (244,000) | (294,000) | (168,000) | (69,000) | (226,000) |
| Net change in total OPEB liability | 223,000 | (214,000) | 258,000 | (614,000) | 375,000 | 92,000 | 660,000 | (51,000) | 36,000 |
| Total OPEB liability - beginning | 3,479,000 | 3,693,000 | 3,435,000 | 4,049,000 | 3,674,000 | 3,582,000 | 2,922,000 | 2,973,000 | 2,937,000 |
| Total OPEB liability - ending | 3,702,000 | 3,479,000 | 3,693,000 | 3,435,000 | 4,049,000 | 3,674,000 | 3,582,000 | 2,922,000 | 2,973,000 |
| Covered-employee payroll | $ 10,372,479 | $ 10,130,814 | $ 10,130,814 | $ 8,916,369 | $ 8,916,369 | $ 8,755,301 | $ 8,335,863 | $ 8,502,682 | $ 8,261,415 |
| Total OPEB liability as a percentage of covered-employee payroll | 35.69% | 34.34% | 36.45% | 38.52% | 45.41% | 41.96% | 42.97% | 34.37% | 35.99% |

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

**Notes to Schedule:**

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

| 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|
| 4.71% | 4.09% | 3.86% | 3.69% | 1.92% | 2.45% | 3.13% | 3.62% | 3.56% |

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

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

In 2021, 2022, 2023, 2024, 2025, and 2026, amounts reflect a .25 percentage point decrease in healthcare cost trend rates decreasing .25 percent point from the prior year and adjustments in mortality rates to better reflect actual plan experience.

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

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# Supplemental Financial Data

# Comparative Statements of Net Position
## June 30, 2026 and 2025

| | 2026 | 2025 |
|---|---|---|
| **Assets:** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 42,678,335 | $ 69,983,860 |
| Investments | 24,987,682 | 22,303,747 |
| Restricted cash and cash equivalents | 7,430,337 | 7,205,134 |
| Receivables (net): | | |
| Accounts | 9,932,593 | 9,542,979 |
| Sales | 673,143 | 838,002 |
| Employee | 9,597 | 9,724 |
| Interest | 93,736 | 97,035 |
| Inventories | 467,735 | 502,814 |
| Prepaid expenses | 27,439 | 2,950 |
| **Total current assets** | 86,300,597 | 110,486,245 |
| **Noncurrent assets:** | | |
| Restricted cash and cash equivalents | 1,418,360 | 1,365,403 |
| **Capital Assets:** | | |
| Land | 2,811,065 | 2,811,065 |
| Easements | 13,415,641 | 12,848,034 |
| Plant and equipment | 787,133,360 | 762,438,735 |
| Construction in progress | 72,613,984 | 28,692,101 |
| Less: accumulated depreciation | (260,714,137) | (250,812,392) |
| Total capital assets | 615,259,913 | 555,977,543 |
| **Total noncurrent assets** | 616,678,273 | 557,342,946 |
| **Total assets** | 702,978,870 | 667,829,191 |
| **Deferred outflows of resources:** | 4,629,068 | 5,399,584 |
| **Liabilities and Net Position:** | | |
| **Current liabilities:** | | |
| Payments from current assets: | | |
| Accounts payable and accrued expenses | 7,453,468 | 6,461,629 |
| Current portion of compensated absences payable | 1,250,758 | 1,251,533 |
| Payments from restricted cash and cash equivalents: | | |
| Bond interest payable | 1,062,321 | 1,146,244 |
| Current portion of long term debt | 6,291,823 | 6,051,824 |
| **Total current liabilities** | 16,058,370 | 14,911,230 |
| **Noncurrent liabilities:** | | |
| Compensated absences, net of current portion | 2,255,303 | 2,227,398 |
| Total other post-employment benefits | 3,702,000 | 3,479,000 |
| Net pension liability | 6,649,639 | 7,320,833 |
| Derivative liability | 141,620 | 261,766 |
| Bonds payable, net of current maturities | 59,626,585 | 66,140,024 |
| **Total noncurrent liabilities** | 72,375,147 | 79,429,021 |
| **Total liabilities** | 88,433,517 | 94,340,251 |
| **Deferred inflows of resources:** | 868,469 | 871,575 |
| **Net position:** | | |
| Net investment in capital assets | 549,911,711 | 484,513,370 |
| Restricted for: | | |
| Debt service | 6,308,016 | 6,058,890 |
| Bond covenant | 1,418,360 | 1,365,403 |
| Unrestricted | 60,667,865 | 86,079,286 |
| **Total net position** | $ 618,305,952 | $ 578,016,949 |

# Comparative Statements of Revenues, Expenses, and Changes in Net Position

## For the Fiscal Years Ended June 30, 2026 and 2025

| | 2026 | 2025 |
|---|---|---|
| **Operating revenues:** | | |
| Sewer charges | $ 52,123,659 | $ 45,803,098 |
| Facility and tap fees | 10,545,299 | 7,597,834 |
| Miscellaneous | 3,902,023 | 1,547,343 |
| **Total operating revenues** | 66,570,981 | 54,948,275 |
| **Operating expenses:** | | |
| Salaries and employee benefits | 10,707,280 | 13,584,505 |
| Contractual services | 2,463,676 | 2,057,203 |
| Utilities | 1,665,566 | 2,036,484 |
| Repairs and maintenance | 1,055,098 | 1,097,008 |
| Other supplies and expenses | 2,285,407 | 2,505,159 |
| Insurance claims and expenses | 2,915,614 | 3,235,657 |
| Depreciation | 13,670,972 | 13,169,966 |
| **Total operating expenses** | 34,763,613 | 37,685,982 |
| **Operating income** | 31,807,368 | 17,262,293 |
| **Other nonoperating revenues (expenses):** | | |
| Investment income | 3,272,947 | 4,289,383 |
| Interest expense | (2,425,031) | (2,441,236) |
| Gain (Loss) on disposal of surplus property | (9,756) | (9,435) |
| Capital contribution | 7,643,475 | 10,523,414 |
| **Total other nonoperating expenses** | 8,481,635 | 12,362,126 |
| **Change in net position** | 40,289,003 | 29,624,419 |
| **Total net position, beginning of year** | 578,016,949 | 548,392,530 |
| **Total net position, end of year** | $ 618,305,952 | $ 578,016,949 |

# Schedule of Revenues and Expenditures
## Budget to Actual (Non-GAAP)
## For the Year Ended June 30, 2026

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| **Revenues:** | | | |
| **Operating revenues:** | | | |
| Sewer charges (net): | | | |
| Domestic users | $ 41,647,839 | $ 45,629,445 | $ 3,981,606 |
| Industrial users | 3,745,368 | 5,107,626 | 1,362,258 |
| Billings and collections | 1,212,306 | 1,383,627 | 171,321 |
| | 46,605,513 | 52,120,698 | 5,515,185 |
| Facility and tap fees | 3,300,000 | 10,545,299 | 7,245,299 |
| Rental income | 96,000 | 90,311 | (5,689) |
| Miscellaneous | 364,185 | 3,811,712 | 3,447,527 |
| **Total operating revenues** | 50,365,698 | 66,568,020 | 16,202,322 |
| **Nonoperating revenues:** | | | |
| Investment income | 2,466,267 | 3,272,947 | 806,680 |
| **Total nonoperating revenues** | 2,466,267 | 3,272,947 | 806,680 |
| **Total revenues** | 52,831,965 | 69,840,967 | 17,009,002 |
| **Expenditures:** | | | |
| **Operating expenditures:** | | | |
| Salaries and employee benefits | | 10,558,601 | |
| Contractual services | | 2,463,676 | |
| Utilities | | 1,665,566 | |
| Repairs and maintenance | | 1,055,098 | |
| Other supplies and expenses | | 2,285,407 | |
| Insurance claims and expenses | | 3,104,716 | |
| **Total operating expenditures** | 23,050,343 | 21,133,064 | 1,917,279 |
| **Capital Projects:** | | | |
| Equipment | | 230,655 | |
| Infrastructure | | 65,089,766 | |
| **Total capital projects** | 79,938,391 | 65,320,421 | 14,617,970 |
| **Debt service** | | | |
| Principal | | 6,051,824 | |
| Interest | | 2,489,179 | |
| **Total debt service** | 8,685,468 | 8,541,003 | 144,465 |
| **Total Expenditures** | 111,674,202 | 94,994,488 | 16,679,714 |
| **Unusual or infrequent item - flood damage** | | | |
| Grant revenue | | - | $ - |
| Cleanup expense | | - | - |
| **Total unusual or infrequent item - flood damage revenues (expenditures)** | | - | - |
| **Revenues over (under) expenditures and unusual or infrequent item - flood damage revenues (expenditures)** | (58,842,237) | (25,153,521) | 33,688,716 |
| **Other Financing Sources:** | | | |
| Use of available funds | 58,842,237 | - | (58,842,237) |
| | 58,842,237 | - | (58,842,237) |
| **Revenues and other financing sources over (under) expenditures and unusual or infrequent item - flood damage revenues (expenditures) and other financing uses** | $ - | $ (25,153,521) | $ (25,153,521) |

# Schedule of Revenues and Expenditures
## Budget to Actual (Non-GAAP)
## For the Year Ended June 30, 2026 (continued)

| | Actual |
|---|---|
| **Reconciliation from budgetary basis (modified accrual) to full accrual:** | |
| **Revenues and other financing sources over (under) expenditures and unusual or infrequent item - flood damage revenues (expenditures) and other financing uses** | $ (25,153,521) |
| **Reconciling items:** | |
| Unamortized discount recognized in interest expense | 64,148 |
| Debt principal payments | 6,051,824 |
| Capital project transfers | 64,833,314 |
| Change in allowance for doubtful accounts | 2,961 |
| Change in health insurance IBNR | 189,102 |
| Deferred outflows of resources for contributions made in current fiscal year: | |
| Pension plan | 1,617,413 |
| OPEB plan | 353,297 |
| Compensated absences expense | (27,130) |
| Pension expense | (1,289,152) |
| OPEB expense | (316,000) |
| Contributed assets | 7,643,475 |
| Depreciation | (13,670,972) |
| Loss on disposal of surplus property | (9,756) |
| **Total reconciling items** | 65,442,524 |
| **Change in net position** | $ 40,289,003 |

## Combining Schedule of Net Position, All Funds (Non-GAAP)
## As of June 30, 2026

| | Enterprise Acccount | Capital Reserve Account |
|---|---|---|
| **Assets:** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 38,122,458 | $ - |
| Investments | 22,320,267 | |
| Restricted cash and cash equivalents | - | - |
| Receivables (net): | | |
| Accounts | 9,932,593 | - |
| Sales tax | 319,439 | - |
| Employee | 9,597 | - |
| Interest | 93,736 | - |
| Inventories | 467,735 | - |
| Prepaid expenses | 27,439 | - |
| **Total current assets** | 71,293,264 | - |
| **Noncurrent assets:** | | |
| Restricted cash and cash equivalents | - | 1,418,360 |
| **Capital assets:** | | |
| Land | - | - |
| Easements | - | - |
| Plant and equipment | - | - |
| Construction in progress | - | - |
| Less accumulated depreciation | - | - |
| Total property and equipment | - | - |
| **Total noncurrent assets** | - | 1,418,360 |
| **Total assets** | 71,293,264 | 1,418,360 |
| **Deferred outflow of resources:** | 2,987,710 | - |

## Combining Schedule of Net Position, All Funds (Non-GAAP)
### As of June 30, 2026 (continued)

| Bond Service Account | Construction Account | General Account | Capital Account | Total |
|---|---|---|---|---|
| $ - | $ 4,166,923 | $ 31,536 | 357,418 | $ 42,678,335 |
| | 2,439,687 | 18,464 | 209,264 | 24,987,682 |
| 7,430,337 | - | | - | 7,430,337 |
| - | - | - | | 9,932,593 |
| - | 348,274 | - | 5,430 | 673,143 |
| - | - | - | - | 9,597 |
| - | - | | - | 93,736 |
| - | - | - | - | 467,735 |
| - | - | - | - | 27,439 |
| 7,430,337 | 6,954,884 | 50,000 | 572,112 | 86,300,597 |
| - | - | - | - | 1,418,360 |
| - | - | - | 2,811,065 | 2,811,065 |
| - | - | - | 13,415,641 | 13,415,641 |
| - | - | - | 787,133,360 | 787,133,360 |
| - | - | - | 72,613,984 | 72,613,984 |
| - | - | - | (260,714,137) | (260,714,137) |
| - | - | - | 615,259,913 | 615,259,913 |
| - | - | - | 615,259,913 | 616,678,273 |
| 7,430,337 | 6,954,884 | 50,000 | 615,832,025 | 702,978,870 |
| - | 929,532 | - | 711,826 | 4,629,068 |

# Combining Schedule of Net Position, All Funds (Non-GAAP)
## As of June 30, 2026 (continued)

| | Enterprise Account | Capital Reserve Account |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities:** | | |
| Payments from current assets: | | |
| Accounts payable and accrued expenses | 2,053,099 | - |
| Current portion of compensated absences payable | 1,250,758 | - |
| Payments from restricted cash and cash equivalents: | | |
| Bond interest payable | - | - |
| Current portion of long-term obligation | - | - |
| **Total current liabilities** | 3,303,857 | - |
| **Noncurrent liabilities:** | | |
| Compensated absences, net of current portion | 2,255,303 | - |
| Other post-employment benefits | 3,702,000 | - |
| Net pension liability | 5,105,706 | - |
| Derivative liability | - | - |
| Long-term obligations, net of current maturities | - | - |
| **Total noncurrent liabilities** | 11,063,009 | - |
| **Total liabilities** | 14,366,866 | - |
| **Deferred inflows of resources** | 707,888 | - |
| **Net position** | $ 59,206,220 | $ 1,418,360 |

# Combining Schedule of Net Position, All Funds (Non-GAAP)
## As of June 30, 2026 (continued)

| Bond Service Account | Construction Account | General Account | Capital Account | Total |
|---|---|---|---|---|
| | | | | |
| 60,000 | 5,336,603 | 3,766 | - | 7,453,468 |
| - | - | - | - | 1,250,758 |
| | | | | |
| 1,062,321 | - | - | - | 1,062,321 |
| - | - | - | 6,291,823 | 6,291,823 |
| 1,122,321 | 5,336,603 | 3,766 | 6,291,823 | 16,058,370 |
| | | | | |
| - | - | - | - | 2,255,303 |
| - | - | - | - | 3,702,000 |
| - | 1,543,933 | - | - | 6,649,639 |
| - | - | - | 141,620 | 141,620 |
| - | - | - | 59,626,585 | 59,626,585 |
| - | 1,543,933 | - | 59,768,205 | 72,375,147 |
| | | | | |
| 1,122,321 | 6,880,536 | 3,766 | 66,060,028 | 88,433,517 |
| | | | | |
| - | 160,581 | - | - | 868,469 |
| | | | | |
| $ 6,308,016 | $ 843,299 | $ 46,234 | $ 550,483,823 | $ 618,305,952 |

# Combining Schedule of Revenues, Expenses, and Changes in Net Position, All Funds (Non-GAAP)
## For the Year Ended June 30, 2026

| | Enterprise Account | Capital Reserve Account |
|---|---|---|
| **Operating revenues:** | | |
| Sewer charges (refunds) | $ 52,123,659 | $ - |
| Facility and tap fees | - | - |
| Miscellaneous | 592,072 | - |
| **Total operating revenues** | 52,715,731 | - |
| **Operating expenses:** | | |
| Operations | 20,732,055 | - |
| Depreciation | - | - |
| **Total operating expenses** | 20,732,055 | - |
| **Operating income (loss)** | 31,983,676 | - |
| **Noncapital Subsidies:** | | |
| Operating transfers | (61,402,366) | - |
| Payment of debt and other long-term obligation: | | |
| Principal | - | - |
| **Total noncapital subsidies** | (61,402,366) | - |
| **Income (loss) and noncapital subsidies** | (29,418,690) | - |
| **Other nonoperating revenues (expenses):** | | |
| Investment income | 3,176,720 | 52,957 |
| Interest expense | - | - |
| Gain (Loss) on disposal of surplus property | 38,102 | - |
| Capital contribution | - | - |
| Purchase of and transfer capital assets | (230,655) | - |
| **Total other nonoperating revenues (expenses)** | 2,984,167 | 52,957 |
| **Change in net position** | (26,434,523) | 52,957 |
| **Total net position, beginning of year** | 85,640,743 | 1,365,403 |
| **Total net position, end of year** | $ 59,206,220 | $ 1,418,360 |

# Combining Schedule of Revenues, Expenses, and Changes in Net Position, All Funds (Non-GAAP)
## For the Year Ended June 30, 2026 (continued)

| Bond Service Account | Construction Account | General Account | Capital Account | Total |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 52,123,659 |
| - | - | 10,545,299 | - | 10,545,299 |
| - | 3,244,167 | 65,784 | - | 3,902,023 |
| - | 3,244,167 | 10,611,083 | - | 66,570,981 |
| | | | | |
| - | 285,107 | - | 75,479 | 21,092,641 |
| - | - | - | 13,670,972 | 13,670,972 |
| - | 285,107 | - | 13,746,451 | 34,763,613 |
| - | 2,959,060 | 10,611,083 | (13,746,451) | 31,807,368 |
| | | | | |
| 8,719,486 | 62,947,314 | (10,578,582) | 314,148 | - |
| | | | | |
| (6,051,824) | - | - | 6,051,824 | - |
| 2,667,662 | 62,947,314 | (10,578,582) | 6,365,972 | - |
| 2,667,662 | 65,906,374 | 32,501 | (7,380,479) | 31,807,368 |
| | | | | |
| 6,495 | 3,855 | 13,733 | 19,187 | 3,272,947 |
| (2,425,031) | - | - | - | (2,425,031) |
| - | - | - | (47,858) | (9,756) |
| - | - | 7,643,475 | - | 7,643,475 |
| - | (65,069,721) | (7,643,475) | 72,943,851 | - |
| (2,418,536) | (65,065,866) | 13,733 | 72,915,180 | 8,481,635 |
| | | | | |
| 249,126 | 840,508 | 46,234 | 65,534,701 | 40,289,003 |
| | | | | |
| 6,058,890 | 2,791 | - | 484,949,122 | 578,016,949 |
| | | | | |
| $ 6,308,016 | $ 843,299 | $ 46,234 | $ 550,483,823 | $ 618,305,952 |

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# Statistical Section

# Introduction

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

## Financial Trends

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

- Net Position by Component
- Changes in Net Position
- General Revenue by Source
- Expenses by Function

## Revenue Capacity

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

- Sewer Charge Revenue by Customer Type
- Residential Sewer Rates
- Principal Commercial Users
- Customer Accounts by Member Agency

## Debt Capacity

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

- Ratio of Outstanding Debt
- Revenue Bond Coverage

# Introduction (continued)

## Demographic and Economic Information

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

- Demographic & Economic Statistics
- Personal Income by Industry
- Principal Employers

## Operating Information

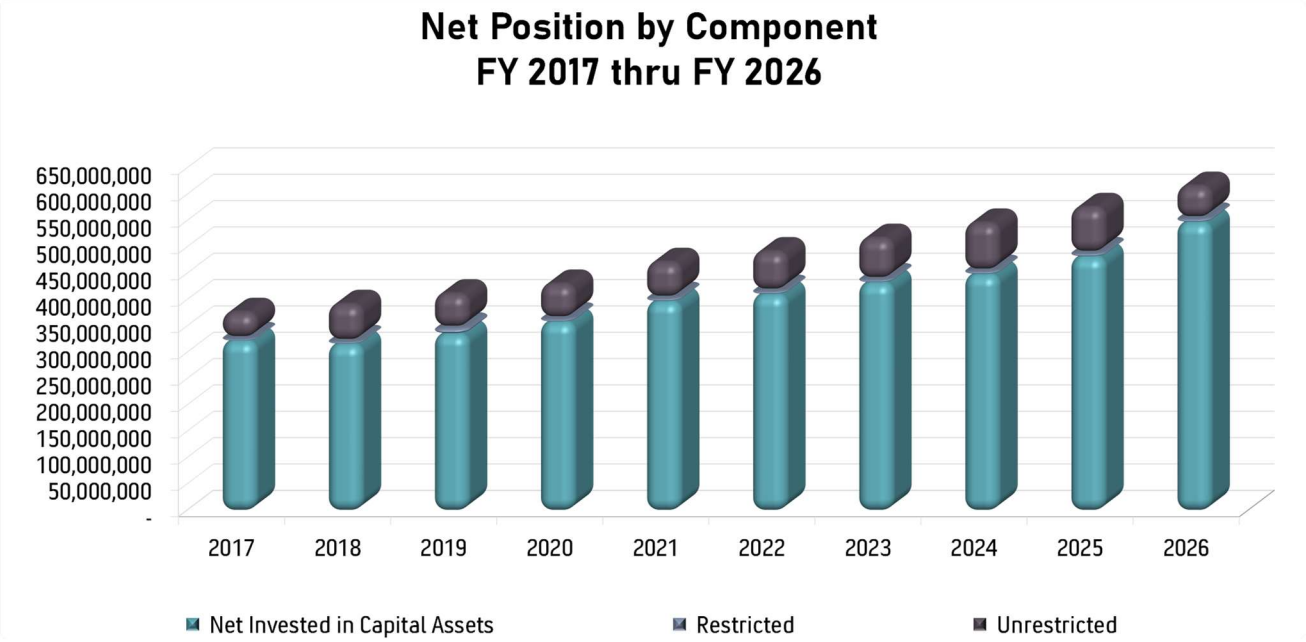
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

- Employees by Division
- Operating Indicators by Division

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

# Net Position by Component FY 2017-FY 2026

| Fiscal Year Ended June 30 | Net Invested in Capital Assets | Restricted | Unrestricted | Total Net Position |
|---|---|---|---|---|
| 2017 | 324,826,191 | 5,169,667 | 48,827,214 | 378,823,072 |
| 2018 | 318,591,132 | 6,045,516 | 69,374,003 | 394,010,651 |
| 2019 | 337,729,290 | 11,860,481 | 64,530,210 | 414,119,981 |
| 2020 | 360,881,071 | 6,747,582 | 64,850,064 | 432,478,717 |
| 2021 | 399,621,901 | 7,016,964 | 67,107,474 | 473,746,339 |
| 2022 | 412,955,363 | 7,288,272 | 73,822,362 | 494,065,997 |
| 2023 | 435,348,021 | 6,857,214 | 77,297,995 | 519,503,230 |
| 2024 | 450,946,524 | 7,176,445 | 90,269,561 | 548,392,530 |
| 2025 | 484,513,370 | 7,424,293 | 86,079,286 | 578,016,949 |
| 2026 | 549,911,711 | 7,726,376 | 60,667,865 | 618,305,952 |



# Changes in Net Position FY 2017-FY 2026

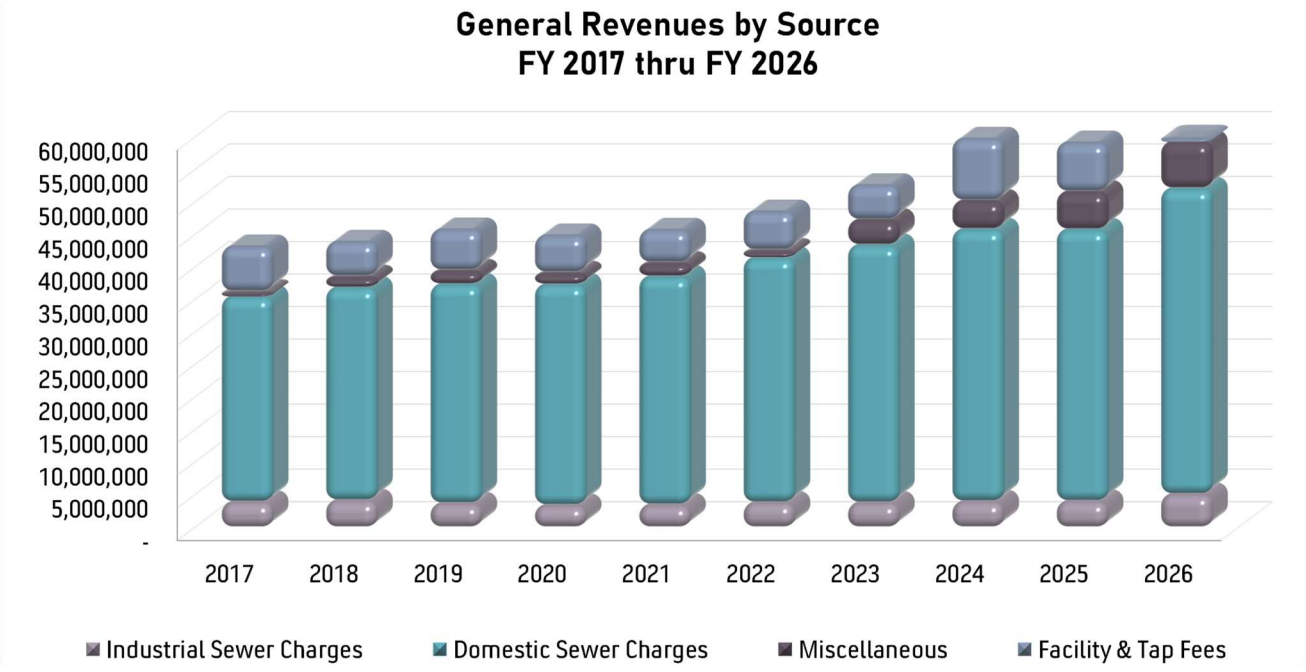
(Accrual Basis of Accounting)

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Operating revenues: | | | | | | | | | | |
| Sewer charges | $ 35,521,220 | $ 36,891,000 | $ 37,393,609 | $ 37,371,562 | $ 38,591,901 | $ 41,484,740 | $ 43,422,124 | $ 45,847,633 | $ 45,803,098 | $ 52,123,659 |
| Facility and tap fees | 6,977,097 | 5,357,008 | 6,343,842 | 5,737,611 | 5,092,060 | 5,966,012 | 5,343,261 | 9,541,237 | 7,597,834 | 10,545,299 |
| Miscellaneous | 681,243 | 745,022 | 716,441 | 731,965 | 1,770,022 | 660,754 | 1,045,841 | 649,346 | 1,547,343 | 3,902,023 |
| Total operating revenues | 43,179,560 | 42,993,030 | 44,453,892 | 43,841,138 | 45,453,983 | 48,111,506 | 49,811,226 | 56,038,216 | 54,948,275 | 66,570,981 |
| Operating expenses: | | | | | | | | | | |
| Salaries & employee benefits | 7,656,858 | 7,846,038 | 8,043,728 | 8,762,073 | 8,640,936 | 8,427,033 | 9,664,071 | 10,534,254 | 13,584,505 | 10,707,280 |
| Contractual services | 1,653,918 | 1,598,381 | 1,657,789 | 1,619,078 | 1,810,481 | 1,798,794 | 1,958,008 | 1,980,153 | 2,057,203 | 2,463,676 |
| Utilities | 1,234,029 | 1,295,636 | 1,170,937 | 1,205,899 | 1,105,110 | 1,446,493 | 1,625,793 | 1,516,015 | 2,036,484 | 1,665,566 |
| Repairs and maintenance | 1,019,150 | 985,838 | 919,882 | 975,618 | 998,183 | 1,026,018 | 1,094,839 | 1,112,775 | 1,097,008 | 1,055,098 |
| Other supplies and expenses | 1,736,302 | 1,886,837 | 1,728,385 | 1,559,480 | 1,623,222 | 1,325,837 | 1,881,508 | 2,059,229 | 2,505,159 | 2,285,407 |
| Insurance claims and expenses | 2,467,567 | 2,765,151 | 2,528,122 | 2,106,989 | 2,351,485 | 2,332,926 | 2,231,016 | 2,694,889 | 3,235,657 | 2,915,614 |
| Depreciation | 9,929,559 | 10,393,126 | 10,659,346 | 11,337,087 | 12,394,875 | 12,339,044 | 12,395,591 | 12,984,129 | 13,169,966 | 13,670,972 |
| Total operating expenses | 25,697,383 | 26,771,007 | 26,708,189 | 27,566,224 | 28,924,292 | 28,696,145 | 30,850,826 | 32,881,444 | 37,685,982 | 34,763,613 |
| Operating income | 17,482,177 | 16,222,023 | 17,745,703 | 16,274,914 | 16,529,691 | 19,415,361 | 18,960,400 | 23,156,772 | 17,262,293 | 31,807,368 |
| Other nonoperating revenues (expenses): | | | | | | | | | | |
| Investment Income | 343,988 | 960,222 | 1,844,280 | 1,215,565 | 30,582 | 87,001 | 2,737,273 | 4,621,789 | 4,289,383 | 3,272,947 |
| Interest Expense | (2,794,077) | (3,515,801) | (3,399,735) | (3,292,282) | (3,110,487) | (2,949,509) | (2,765,372) | (2,601,012) | (2,441,236) | (2,425,031) |
| Bond issuance costs | - | (355,583) | - | - | - | - | - | - | - | - |
| Gain (loss) on sale of surplus property | (280,337) | 10,187 | (434,989) | (121,183) | 322,770 | 418,696 | 105,027 | (854,386) | (9,435) | (9,756) |
| Capital contribution | 3,478,337 | 3,222,031 | 4,354,071 | 4,281,722 | 7,558,647 | 3,348,109 | 6,399,905 | 4,566,137 | 10,523,414 | 7,643,475 |
| Total other nonoperating revenues (expenses) | 747,911 | 321,056 | 2,363,627 | 2,083,822 | 4,801,512 | 904,297 | 6,476,833 | 5,732,528 | 12,362,126 | 8,481,635 |
| Income before special items | 14,751,751 | 13,321,048 | 15,755,259 | 14,077,014 | 13,772,556 | 20,319,658 | 25,437,233 | 28,889,300 | 29,624,419 | 40,289,003 |
| Special Item - Cane Creek Water and Sewer District asset contribution from Henderson County | - | - | - | - | 19,936,419 | - | - | - | - | - |
| Change in Net Position | $ 14,751,751 | $ 13,321,048 | $ 15,755,259 | $ 14,077,014 | $ 33,708,975 | $ 20,319,658 | $ 25,437,233 | $ 28,889,300 | $ 29,624,419 | $ 40,289,003 |

# General Revenues by Source FY 2017-FY 2026

| Fiscal Year Ended June 30 | Industrial Sewer Charges | Domestic Sewer Charges | Facility & Tap Fees | Miscellaneous | Total |
|---|---|---|---|---|---|
| 2017 | 3,909,925 | 31,611,295 | 6,977,097 | 744,894 | 43,243,211 |
| 2018 | 4,159,767 | 32,731,233 | 5,357,008 | 1,715,431 | 43,963,439 |
| 2019 | 3,687,703 | 33,705,906 | 6,343,842 | 2,125,732 | 45,863,183 |
| 2020 | 3,426,103 | 33,945,459 | 5,737,611 | 1,826,347 | 44,935,520 |
| 2021 | 3,497,070 | 35,094,831 | 5,092,060 | 2,123,374 | 45,807,335 |
| 2022 | 3,816,103 | 37,668,637 | 5,966,012 | 1,166,451 | 48,617,203 |
| 2023 | 3,805,064 | 39,617,060 | 5,343,261 | 3,888,141 | 52,653,526 |
| 2024 | 3,987,537 | 41,860,096 | 9,541,237 | 4,416,749 | 59,805,619 |
| 2025 | 4,051,632 | 41,751,466 | 7,597,834 | 5,827,291 | 59,228,223 |
| 2026 | 5,107,626 | 47,016,033 | 10,545,299 | 7,165,214 | 69,834,172 |

Note: Does not include Capital Contributions.



# Expenses by Function (Non-GAAP) FY 2017-FY 2026

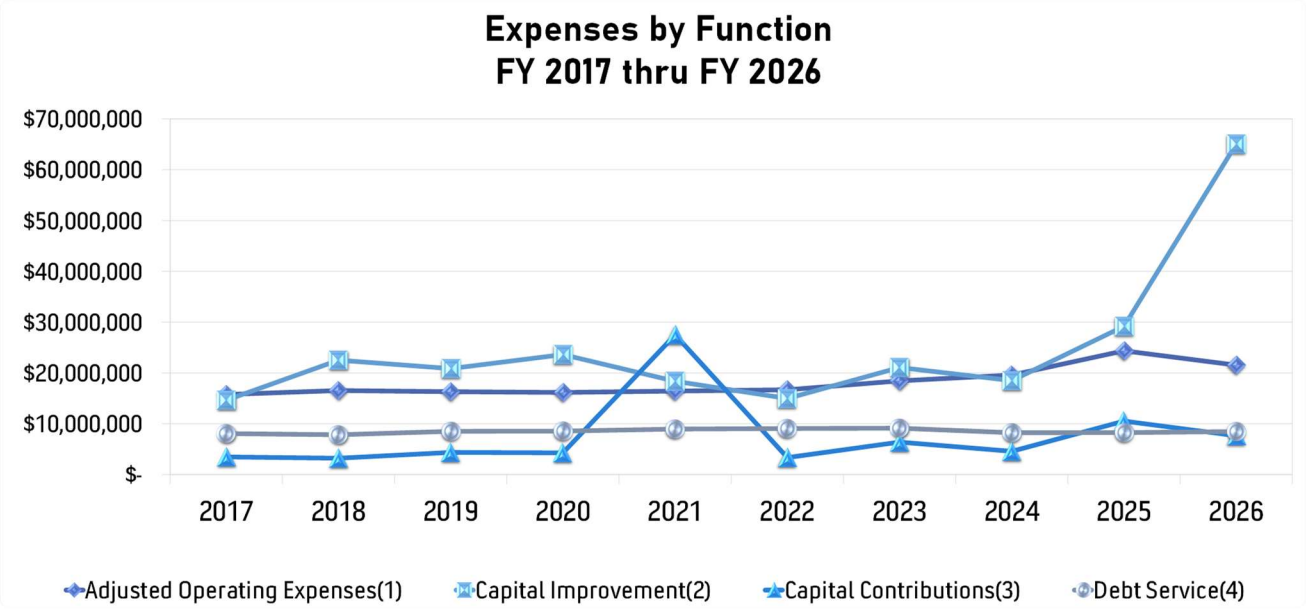
| Fiscal Year Ended June 30 | Adjusted Operating Expenses[1] | Capital Improvement[2] | Capital Contributions[3] | Debt Service[4] | Total |
|---|---|---|---|---|---|
| 2016 | 15,204,117 | 19,201,501 | 2,392,781 | 8,722,495 | 45,520,894 |
| 2017 | 15,767,824 | 14,631,155 | 3,478,337 | 8,069,902 | 41,947,218 |
| 2018 | 16,536,830 | 22,528,740 | 3,222,031 | 7,841,626 | 50,129,227 |
| 2019 | 16,315,760 | 20,860,363 | 4,354,071 | 8,505,560 | 50,035,754 |
| 2020 | 16,158,239 | 23,629,714 | 4,281,722 | 8,558,107 | 52,627,782 |
| 2021 | 16,441,116 | 18,377,093 | 27,495,566 | 8,966,312 | 71,280,087 |
| 2022 | 16,698,185 | 14,984,686 | 3,348,109 | 9,070,334 | 44,101,314 |
| 2023 | 18,451,226 | 21,084,827 | 6,399,905 | 9,126,197 | 55,062,155 |
| 2024 | 19,605,152 | 18,490,137 | 4,566,137 | 8,232,837 | 50,894,263 |
| 2025 | 24,357,992 | 29,186,526 | 10,523,414 | 8,268,061 | 72,335,993 |
| 2026 | 21,552,639 | 65,069,721 | 7,643,475 | 8,476,855 | 102,742,690 |

[1] See Note 10

[2] Excludes depreciation expense

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

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

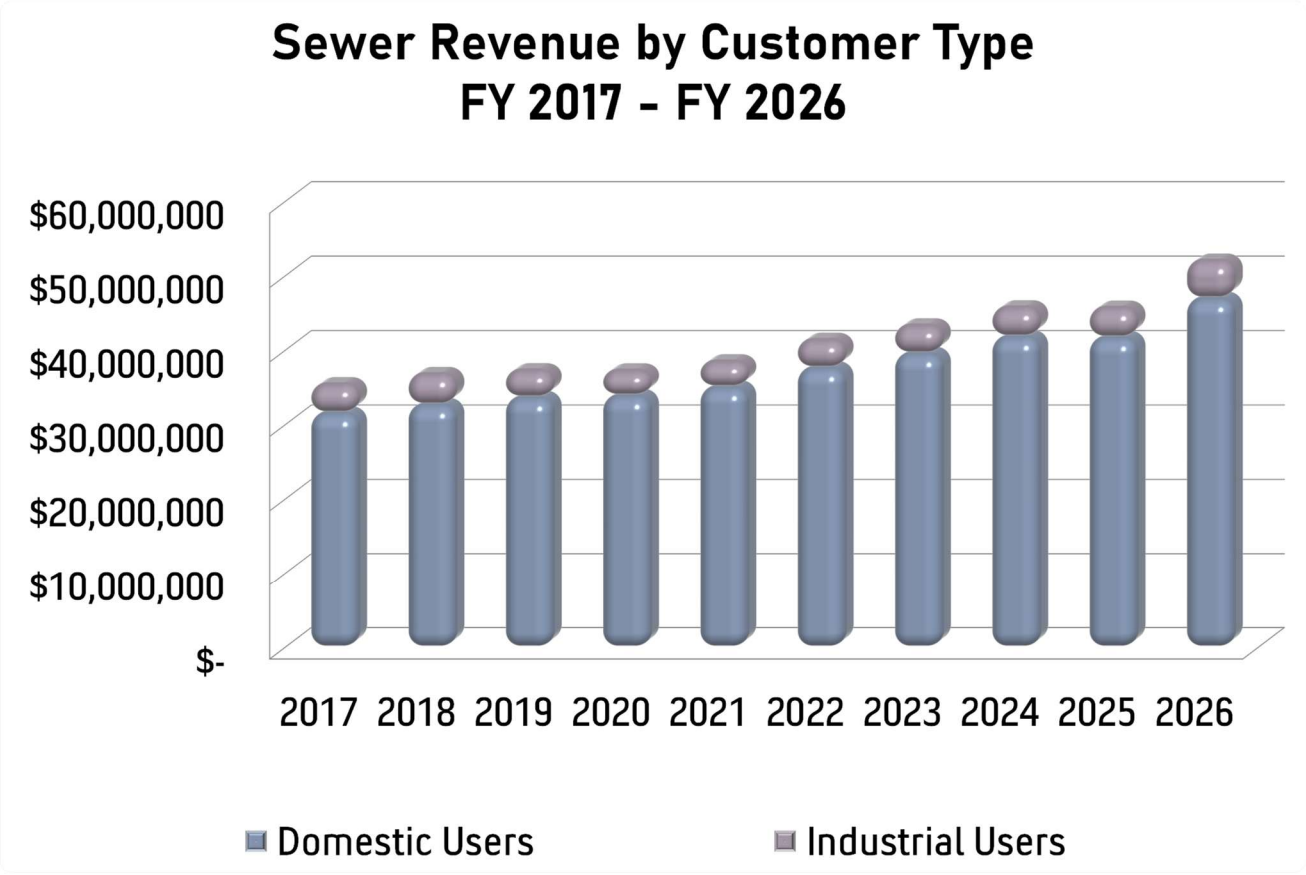


# Sewer Charge Revenue by Customer Type

## FY 2017-FY 2026

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Domestic Users | | | | | | | | | | |
| Asheville | $ 24,518,045 | $ 25,487,028 | $ 26,164,545 | $ 26,484,060 | $ 26,860,749 | $ 28,377,007 | $ 29,911,818 | $ 31,656,408 | $ 31,166,244 | $ 34,751,568 |
| Biltmore Forest | 348,323 | 322,377 | 326,587 | 346,937 | 317,195 | 356,509 | 391,433 | 404,838 | 487,968 | 526,535 |
| Black Mountain | 1,096,604 | 1,169,878 | 1,195,893 | 1,244,835 | 1,256,334 | 1,364,224 | 1,426,055 | 1,578,635 | 1,499,276 | 1,976,312 |
| Henderson County | 1,447,613 | 1,493,912 | 1,535,675 | 1,431,015 | 1,403,908 | 1,743,209 | 1,831,291 | 1,916,707 | 2,171,834 | 2,500,854 |
| Montreat | 268,045 | 244,133 | 290,989 | 278,707 | 247,890 | 247,366 | 266,184 | 259,081 | 273,615 | 302,628 |
| Weaverville | 887,368 | 932,060 | 1,007,833 | 1,030,505 | 1,007,754 | 1,143,222 | 1,246,228 | 1,339,912 | 1,339,575 | 1,434,607 |
| Woodfin Sanitary Water & Sewer District | 1,120,014 | 1,171,111 | 1,198,467 | 1,201,332 | 1,251,937 | 1,204,637 | 1,303,739 | 1,329,896 | 1,430,951 | 1,537,845 |
| Other | 1,925,283 | 1,910,734 | 1,985,917 | 1,928,068 | 2,749,064 | 3,232,463 | 3,240,312 | 3,374,619 | 3,382,003 | 3,985,684 |
| Industrial Users | 3,909,925 | 4,159,767 | 3,687,703 | 3,426,103 | 3,497,070 | 3,816,103 | 3,805,064 | 3,987,537 | 4,051,632 | 5,107,626 |
| Total | $ 35,521,220 | $ 36,891,000 | $ 37,393,609 | $ 37,371,562 | $ 38,591,901 | $ 41,484,740 | $ 43,422,124 | $ 45,847,633 | $ 45,803,098 | $ 52,123,659 |

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

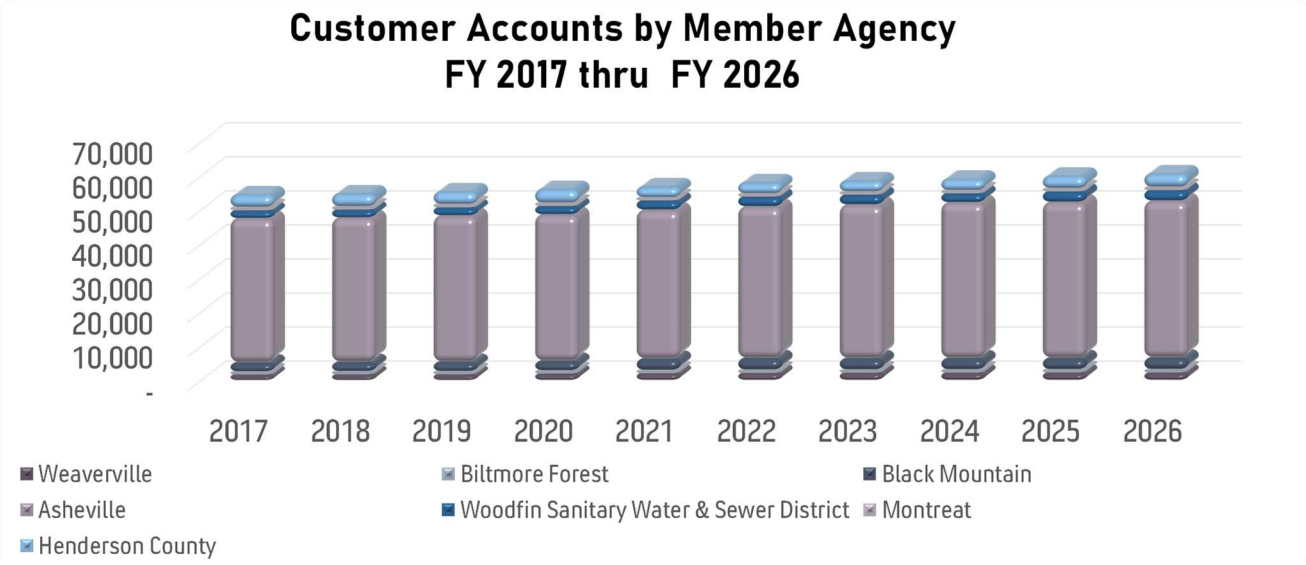


# Customer Accounts by Member Agency

## FY 2017-FY 2026

| | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Asheville | 42,242 | 42,298 | 42,842 | 42,866 | 43,587 | 44,376 | 44,990 | 45,615 | 45,663 | 45,905 |
| Biltmore Forest | 649 | 649 | 653 | 658 | 658 | 662 | 667 | 671 | 670 | 675 |
| Black Mountain | 2,788 | 2,854 | 2,908 | 2,981 | 3,505 | 3,587 | 3,485 | 3,475 | 3,504 | 3,605 |
| Henderson County | 3,898 | 3,964 | 3,911 | 4,201 | 3,345 | 3,374 | 3,394 | 3,503 | 3,830 | 4,125 |
| Montreat | 669 | 669 | 674 | 677 | 678 | 680 | 679 | 683 | 679 | 680 |
| Weaverville | 1,830 | 1,901 | 1,901 | 2,126 | 2,224 | 2,309 | 2,353 | 2,389 | 2,418 | 2,432 |
| Woodfin Sanitary Water & Sewer District | 2,557 | 2,567 | 2,616 | 2,686 | 2,969 | 3,151 | 3,156 | 2,879 | 3,345 | 3,365 |
| Total | 54,633 | 54,902 | 55,505 | 56,195 | 56,966 | 58,139 | 58,724 | 59,215 | 60,109 | 60,787 |

Source: Member Agencies



## Residential Sewer Rates FY 2017-FY 2026

| Fiscal Year Ended June 30 | Monthly Base Rate | Rate Per 1,000 Gallons | Average Monthly Billing |
|---|---|---|---|
| 2017 | 6.77 | 5.87 | 29.88 |
| 2018 | 6.94 | 6.02 | 30.62 |
| 2019 | 7.11 | 6.16 | 31.36 |
| 2020 | 7.29 | 6.32 | 32.17 |
| 2021 | 7.29 | 6.32 | 32.17 |
| 2022 | 7.49 | 6.50 | 33.04 |
| 2023 | 7.72 | 6.70 | 34.10 |
| 2024 | 8.11 | 7.03 | 35.83 |
| 2025 | 8.52 | 7.38 | 37.59 |
| 2026 | 8.95 | 7.76 | 39.46 |

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

# Principal Commercial Users FY 2017 & FY 2026

| Commercial User | Type of Business | 2017 Total Charges | 2017 Rank | 2017 Percentage of Total Charges | 2026 Total Charges | 2026 Rank | 2026 Percentage of Total Charges |
|---|---|---|---|---|---|---|---|
| Milkco, Inc. | Dairy Products & Juices | $ 619,482 | 1 | 1.74% | $ 930,211 | 1 | 1.78% |
| Arcadia Beverage | Beverage Supplier for local/global retailers | ---------- | | | 514,670 | 2 | 0.99% |
| Sierra Nevada | Micro-Brewery Manufacturer | 246,120 | 5 | 0.69% | 409,709 | 3 | 0.79% |
| Glatfelter Industries | Textile Manufacturer | 448,439 | 4 | 1.26% | 401,676 | 4 | 0.77% |
| - formerly Jacob Holm Industries | | | | | | | |
| New Belgium Brewing | Micro-Brewery Manufacturer | 571,373 | 2 | 1.61% | 349,081 | 5 | 0.67% |
| Mission Hospital | Health & Emergency Services | 486,146 | 3 | 1.37% | 348,942 | 6 | 0.67% |
| Royal George Water Authority | Christian Conference Center/Community Water | 147,976 | 9 | 0.42% | 282,034 | 7 | 0.54% |
| - (formerly Ridgecrest Baptist Conference Center) | | | | | | | |
| University of North Carolina - Asheville | University | ---------- | | | 221,860 | 8 | 0.43% |
| Wicked Weed Brewing | Micro-Brewery Manufacturer | ---------- | | | 190,227 | 9 | 0.36% |
| The Biltmore Company | Tourist Attraction/Winery/Resort Services | 150,050 | 7 | 0.42% | 161,471 | 10 | 0.54% |
| Duke Energy | Electric Utility | 202,225 | 6 | 0.57% | ---------- | | |
| Mission Hospital Laundry | Hospital Laundry Services | 148,592 | 8 | 0.42% | ---------- | | |
| Givens Estates, Inc. | Continuing Care Retirement Community | 147,296 | 10 | 0.41% | ---------- | | |
| TOTAL | | $ 3,167,700 | | 8.92% | $ 3,809,881 | | 7.31% |

Source: District Billing Records

## Ratio of Outstanding Debt FY 2017-FY 2026

| Fiscal Year Ended June 30 | Total Outstanding Debt | Debt Per Capita[1] | Per Capita Income[2] | Percentage of Personal Income |
|---|---|---|---|---|
| 2017 | 93,854,828 | 747 | 46,297 | 1.61% |
| 2018 | 117,202,011 | 928 | 48,936 | 1.90% |
| 2019 | 111,137,457 | 871 | 50,690 | 1.72% |
| 2020 | 104,986,126 | 812 | 53,309 | 1.52% |
| 2021 | 98,361,909 | 751 | 57,895 | 1.30% |
| 2022 | 91,572,572 | 685 | 61,560 | 1.11% |
| 2023 | 84,615,962 | 626 | 66,288 | 0.95% |
| 2024 | 78,468,973 | 576 | 70,623 | 0.82% |
| 2025 | 72,191,848 | 522 | Unavailable | Unavailable |
| 2026 | 65,918,408 | 414 | Unavailable | Unavailable |

[1] This ratio was calculated by using the number of domestic accounts and multiplying by Buncombe County census average of 2.62 persons per household to get the number of users in the District.

[2] Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

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

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

1. the current expenses of the Sewerage System for the current fiscal year, and
2. to provide for the higher of either:
   a. the amounts needed for making the required cash deposits in each fiscal year to the credit of the several accounts in the Bond Service Fund and to the credit of the Subordinated Indebtedness Service Fund, the Debt Service Reserve Fund, and the Maintenance Reserve Fund, or

   b. one hundred twenty per centum (120%) of the amount of the principal and interest requirements for the current fiscal year on account of the indebtedness then outstanding excluding principal and interest requirements on account of indebtedness incurred to finance improvements or additional improvements which have not been completed as of the beginning of such fiscal year.

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

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

# Revenue Bond Coverage (continued) FY 2017-FY 2026

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

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

| Fiscal Year Ended June 30 | Adjusted Revenues (B) | Adjusted Current Expenses (A) | Income Available for Debt Service | Long-Term Debt Service Requirement | 120% of Long-Term Debt Service Requirement | Excess of Income Available for Debt over Debt Service | Coverage Ratio |
|---|---|---|---|---|---|---|---|
| 2017 | 36,402,135 | 16,280,644 | 20,121,491 | 7,918,557 | 9,502,268 | 12,202,934 | 2.54 |
| 2018 | 38,102,682 | 16,536,830 | 21,565,852 | 9,423,689 | 11,308,427 | 12,142,163 | 2.29 |
| 2019 | 39,379,533 | 16,315,760 | 23,063,773 | 9,412,540 | 11,295,048 | 13,651,233 | 2.45 |
| 2020 | 39,022,654 | 16,158,239 | 22,864,415 | 9,826,547 | 11,791,856 | 13,037,868 | 2.33 |
| 2021 | 40,325,772 | 16,441,116 | 23,884,656 | 9,811,696 | 11,774,035 | 14,072,960 | 2.43 |
| 2022 | 42,157,737 | 16,698,185 | 25,459,552 | 9,797,850 | 11,757,420 | 15,661,702 | 2.60 |
| 2023 | 47,070,105 | 18,451,226 | 28,618,879 | 8,829,772 | 10,595,726 | 19,789,107 | 3.24 |
| 2024 | 50,866,989 | 19,605,152 | 31,261,837 | 8,801,718 | 10,538,062 | 22,460,119 | 3.55 |
| 2025 | 51,464,500 | 24,357,992 | 27,106,508 | 8,780,245 | 10,536,294 | 18,326,263 | 3.09 |
| 2026 | 55,892,450 | 21,552,639 | 34,339,811 | 8,780,984 | 10,537,181 | 25,558,827 | 3.91 |

(A) Includes all operation and maintenance expenses, except depreciation.
(B) Does not include tap and connection fees, grants, contributions, investment income allocated to non-operating funds.

# Demographic & Economic Statistics FY 2017-FY 2026

| Fiscal Year Ended June 30 | Population Estimates[1] | Per Capita Income[2] | Median Age[1] | Civilian Labor Force[3] | | |
|---|---|---|---|---|---|---|
| | | | | Employed | Unemployed | Unemployment Rate |
| 2017 | 257,408 | 46,323 | 41.9 | 130,418 | 4,801 | 3.6% |
| 2018 | 259,726 | 48,819 | 42.1 | 133,710 | 4,501 | 3.3% |
| 2019 | 262,049 | 50,804 | 42.2 | 135,749 | 4,554 | 3.2% |
| 2020 | 263,477 | 53,309 | 42.3 | 116,658 | 16,817 | 12.6% |
| 2021 | 271,534 | 57,895 | 42.2 | 129,655 | 6,648 | 4.9% |
| 2022 | 273,589 | 61,560 | 42.3 | 136,819 | 4,682 | 3.3% |
| 2023 | 275,901 | 66,288 | 42.4 | 141,046 | 4,025 | 2.8% |
| 2024 | 279,210 | 70,623 | 42.6 | 139,191 | 4,630 | 3.2% |
| 2025 | Unavailable | Unavailable | Unavailable | 136,025 | 6,442 | 4.5% |
| 2026 | Unavailable | Unavailable | Unavailable | 132,125 | 4,411 | 3.2% |

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

Statistical data for population estimate/per capita personal income/median age for calendar years 2025 & 2026 were not available at the time of this report.

Sources:

[1] United States Census Bureau

[2] Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce; Last updated: February 5, 2026

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

# Personal Income by Industry CY 2017-CY 2026

| | Calendar Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Total Personal Income | 8,400,972 | 8,939,875 | 9,453,923 | 9,337,100 | 10,405,983 | 11,494,311 | 12,169,164 | 12,720,729 | Unavailable | Unavailable |
| Farm earnings | 28,661 | 17,224 | 24,586 | 34,299 | 20,078 | 19,877 | 24,428 | 32,181 | - | - |
| Nonfarm earnings | 8,372,311 | 8,922,651 | 9,429,337 | 9,302,801 | 10,385,905 | 11,474,434 | 12,144,736 | 12,688,548 | - | - |
| Private earnings | 7,233,928 | 7,712,694 | 8,166,411 | 7,961,678 | 9,040,466 | 10,054,487 | 10,621,737 | 11,022,454 | - | - |
| Agricultural services, forestry, fishing | 7,036 | 7,380 | 5,928 | 8,288 | 8,442 | 10,728 | 14,193 | 14,109 | - | - |
| Mining | 6,141 | 5,441 | 6,032 | 5,982 | 8,964 | 11,045 | 13,895 | 13,429 | - | - |
| Construction | 529,089 | 623,861 | 692,455 | 636,325 | 682,024 | 783,017 | 816,842 | 845,404 | - | - |
| Manufacturing: | 862,114 | 912,148 | 983,570 | 966,205 | 1,052,461 | 1,072,361 | 1,151,169 | 1,118,467 | - | - |
| Durable goods | 553,542 | 596,298 | 645,581 | 638,867 | 684,049 | 724,639 | 781,592 | 760,516 | - | - |
| Nondurable goods | 308,572 | 315,850 | 337,989 | 327,338 | 368,412 | 347,722 | 369,577 | 357,951 | - | - |
| Wholesale trade | 265,004 | 269,683 | 278,843 | 273,254 | 298,338 | 368,953 | 428,613 | 448,242 | - | - |
| Retail Trade | 652,947 | 678,692 | 692,068 | 708,733 | 797,993 | 846,195 | 890,081 | 934,506 | - | - |
| Transportation and public utilities | 295,011 | 303,259 | 322,035 | 324,524 | 351,936 | 407,935 | 449,488 | 481,722 | - | - |
| Services | 4,616,586 | 4,912,230 | 5,183,749 | 5,038,367 | 5,840,308 | 6,554,253 | 6,857,456 | 7,166,575 | - | - |
| Government and government enterprises: | 1,138,383 | 1,209,957 | 1,262,926 | 1,341,123 | 1,345,439 | 1,419,947 | 1,522,999 | 1,666,094 | - | - |
| Federal, civilian | 336,206 | 361,488 | 394,451 | 454,291 | 467,748 | 504,365 | 570,522 | 648,682 | - | - |
| Military | 24,652 | 27,932 | 29,184 | 30,608 | 29,753 | 26,890 | 29,627 | 32,271 | - | - |
| State and local | 777,525 | 820,537 | 839,291 | 856,224 | 847,938 | 888,692 | 922,850 | 985,141 | - | - |

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

Source:
Regional Economic Accounts, Bureau of Economic Analysis, US Department of Commerce;
Last updated: February 6, 2026

# Principal Employers FY 2017 & FY 2026

| Employer | FY 2017 Employees | FY 2017 Rank | FY 2026 Employees | FY 2026 Rank |
|---|---|---|---|---|
| Mission Health System & Hospitals | 3,000+ | 1 | 1,000+ | 1 |
| Ingles Markets, Inc. | 1,000-2,999 | 7 | 1,000+ | 2 |
| Buncombe County Board of Education | 3,000+ | 2 | 1,000+ | 3 |
| VA Medical Center - Asheville | 1,000-2,999 | 9 | 1,000+ | 4 |
| Buncombe County Government | 1,000-2,999 | 5 | 1,000+ | 5 |
| City of Asheville | 1,000-2,999 | 6 | 1,000+ | 6 |
| Wal-Mart Associates, Inc. | - | - | 1,000+ | 7 |
| The Biltmore Company | 1,000-2,999 | 4 | 1,000+ | 8 |
| Eaton Corporation | 705-999 | 10 | 1,000+ | 9 |
| Mountain Area Health Education Center | - | - | 1,000+ | 10 |
| Asheville-Buncombe Technical College | 1,000-2,999 | 3 | - | - |
| Omni Grove Park Inn | 1,000-2,999 | 8 | - | - |

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

Source: North Carolina Department of Commerce

# Employees by Division (FTE's) FY 2017-FY 2026

| Department | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Office of the General Manager | | | | | | | | | | |
| Office Support | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Resources Department | | | | | | | | | | |
| Human Resource | 3 | 3 | 3 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Environmental, Health & Safety | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Information Technology Department | | | | | | | | | | |
| IT & MIS | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Geographic Information Systems | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Financial Services Department | | | | | | | | | | |
| Finance & Budget | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Accounting, Investments & Cash Flow Mgmt. | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Purchasing & Warehouse | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fleet Maintenance | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Water Reclamation Facility | | | | | | | | | | |
| Office Support | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Plant Operations | 12 | 12 | 12 | 13 | 13 | 13 | 14 | 14 | 14 | 14 |
| Industrial Waste | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 5 |
| Structural Maintenance | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| System Services Department | | | | | | | | | | |
| Office Support | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 |
| Pump Station Maintenance | 3 | 3 | 4 | 5 | 5 | 5 | 5 | 4 | 4 | 5 |
| Electrical/Mechanical Maintenance | 13 | 13 | 13 | 12 | 12 | 12 | 12 | 13 | 13 | 12 |
| Construction Administration | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| System Services | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 53 |
| Engineering Services Department | | | | | | | | | | |
| Right of Way | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Planning and Development | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Design and Drafting | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Engineers | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Management | | | | | | | | | | |
| Division Heads | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 |
| General Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total | 148 | 148 | 149 | 151 | 152 | 152 | 152 | 152 | 153 | 152 |

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

Source: District Personnel Records.

# Operating Indicators by Division FY 2017-FY 2026

| DEPARTMENT | FISCAL YEAR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| **Engineering Services Department** | | | | | | | | | | |
| Sewer Tap Applications | 1,631 | 1,443 | 1,169 | 1,004 | 1,204 | 1,123 | 1,039 | 1,184 | 1,094 | 955 |
| Plans Reviewed | 76 | 78 | 68 | 69 | 60 | 63 | 60 | 67 | 55 | 48 |
| Linear Feet of rehabilitated Sewer Systems | 49,782 | 49,918 | 44,790 | 30,041 | 34,506 | 22,627 | 31,015 | 32,897 | 25,818 | 21,191 |
| Linear Feet of Accepted Sewer Systems | 32,945 | 39,888 | 48,455 | 23,699 | 34,000 | 27,308 | 46,206 | 28,731 | 55,787 | 37,167 |
| **Human Resources Department** | | | | | | | | | | |
| Number of workforce injuries | 5 | 5 | 5 | 2 | 1 | 2 | 2 | 2 | 0 | 3 |
| Lost Work Rate per 100 employees | 3.48 | 3.46 | 3.46 | 0.00 | 0.00 | 1.28 | 1.32 | 0.00 | 0.00 | 2.08 |
| **System Services Department** | | | | | | | | | | |
| Average Response Time to sewer problem (hours) | 0.52 | 0.51 | 0.51 | 0.51 | 0.52 | 0.57 | 0.57 | 0.68 | 0.40 | 0.52 |
| Lines Washed (lineal feet) - in-house only | 885,687 | 1,124,220 | 900,249 | 905,778 | 917,978 | 874,899 | 898,177 | 1,318,230 | 901,163 | 1,082,032 |
| Construction Repairs to Sewer Lines | 555 | 508 | 493 | 380 | 466 | 433 | 409 | 425 | 553 | 528 |
| Taps Installed | 358 | 351 | 324 | 294 | 285 | 317 | 273 | 261 | 231 | 178 |
| Manhole Repairs | 330 | 323 | 286 | 217 | 183 | 178 | 173 | 168 | 332 | 177 |
| Sanitary Sewer Overflows | 30 | 25 | 40 | 19 | 11 | 26 | 25 | 10 | 30 | 14 |
| Pump Stations | 30 | 30 | 30 | 31 | 41 | 40 | 40 | 38 | 38 | 39 |
| **Water Reclamation Facility** | | | | | | | | | | |
| Sanitary Sewers (approximate miles) | 1,020 | 1,027 | 1,043 | 1,041 | 1,130 | 1,140 | 1,140 | 1,157 | 1,168 | 1,175 |
| Treatment Provided (millions of gallons) | 7,117.50 | 7,592.00 | 9,453.50 | 8,541.00 | 7,993.50 | 7,884.00 | 7,621.20 | 7,343.80 | 7,774.50 | 7,117.50 |
| Daily (average) flow treated (millions of gallons daily) | 19.5 | 20.8 | 25.9 | 23.4 | 21.9 | 21.6 | 20.9 | 20.1 | 21.3 | 19.5 |
| Maximum daily flow treated (millions of gallons daily) | 53.0 | 64.8 | 67.5 | 67.2 | 67.3 | 53.7 | 60.0 | 71.7 | 76.8 | 55.0 |
| Percentage of plant capacity used | 48.8% | 52.0% | 64.8% | 58.5% | 54.8% | 54.0% | 52.2% | 50.3% | 53.3% | 48.8% |
| Cost per millions of gallons treated | $ 767 | $ 718 | $ 554 | $ 729 | $ 708 | $ 588 | $ 730 | $ 793 | $ 808 | $ 813 |
| Energy cost per millions of gallons treated | $ 117 | $ 121 | $ 107 | $ 111 | $ 91 | $ 140 | $ 139 | $ 141 | $ 177 | $ 236 |
| Total suspended solids (TSS) removal efficiency (%) | 97% | 97% | 95% | 94% | 93% | 94% | 95% | 95% | 94% | 95% |

Source: District Operational Records

# Compliance Section

Cherry Bekaert LLP
Your Guide Forward

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated October 26, 2026.

### Report on Internal Control over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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

**Purpose of This Report**

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

Cherry Bekaert LLP

Charlotte, North Carolina
October 26, 2026