



METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

Annual Comprehensive Financial Report



*Fiscal Year Ended
June 30, 2021*

Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021

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

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

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

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

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Introduction Section





Metropolitan Sewerage District

OF BUNCOMBE COUNTY, NORTH CAROLINA

October 25, 2021

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, 2021. State law requires local governments to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. MSD's Bond Order requires release of such audited financial statements within seven months of the close of the fiscal year. This Annual Report presents MSD's financial statements and adds this transmittal letter and statistical data to assist the reader in analyzing our financial statements.

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

Cherry Bekaert LLP, a firm of licensed certified public accountants, has audited the financial statements. The goal of the independent audit was to provide reasonable but not absolute assurance that MSD's financial statements for the Fiscal Year ended June 30, 2021, 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, 2021, 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 ~~assist~~ assist users in understanding the socioeconomic environment within which a government operates and ~~provide~~ provide 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 1,130 miles of sewer line with 33,428 manholes and serves over 56,900 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 1,326,000 linear feet of existing sewer line have been replaced since consolidation, representing over 25.3% of the entire collection system.

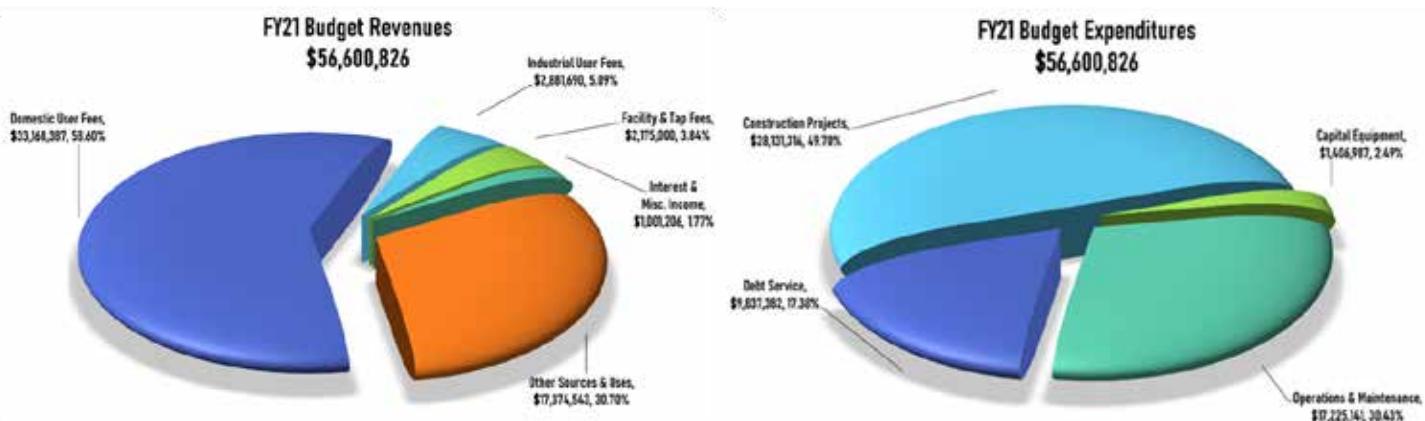
In addition, the District expects to replace approximately 201,000 feet of existing sewer lines over the next five years. The District also has an aggressive program in effect for systematic preventative maintenance of collector sewers. The lines are first cleaned using water under high pressure and then are videotaped. The cleaning reduces line blockages and overflows, and the videotapes enable the District to locate and repair problems in the lines. The District cleans and inspects by videotaping between 15% and 20% of its system each year.

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

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

B. Budget

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



After the Board approves the budget, it is administered by Department heads who may make transfers of appropriations within a department and by the General Manager who may make transfers between departments. Budget to actual comparisons of financial data for the Fiscal Year ended June 30, 2021 are in the supplemental information following the notes to the financial statements.

Factors Affecting Financial Condition

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

A. Local Economy

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

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

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

B. Long-Term Financial Planning

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

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

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

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

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

Major Initiatives and Accomplishments

A. Collection System & Plant Rehabilitation

The District maintains an aggressive, proactive rehabilitation program for both the regional 1,130-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 \$460.7 million has been re-invested back into the system.

† Plant High-Rate Primary Treatment Project

This is the second critical project recommended by the Plant Facilities Plan. This \$17.1 million



project will provide chemically enhanced primary treatment after the headworks and prior to the plant's biological process. This new process is expected to improve the plant's biological process and in turn, plant effluent quality. Construction is near completion, which is expected in Spring 2022.

† Carrier Bridge Pump Station Replacement

This \$42.5 million project is for the replacement of the Carrier Bridge Pump Station. Carrier Bridge is the District's largest pump station and serves significant areas of Buncombe and northern Henderson Counties. Its current capacity is 22 MGD and will be expanded to 36 MGD with the ability to be further expanded in the future. Design is currently underway, with construction expected to begin by Spring 2023.



† Mud Creek Interceptor Extension Project Ph. 2

The Cane Creek Water and Sewer District, located in northern Henderson County, merged with the District on July 1, 2020. The "Mud Creek Interceptor Phase 2" project was underway at the



time of the merger and was completed by the District. This project totaled 17,000 LF and extended public sewer service further up the Mud Creek Basin. A significant aspect of this project was that it established public sewer service to the Park Ridge Hospital and Fletcher Academy campuses. These properties were previously served by a private onsite sewage treatment system which

discharged to a tributary of Mud Creek.

† Jarnaul Avenue Sewer Rehabilitation Project

The District rehabilitates approximately 40,000 linear feet (LF) of public sewer line each year.

This project was to replace old clay lines located in the Beaver Lake area in North Asheville. The lines were structurally deficient and had misaligned joints, fractures, and heavy root intrusion. This project was completed in two phases—the first was completed by in-house forces and the second was completed by a contractor. This project rehabilitated a total of 4,684 LF of old 6-inch clay line.



† Chestnut Lodge Road Sewer Rehabilitation Project

Another rehabilitation project completed this past year was the "Chestnut Lodge Road" sewer

rehabilitation in Black Mountain. The old lines were fractured and suffered root intrusion which led to ongoing maintenance problems. This project rehabilitated approximately 4,600 LF of old 6-inch and 8-inch clay lines.



Horizon Hill Road Sewer Rehabilitation Project

A smaller project, Horizon Hill Road, located in the UNCA area was completed this past year.

The old line was constructed of "Orangeburg" pipe, which was previously used for some sewer lines in the 1940's-1970's. This pipe material was made of wood fibers and coal tar and has long-since been discontinued due to its fragile nature and relatively short longevity. This project rehabilitated approximately 713 LF of old 8-inch Orangeburg line.



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 11 in FY2021.

National Environmental Achievement Award

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



Peak Performance Award Recognition

The District was recognized once again for outstanding wastewater treatment efforts by the National



Association of Clean Water Agencies (NACWA) and received the prestigious NACWA Gold Award signifying consistent NPDES permit compliance during the 2019 calendar year. This marks the nineteenth year the District has been honored with a "Peak

Performance Award" representing continued excellence in environmental protection.

Excellence in Management Recognition Award

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



Improved Customer Service Response

The Systems Services Department reclassified a management position to that of a first responder to handle emergency calls between 2:00 p.m. and 10:30 p.m. as well as holidays, which reduced average response time from 90 minutes in FY2006 to 32 minutes in FY2021.

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 500,000 linear feet of sewer line. During the current year, the District cleaned approximately 892,000 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 Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020. This was the twenty-sixth consecutive year that the District has achieved this prestigious award. In order to receive a Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

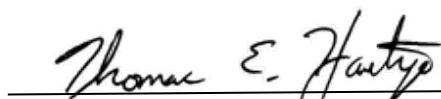
In addition, the District also received the GFOA's Distinguished Budget Presentation Award for its annual FY2021 budget document. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the twenty-fourth consecutive year that the District has achieved this prestigious award.

Acknowledgments

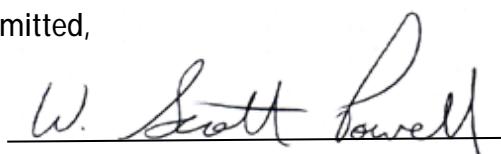
The preparation of this report could not have been accomplished without the dedicated services of staff throughout the District and the District's independent auditor, Cherry Bekaert LLP. We would like to acknowledge the hard work and dedication of Cheryl Rice, the District's Accounting Manager. In addition, a special thanks to Teresa Gilbert 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**

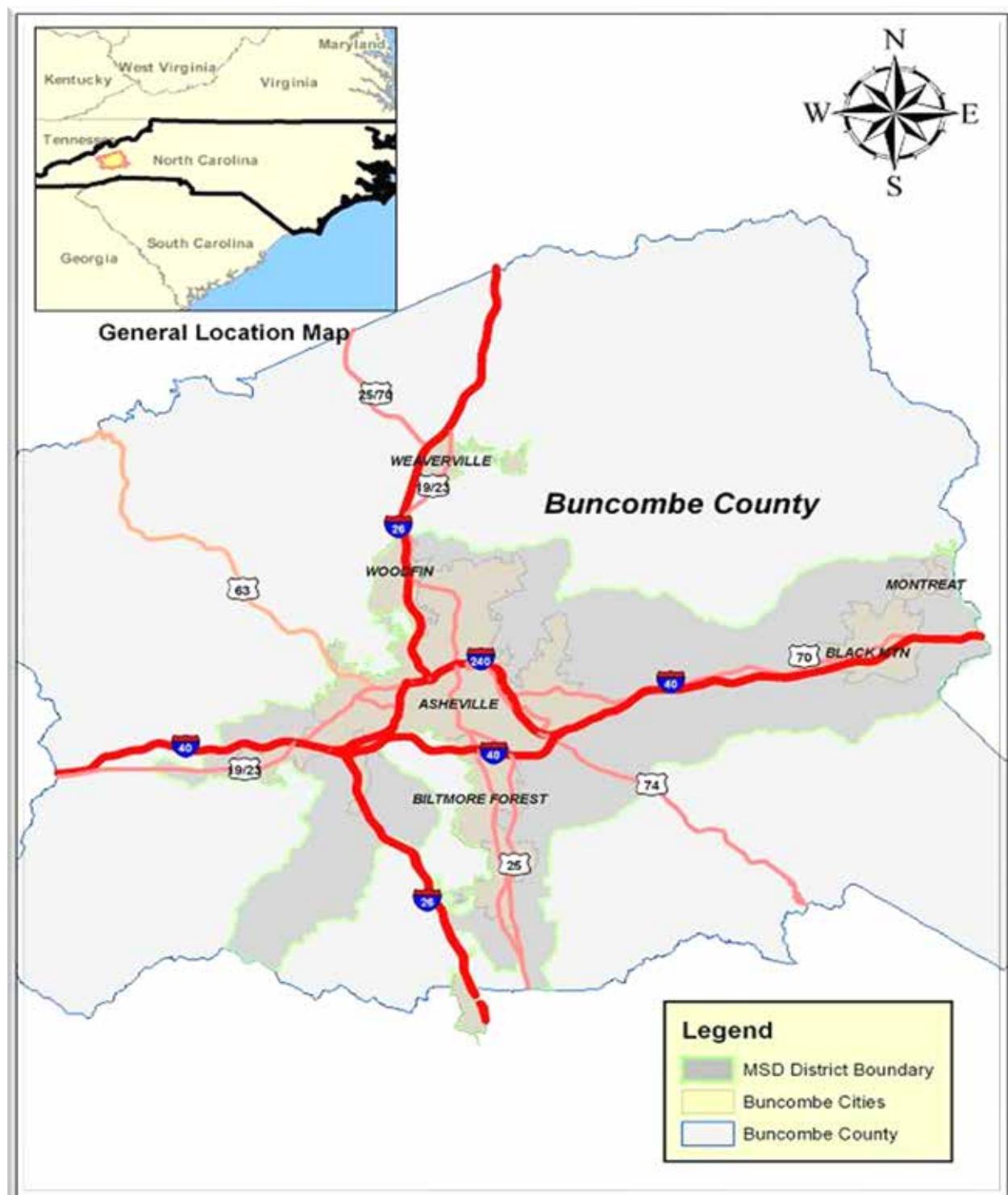
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO

Map of District Boundary



Principal Officials

Board Members	Representative of
Matt Ashley, Jr.	Town of Montreat
Jackie W. Bryson	Woodfin Sanitary Water & Sewer District
Sheila Franklin	Cane Creek Water & Sewer District
William G. Lapsley	Cane Creek Water & Sewer District
Esther Manheimer	City of Asheville
Chris Pelly	City of Asheville
Nathan Pennington	Buncombe County
Robert Pressley	Buncombe County
Earl Valois	Town of Weaverville
Robert C. Watts	Town of Black Mountain
Al Whitesides	Buncombe County
Gwen Wisler	City of Asheville

Legal Counsel

Roberts & Stevens, P.A.

Engineer of Record

McGill Associates, P.A.

General Manager

Thomas E. Hartye, P.E.

Director of Finance

W. Scott Powell, CLGFO

Organizational Chart



Engineering	Financial Services	Human Resources	Information Technology	System Services Construction	System Services Maintenance	Waste Treatment
Director Ed Bradford, P.E.	Director W. Scott Powell, CLGFO	Director Pam Thomas	Director Matthew Walter	Director Mike Stamey, P.E.	Director Ken Stines	Director Roger Edwards
Project Management Design/Drafting Capital Projects Right-of-Way Allocations Taps Sewer Expansion	Accounting Budget Cash Flow Mgmt. Facilities Maintenance Finance Financial Forecasting Fleet Maintenance Investments Purchasing Warehouse	Employee Relations Payroll Employee Benefits Environmental Health & Safety	Information Technology Management Information Systems Geographical Information Systems	Construction Administration Construction (in-house) Emergency Maintenance	Electrical Mechanical Preventative Maintenance Technical Services Pump Station Maintenance	Operations Industrial Waste Reclamation Services
# of employees = 15	# of employees = 17	# of employees = 7	# of employees = 10	# of employees = 34	# of employees = 45	# of employees = 19

Number of Employees: 152

Financial Section



Report of Independent Auditor

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

Report on Financial Statements

We have audited the accompanying financial statements of Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other 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 introductory section, supplemental financial data, and statistical section, 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. The supplemental financial data is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 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 Beharri LLP

Charlotte, North Carolina

October 29, 2021

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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, 2021.

Financial Highlights

A. Net Position

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

- » The District's net position totals \$473.7 million and reflects a \$41.3 million or 9.5% increase from the prior year. The income and expense items affecting this improvement will be discussed in greater detail in the section, "Financial Analysis of the District" on page 3.
- » The \$41.3 million increase is attributable to the District's normal operations and includes contributed capital assets from developers of \$7.6 million and \$19.9 million contributed capital from Henderson County.
- » Net investment in capital assets increased by \$38.7 million or 10.7%, evidencing the District's continued rehabilitation of infrastructure as well as an increase in donated capital.

B. Outstanding Debt

After principal repayments of \$5.9 million, the District has approximately \$94.5 million of outstanding debt exclusive of related unamortized discounts and premiums.

Overview of the Financial Statements

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

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

A. Basic Financial Statements

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

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

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

Financial Analysis of the District

A. Net Position

As previously noted, net position may serve over time as one useful indicator of an entity's financial condition. The District's assets plus deferred outflows of resources exceeded liabilities by \$473.7 million at June 30, 2021.

The largest proportion of the District's net position, approximately 84.4%, 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 \$7.0 million or 1.5% 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 \$67.1 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, 2021 as overall net position grew by 9.5%. 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.

Net Position Trends

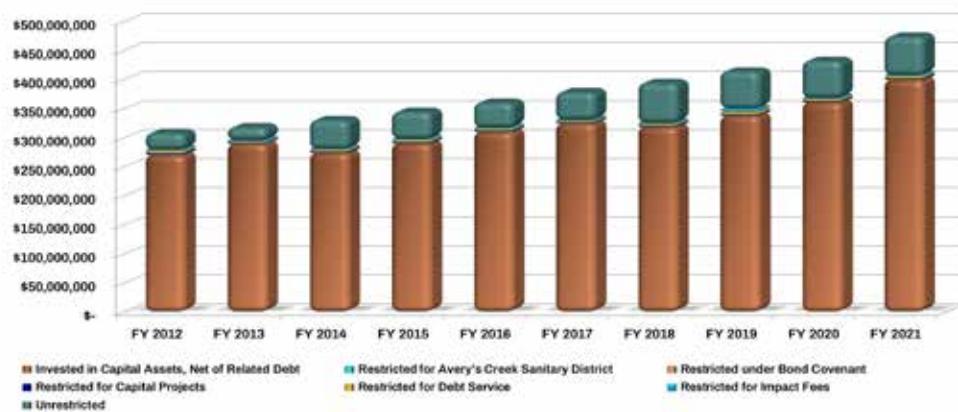


Table 1—Condensed Statement of Net Position

	FY 2021	FY 2020	% Increase (Decrease) 2021 Vs. 2020
Current and Other Assets	\$ 85,322,943	\$ 83,759,211	1.87%
Capital Assets, net	496,582,900	464,266,089	6.10%
Total Assets	581,905,843	548,025,300	6.18%
Deferred Outflows of Resources	7,674,781	8,779,953	(12.57%)
Long-Term Liabilities Outstanding	103,934,604	111,083,944	(6.44%)
Other Liabilities	11,636,880	12,973,592	(10.03%)
Total Liabilities	115,571,484	124,057,536	(6.84%)
Deferred Inflows of Resources	262,801	269,000	(2.30%)
Net Position:			
Net Investment in Capital Assets	399,621,901	360,881,071	10.77%
Restricted for:			
Debt Service	5,990,231	5,737,542	4.40%
Bond Covenant	1,026,733	1,010,040	1.65%
Unrestricted	67,107,474	64,850,064	3.48%
Total Net Position	\$ 473,746,339	\$ 432,478,717	9.54%

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

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

	FY 2021	FY 2020	% Increase (Decrease) 2021 Vs. 2020
Operating Revenues:			
Sewer Charges	\$ 38,591,901	\$ 37,371,562	3.27%
Facility and Tap Fees	5,092,060	5,737,611	(11.25%)
Miscellaneous	<u>1,770,022</u>	<u>731,965</u>	241.82%
Total Operating Revenues	<u>45,453,983</u>	<u>43,841,138</u>	3.68%
Operating Expenses:			
Salaries and Employee Benefits	8,640,936	8,762,073	(1.38%)
Contractual Services	1,810,481	1,619,078	11.82%
Utilities	1,105,110	1,205,899	(8.36%)
Repairs and Maintenance	998,183	975,618	2.31%
Other Supplies and Expenses	1,623,222	1,559,480	4.09%
Insurance Claims and Expenses	2,351,485	2,106,989	11.60%
Depreciation	<u>12,394,875</u>	<u>11,337,087</u>	9.33%
Total Operating Expenses	<u>28,924,292</u>	<u>27,566,224</u>	4.93%
Operating Income	<u>16,529,691</u>	<u>16,274,914</u>	1.57%
Non-operating Revenues (Expenses):			
Investment Income	30,582	1,215,565	(97.48%)
Interest Expense	(3,110,487)	(3,292,282)	(5.52%)
Gain (Loss) on Sale of Surplus Property	<u>322,770</u>	<u>(121,183)</u>	366.35%
Total Non-operating Revenues (Expenses)	<u>(2,757,135)</u>	<u>(2,197,900)</u>	25.44%
Income before other transactions	13,772,656	14,077,014	(2.16%)
Capital Contribution	7,558,647	4,281,722	176.53%
Special Item - Cane Creek Water and Sewer District asset contribution from Henderson County	<u>19,936,419</u>	<u>-</u>	100.00%
Change in Net Position	41,267,622	18,358,736	224.78%
Total Net Position, beginning of year	<u>432,478,717</u>	<u>414,119,981</u>	4.43%
Total Net Position, end of year	<u>\$ 473,746,339</u>	<u>\$ 432,478,717</u>	9.54%

This section discusses significant factors contributing to the District's 9.5% increase in net position from \$432.5 million to \$473.7 million.

A. Operating Revenues

- Sewer revenues increased 3.27%. The District did not increase domestic sewer rates at the beginning of the Fiscal Year 2021 due to the COVID-19 Pandemic. The increase was due to better than anticipated revenue as a result to increased usage over the previous year.
- Facility and Tap Fees decreased 11.25% over the previous year reflecting a decline in development for the area.

B. Operating Expenses were kept fairly flat with the exception of:

- **Salaries and Employee Benefits**—The District experienced a 1.38% decrease in current year expense due to general retirements in the current year.
- **Contractual Services**—The District experienced a 11.82% increase in current year expenses due to assuming the billing and collections of the Cane Creek Water and Sewer District.
- **Utilities Expense**—An increase in internally generated hydroelectric power attributed to the 8.36% decrease in current year expenses.
- **Insurance Claims and Expenses**—The District experienced a 11.6% increase in current year expense due to having a couple of high-dollar claims in current year.

C. Investment Income

— Decreasing short-term interest rates resulted in a 97.48% decrease in the District's interest income.

D. Interest Expense

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

E. Capital Contribution

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

Capital Asset and Debt Administration

A. Capital Assets

The District owns capital assets with a historical cost of \$707,531,114. 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 \$162.3 million to complete and at June 30, 2021 was committed to contracts expected to cost \$3.2 million.

Major capital asset transactions during the year include:

- | Rehabilitation of over 39,510 feet of sewer line including:
 - ④ Chestnut Lodge Road
 - ④ Horizon Hill Road (Hy-Vu Drive) GSR
 - ④ Incinerator Birdhouse Replacement
 - ④ Mud Creek Interceptor Phase 2
 - ④ Plant High-Rate Primary Treatment
 - ④ Riverside Drive @ Norton Drive GSR

Table 3—Capital Assets

	FY 2021	FY 2020
Land	\$ 2,773,980	\$ 2,515,666
Easements	11,117,208	10,562,044
Improvements Other than Buildings	7,431,575	7,347,988
Buildings	49,092,193	53,941,734
Machinery and Equipment	85,439,600	85,569,686
Interceptor Sewer Lines	126,477,532	121,842,828
Collector Sewer Lines	404,428,663	364,385,457
Construction in Progress	20,770,543	14,130,635
Subtotal	707,531,114	660,296,038
Less: Accumulated Depreciation	(210,948,214)	(196,029,949)
Net Property, Plant and Equipment	\$ 496,582,900	\$ 464,266,089

More detailed information on the District's capital assets is presented in Note 5 to the financial statements.

B. Debt Administration

At June 30, 2021, the District had \$94,494,415 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 AA+ rating from Fitch. These high ratings allow the District to pay a lower rate of interest than other entities with less favorable ratings.

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

Economic Factors and Next Year's Budget and Rates

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

A. Unemployment—From 2003 through 2020, Asheville's unemployment rate has been among the lowest compared to the other ten metropolitan areas in North Carolina. As of June 2021, Asheville's unemployment rate was 4.7%. This is below the state and national averages of 4.9% and 6.1%, respectively. Over the past year, about 13,600 jobs have been added to the economy, increasing current employment to 187,700.

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 34,700 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%. The COVID-19 Pandemic has had a 10.3% decrease in employment over the previous year.
- † **Manufacturing Employment**—With 21,500 workers, manufacturing continues to be transformed into a high-skilled sector restructured around an advanced group of machinery, plastics, and electronics manufacturers. Recent economic indicators suggest job gain in manufacturing despite the impact by the COVID-19 Pandemic. Manufacturing did experience a 4.4% increase over the previous year.
- † **Continued Moderate Population Growth**—Population growth remains a consistent and stable contributor to the local economy. Estimates indicate moderate growth patterns will continue between 1.5% and 2.0% per year. More than 95% of local population growth is from in-migration, with the remaining from births over deaths.
- † **Professional and Business Sector**—The confluence of retiring baby-boomers, local quality of life, and economic growth has resulted in the emergence of a growing professional and business services sector. This sector includes many highly technical and well-paid services such as engineering, computer design, and temporary employment services. Nevertheless, due to the COVID-19 Pandemic, employment decreased 6.5% over the previous year.

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

Based on the District's projections for residential, commercial, and industrial sewer use, sewer rates will increase by 2.75% for the Fiscal Year ended June 30, 2022. 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, 2021

Assets:

Current assets:

Cash and cash equivalents	\$ 55,035,224
Investments	13,996,631
Restricted cash and cash equivalents	7,482,433
Receivables (net):	
Accounts	6,835,102
Sales	467,812
Employee	19,480
Inventories	457,028
Prepaid expenses	2,500
Total current assets	<u>84,296,210</u>

Noncurrent assets:

Restricted cash and cash equivalents	1,026,733
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Capital assets:

Land	2,773,980
Easements	11,117,028
Plant and equipment	672,869,563
Construction in progress	20,770,543
Less: accumulated depreciation	(210,948,214)
Total property and equipment	<u>496,582,900</u>
Total noncurrent assets	<u>497,609,633</u>
Total assets	<u>581,905,843</u>

Deferred outflows of resources:
Liabilities:

Current liabilities:

Payments from current assets:	
Accounts payable and accrued expenses	3,963,853
Current portion of compensated absences payable	60,000
Payments from restricted cash and cash equivalents:	
Bond interest payable	1,492,202
Current portion of long term obligations	6,120,825
Total current liabilities	<u>11,636,880</u>

Noncurrent liabilities:

Compensated absences, net of current portion	827,292
Other post-employment benefits	3,674,000
Net pension liability	4,173,404
Derivative liability	3,018,824
Long-term obligations, net of current maturities	92,241,084
Total noncurrent liabilities	<u>103,934,604</u>
Total liabilities	<u>115,571,484</u>

Deferred inflows of resources:
Net position:

Net investment in capital assets	399,621,901
Restricted for:	
Debt service	5,990,231
Bond covenant	1,026,733
Unrestricted	67,107,474
Total net position	<u>\$ 473,746,339</u>

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, 2021

Operating revenues:

Sewer charges	\$ 38,591,901
Facility and tap fees	5,092,060
Miscellaneous	1,770,022
Total operating revenues	<u>45,453,983</u>

Operating expenses:

Salaries and employee benefits	8,640,936
Contractual services	1,810,481
Utilities	1,105,110
Repairs and maintenance	998,183
Other supplies and expenses	1,623,222
Insurance claims and expenses	2,351,485
Depreciation	<u>12,394,875</u>
Total operating expenses	<u>28,924,292</u>
Operating income	<u>16,529,691</u>

Nonoperating revenues (expenses):

Investment income	30,582
Interest expense	(3,110,487)
Gain on disposal of surplus property	<u>322,770</u>
Total nonoperating revenues (expenses)	<u>(2,757,135)</u>
Income before contributions	<u>13,772,556</u>

Capital contribution	7,558,647
Special item - Cane Creek Water and Sewer District asset contribution from Henderson County	<u>19,936,419</u>
Change in net position	<u>41,267,622</u>

Total net position, beginning of year	<u>432,478,717</u>
Total net position, end of year	<u>\$ 473,746,339</u>

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

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 43,273,745
Sales tax paid	54,340
Cash paid to employees for services	(5,729,510)
Cash paid for goods and services	(9,787,789)
Other operating revenue	1,765,200
Net cash provided by operating activities	<u>29,575,986</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(21,132,188)
Proceeds from sale of surplus property	180,435
Proceeds from Insurance Claim	3,099,196
Proceeds from Cane Creek Water and Sewer District	1,863,288
Principal paid on bond maturities	(5,855,825)
Principal paid on other long-term obligation	(2,648,769)
Interest paid on bond maturities	(3,776,820)
Net cash used by capital and related financing activities	<u>(28,270,683)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	80,069,023
Purchases of investments	(80,098,184)
Income on investments	98,697
Net cash provided by investing activities	<u>69,536</u>
Net increase in cash and cash equivalents	1,374,839
Cash and cash equivalents, July 1	62,169,551
Cash and cash equivalents, June 30	<u>\$ 63,544,390</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,529,691
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,394,875
Changes in assets and liabilities:	
(Increase) in receivables	(360,697)
Decrease in inventory	6,787
Decrease in prepaid items	67,800
Increase in accounts payable and accrued expenses	288,820
Increase in other post-employment benefits	92,000
(Decrease) in accrued compensated absences	(37,809)
(Increase) in deferred outflows of resources - pensions	(333,903)
Decrease in deferred outflows of resources - other post-employment benefits	18,934
Increase in net pension liability	915,687
(Decrease) in deferred inflows of resources - other post-employment benefits	(23,000)
Increase in deferred inflows of resources - pensions	16,801
Total adjustments	<u>13,046,295</u>
Net cash provided by operating activities	<u>\$ 29,575,986</u>

Noncash investing, capital, and financing activities:

- At various times during the Fiscal Year ended June 30, 2021, the District received contribution of sewer lines constructed by developers with a reported estimated fair value of \$7,558,647.
- During the Fiscal Year ended June 30, 2021, the District received the assets of Cane Creek Water and Sewer District from Henderson County with a reported estimated fair value of \$20,708,103.
- During the Fiscal Year ended June 30, 2021, a total of \$3,600 of unrealized appreciation increased the fair value of investments not considered to be cash equivalents.

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

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Notes to Basic Financial Statements

June 30, 2021

Note 1—Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

On July 1, 2020, the District, pursuant to N.C. General Statute, §162A-68.5, acquired the Cane Creek Water and Sewer District in northern Henderson County. As required by G.S. 162A-68.5, two new members representing Henderson County were added to the Board.

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 23.9 million gallons per day from approximately 57,000 residential and commercial customer accounts transported through approximately 1,032 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 on an Enterprise Fund basis. The Enterprise 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 all liabilities 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 they are incurred.

D. Budgetary Data

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

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

E. Deposits and Investments

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

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

The District's Bond Order limits investments to:

- a. government obligations;
- b. obligations of the following agencies: Federal Financing Bank, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), The Federal National Mortgage Association (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration;
- c. direct general obligations of the State secured by the full faith and credit and taxing power of the State rated in one of the two highest rating categories by Moody's and S&P;
- d. bonds and notes of any North Carolina local government or public authority (other than the District), subject to such restrictions as the Secretary of the Local Government Commission may impose, provided such bonds or notes are rated in one of the two highest rating categories by Moody's and S&P;
- e. savings certificates or certificates of deposit issued by any commercial bank or savings and loan association organized under the laws of the State or in any federal bank or savings and loan association having its principal office in the State; provided, however, that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof; or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State, be fully collateralized by obligations reserved by financial institution;
- f. prime quality commercial paper (having original maturities of not more than 270 days) bearing the highest rating of Moody's and S&P and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation;
- g. participating shares in the government portfolio of North Carolina Capital Management Trust, provided that the investments of such fund are limited to those qualifying for investment under this definition and that said fund is certified by the Local Government Commission;
- h. a commingled investment pool established and administered by the State Treasurer pursuant to G. S. 147-69.3;

- i. repurchase agreements with respect to Government Obligations if entered into with certain restrictions;
- j. any other investment now or hereafter permitted for investment of funds by the District by the General Statutes of North Carolina, including, without limitation, Section 159-30 of the General Statutes of North Carolina.

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

F. Restricted Assets and Liabilities

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

Any amounts payable from restricted assets are considered restricted liabilities. At June 30, 2021, the bond interest payable of \$1,492,202, and the current portion of long-term debt of \$6,120,825 represent total restricted liabilities of the District.

G. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated based on the percentage of receivables that were written off in prior years. The allowance was \$2,653,805 as of June 30, 2021.

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 received prior to July 1, 2016 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2016 are recorded at acquisition value. Any interest incurred during the construction phase of capital assets is reflected in the capitalized value of the assets constructed. Assets costing at least \$15,000 and with a useful life of over one year are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed on the straight-line basis. Assets are depreciated based on useful life estimated by District engineers as follows. See Note 5 for further details.

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

J. Deferred Outflows of Resources/Inflows of Resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and therefore will not be recognized as an expense or expenditure until that period. The District has six items that meet this criterion - unamortized bond refunding charges, accumulated decrease in fair value of hedging derivative, pension and OPEB deferrals, contributions made to the pension plan, and other post-employment benefits plan in the 2021 Fiscal Year.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has two items that meets the criterion for this category - deferrals of pension and OPEB expense that result from the implementation of GASB Statement 68 and 75.

K. Compensated Absences

The vacation policy of the District provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. Accordingly, an expense and a liability for compensated absences and any salary-related payments such as retirement contributions and payroll taxes are recorded. Accumulated earned vacation at June 30, 2021 is \$887,292. See Note 3D for further details.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2021 amounts to approximately \$2.96 million. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

L. Cash Equivalents

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

M. Use of Estimates

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

N. Operating and Non-operating Revenues and Expenses

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

O. Pensions

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.

Note 2—Deposits and Investments

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, 2021, the District's deposits had a carrying amount of \$1,570,126 and a bank balance of \$1,766,654. Of the bank balance, \$296,692 was covered by federal depository insurance and \$1,469,962 in interest-bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2021, the District had \$350 cash on hand.

B. Investments

As of June 30, 2021, 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
Commercial Paper	Fair Value -Level 2	\$13,996,631	\$13,996,631	N/A	N/A	N/A
NC Capital Management Trust-Government	Fair Value -Level 1	61,973,914	61,973,914	N/A	N/A	N/A
Total		\$ 75,970,545	\$ 75,970,545	N/A	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, 2021, 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 AAA by Standard & Poor's as of June 30, 2021.

- » **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, 2021, 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, 2021, the District had the following hedging derivative instrument:

Type	Objective	Valuation Measurement Method	Changes in Fair Value				Fair Value - June 30, 2021			
			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	\$25,015,000	Deferred Outflow of Resources	\$1,221,001	1/6/2005	7/1/2031	Debt	\$(3,018,824)	

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

The mark-to-market valuation was established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

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

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

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

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

Starting in Fiscal Year 2006, the notional value of the swap and the principal amount of the associated debt declined in equal amounts. As the swap now applies to the Series 2008A Bonds, the remaining notional value of the swap is correlated to the variable rate bond principal amount of \$33,635,000. Starting in Fiscal Year 2010, the notional value of the swap and the principal amount associated debt decline in similar amounts until the debt is completely retired. The notional amount outstanding is \$25,070,000 as of June 30, 2021.

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, 2021, 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, 2021. 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, 2021 of 3.2710%. As of June 30, 2021, the rate on the District's bonds was 0.02% whereas 100% of SIFMA was 0.04%. 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 11.

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

The District currently has the following issues outstanding:

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

The following is a summary of changes in the Districts' long-term debt for the Fiscal Year ended June 30, 2021:

	BALANCE JULY 1, 2020	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2021
Revenue Bonds:				
Enka-Candler Water and Sewer District Bonds liability assumed by the Metropolitan Sewerage District of Buncombe County, North Carolina on July 2, 1990 as stated in the sewer consolidation agreement:				
5.00% serial bonds assumed July 2, 1990 with maturities on each June 1, through 2024 varying from \$19,000 to \$64,000, interest payable annually	\$ 212,000	\$ _____ -	\$ 64,000	\$ 148,000
Total Bonds - Enka-Candler Series	\$ 212,000	\$ _____ -	\$ 64,000	\$ 148,000
Revenue Refunding Bonds, Series 2008A issued to refund the Series 2005 Revenue Refunding Bonds:				
Interest at variable rates in the weekly mode, payable monthly, due serially until 2031	\$ 27,145,000	\$ _____ -	\$ 2,075,000	\$ 25,070,000
Total Bonds - Series 2008A	\$ 27,145,000	\$ _____ -	\$ 2,075,000	\$ 25,070,000
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	\$ 13,725,000	\$ _____ -	\$ 1,760,000	\$ 11,965,000
Total Bond - Series 2013	\$ 13,725,000	\$ _____ -	\$ 1,760,000	\$ 11,965,000
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	\$ 18,170,000	\$ _____ -	\$ 770,000	\$ 17,400,000
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	\$ 22,855,000	\$ _____ -	\$ 770,000	\$ 22,085,000

	BALANCE JULY 1, 2020	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2021
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	\$ 31,725,000	\$ _____ -	\$ 1,170,000	\$ 30,555,000
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	\$ 36,245,000	\$ _____ -	\$ 1,170,000	\$ 35,075,000
Total Revenue Bonds	\$ 100,182,000	\$ _____ -	\$ 5,839,000	\$ 94,343,000

	BALANCE JULY 1, 2020	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2021
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	\$ 168,240	\$ _____ -	\$ 16,825	\$ 151,415
Total Direct Borrowings - State Revolving Fund	\$ 168,240	\$ _____ -	\$ 16,825	\$ 151,415
Total Long-Term Obligations	<u>100,350,240</u>	<u>_____ -</u>	<u>5,855,825</u>	<u>94,494,415</u>
Plus, net unamortized discounts and premiums	<u>4,635,886</u>	<u>_____ -</u>	<u>768,392</u>	<u>3,867,494</u>
	\$ 104,986,126	\$ _____ -	\$ 6,624,217	\$ 98,361,909
Series 2008A	2,075,000			2,160,000
Series 2013	1,760,000			1,830,000
Series 2014	770,000			810,000
Series 2017	1,170,000			1,240,000
Direct Borrowings - 2009 State Revolving Fund	16,825			16,825
Enka-Candler	<u>64,000</u>			<u>64,000</u>
Less current portion	<u>5,855,825</u>			<u>6,120,825</u>
	<u>\$ 99,130,301</u>			<u>\$ 92,241,084</u>

Maturities of long-term debt are as follows:

Year Ending June 30:	Serial Maturity	Principal Mandatory Sinking Fund Requirements (Term Bonds)	Total	Interest
2022	\$ 6,120,825	\$ -	\$ 6,120,825	\$ 3,588,425
2023	6,360,824	-	6,360,824	3,341,414
2024	5,631,824	-	5,631,824	3,102,843
2025	5,091,824	735,000	5,826,824	2,969,912
2026	5,281,824	770,000	6,051,824	2,633,643
	28,487,121	1,505,000	29,992,121	15,536,237
<hr/>				
Five Years:				
2031	26,477,294	4,495,000	30,972,294	9,303,275
2036	14,180,000	3,285,000	17,465,000	4,410,139
2041	6,860,000	6,145,000	13,005,000	1,637,212
2043	-	3,060,000	3,060,000	96,406
	\$ 76,004,415	\$ 18,490,000	\$ 94,494,415	\$ 30,983,269

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 **u**soliciting of purchases of Bonds from qualified investors, **v**processing and recordkeeping for such purchases, **w**billing and receiving payment for Bonds purchased, and **x**determining the interest rate on the Bonds as provided in the Series Resolution.

C. Hedging Derivative and Associated Heded Debt

As of June 30, 2021, 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
2022	2,160,000	4,618	750,656	2,915,274
2023	2,235,000	4,172	678,199	2,917,371
2024	2,320,000	3,710	603,006	2,926,716
2025	2,400,000	3,231	525,199	2,928,430
2026	2,485,000	2,735	444,642	2,932,377
2027	2,585,000	2,220	360,875	2,948,095
2028	2,685,000	1,685	273,856	2,960,541
2029	2,785,000	1,129	183,587	2,969,716
2030	2,890,000	553	89,917	2,980,470
2031	1,240,000	278	45,135	1,285,413
2032	1,285,000	21	3,481	1,288,502
	\$ 25,070,000	\$ 24,352	\$ 3,958,553	\$ 29,052,905

The computations above are based on the following interest assumptions.

	Terms	Rates at June 30, 2021
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.2910%
Variable Payment from Counterparty	100% of SIFMA	(0.0400%)
Net Interest Rate Swap Payments		3.2510%
Variable-rate Bond Coupon Payments	Remarketed Rate	0.0200%
Synthetic Interest Rate on Bonds		3.2710%

D. Compensated Absences

Changes to the liability for compensated absences were as follows:

Balance - June 30, 2020	\$	925,101
Additions		617,693
Withdrawals		(655,502)
Balance - June 30, 2021	\$	887,292

The District accounts for compensated absences on a LIFO basis, assuming that employees are taking leave time as it is earned. For the year ended June 30, 2021, the District estimates that \$60,000 is the current portion of this liability.

E. Net Pension Liability (LGERS)

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

Balance - June 30, 2020	\$	3,257,717
Additions		915,687
Withdrawals		<u>-</u>
Balance - June 30, 2021	\$	<u>4,173,404</u>

Note 4—Capital Assets

A summary of changes in capital assets follows below.

	Balance June 30, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Capital Assets Not Being Depreciated					
Land	\$ 2,515,666	\$ 258,314	\$ -	\$ -	\$ 2,773,980
Easements	10,562,044	66,136	-	488,848	11,117,028
Construction in Progress	<u>14,130,635</u>	<u>21,938,932</u>	<u>-</u>	<u>(15,299,024)</u>	<u>20,770,543</u>
Total Capital Assets Not Being Depreciated	<u>27,208,345</u>	<u>22,263,382</u>	<u>-</u>	<u>(14,810,176)</u>	<u>34,661,551</u>
Capital Assets Being Depreciated					
Bldgs. & Waste Treatment Plants	53,941,734	-	(4,849,541)	-	49,092,193
Improvements & Other than Bldgs.	7,347,988	-	-	83,587	7,431,575
Machinery & Equipment	77,706,337	885,894	(3,226,482)	1,798,764	77,124,513
Interceptor Sewer Lines	121,842,828	-	(29,624)	4,664,328	126,477,532
Collector Lines	364,385,457	32,076,493	(243,199)	8,209,212	404,428,663
Automobiles & Trucks	5,894,299	801,018	(343,687)	53,585	6,405,215
Computer Equipment	1,337,293	-	59,178)	-	1,278,115
Office Furniture & Equipment	<u>631,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>631,757</u>
Total Capital Assets Being Depreciated	<u>633,087,693</u>	<u>33,763,405</u>	<u>(8,791,711)</u>	<u>14,810,176</u>	<u>672,869,563</u>
Less Accumulated Depreciation					
Bldgs. & Waste Treatment Plants	(25,833,794)	(1,018,145)	2,365,978	-	(24,485,961)
Improvements & Other than Bldgs.	(5,347,525)	(324,494)	-	-	(5,672,019)
Machinery & Equipment	(46,970,296)	(3,960,391)	2,825,839	-	(48,104,848)
Interceptor Sewer Lines	(28,170,722)	(1,361,920)	29,624	-	(29,503,018)
Collector Lines	(83,594,078)	(13,446,351)	210,544	-	(96,829,885)
Automobiles & Trucks	(4,237,906)	(591,112)	343,687	-	(4,485,331)
Computer Equipment	(1,293,246)	(37,221)	59,178	-	(1,271,289)
Office Furniture & Equipment	<u>(582,382)</u>	<u>(13,481)</u>	<u>-</u>	<u>-</u>	<u>(595,863)</u>
Total Accumulated Depreciation	<u>(196,029,949)</u>	<u>(20,753,115)</u>	<u>5,834,850</u>	<u>-</u>	<u>(210,948,214)</u>
Total Capital Assets	<u>437,057,744</u>	<u>13,010,290</u>	<u>(2,956,861)</u>	<u>14,810,176</u>	<u>461,921,349</u>
	<u>\$ 464,266,089</u>	<u>\$ 35,273,672</u>	<u>\$ (2,956,861)</u>	<u>\$ -</u>	<u>\$ 496,582,900</u>

- a 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, 2021, the District accepted capital assets with an acquisition value of \$7,558,647.

As of July 1, 2020 Henderson County transferred the operations of the Cane Creek Water and Sewer District (CCWSD) to the District. All remaining assets and liabilities of CCWSD were transferred to the District. This included \$2,182,349 of cash, \$1,427,414 of accounts receivable net of allowance for doubtful accounts as well as \$29,138,343 in capital assets with accumulated depreciation of \$8,358,240. The District also assumed \$4,453,447 in liabilities. As of June 30, 2021, all liabilities of CCWSD were paid.

- a 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, 2021 was 10.15% 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 \$922,750 for the year ended June 30, 2021.
- **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, 2021, the District reported a liability of \$4,173,404 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019.

The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the District's proportion was 0.11679% measured as of June 30, 2020, which was a decrease of 0.00250% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,521,335. At June 30, 2021, 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	\$ 527,028	\$ -
Changes in assumptions	310,583	-
Net difference between projected and actual investment earnings	587,294	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	52,032	16,801
District's contribution subsequent to the measurement date	<u>922,750</u>	-
Total	\$ 2,399,687	\$ 16,801

\$922,750 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, 2022. 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:		
2022	\$	419,230
2023		546,973
2024		320,124
2025		173,809
2026		-
Thereafter		-

- **Actuarial Assumptions**—The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

- **Discount Rate**—The discount rate used to measure the total pension liability was 7.00%. 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 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability (asset)	\$ 8,467,382	\$ 4,173,404	\$ 604,806

- **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, 2021, a total of \$377,656 and \$424,061 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, 2021, \$24,091 and \$24,291 were contributed by the District and employees, respectively, to the deferred compensation plan.

Note 6—Other Employment Benefits

A. Death Benefits

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

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

Note 7—Other Post-Employment Benefits

A. Healthcare Benefits

- **Plan Description**—Under terms of a District resolution, the District administers a single-employer defined benefit group health and dental insurance plan (the GHD Plan). The District Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. However as of June 30, 2021, the District set aside \$2,245,326. These funds are to be used to meet the District's future post-employment obligation.

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

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

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

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

Membership in the District's GHD Plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Employees	
Retirees Receiving Benefits	16
Active Plan Members	<u>145</u>
Total	<u><u>161</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$3,674,000 was measured as of July 1, 2020 and was determined by an actuarial valuation as of July 1, 2020.

† **Actuarial Assumptions and Other Inputs**—The total OPEB liability in the July 1, 2020 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	2.45 percent
Healthcare cost trend rates	3.77 percent for fiscal year end 2020(to reflect actual experience), then 6.75 percent for fiscal year end 2021, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

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

† Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ 3,582,000
Changes for the year	
Service cost	189,000
Interest	113,000
Changes of benefit terms	-
Differences between expected and actual experience	(75,000)
Changes in assumptions or other inputs	-
Other changes	159,000
Benefit payments	<u>(294,000)</u>
Net changes	<u>92,000</u>
Total	<u><u>\$ 3,674,000</u></u>

Mortality rates were based on the RP-2014 Fully Generation Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2020.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 2019 through June 2020.

† **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 (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current discount rate:

	Discount Rate		
	1% Decrease	(2.45%)	1% Increase
Total OPEB Liability	\$ 3,914,000	\$ 3,674,000	\$ 3,443,000

† **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 (2.77 percent) or 1-percentage-point higher (4.77 percent) than the current healthcare cost trend rates:

	1% Decrease	Discount Rate (Medical-3.77%)	1% Increase
Total OPEB Liability	\$ 3,304,000	\$ 3,674,000	\$ 4,104,000

† **OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**—For the year ended June 30, 2021, the District recognized OPEB expense of \$354,236. At June 30, 2021, 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	\$ 86,000	\$ 246,000
Changes in assumptions	513,000	-
Benefit payments and administrative costs made subsequent to the measurement date	256,360	-
Total	\$ 855,360	\$ 246,000

\$256,360 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, 2022.

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:
2022 \$ 48,000
2023 48,000
2024 89,000
2025 97,000
2026 59,000
Thereafter 12,000

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 \$505,657 reported at June 30, 2021 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
2020	\$ 319,466	\$ 1,908,124	\$ 2,024,810	\$ 202,780
2021	\$ 202,780	\$ 2,187,738	\$ 1,884,861	\$ 505,657

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 \$250,000.

Note 9—Construction in Progress and Future Expansion Plans

During the year ended June 30, 2002, consulting engineers finalized a comprehensive twenty-year Wastewater System Master Plan to guide the District in reducing sanitary sewer overflows (SSOs) as well as keeping up with the maintenance and management of its infrastructure. The plan estimated that the District would need to spend approximately \$257 million over a twenty-year period. Portions of this Master Plan are periodically updated as required to meet the needs identified by engineering staff for the Water Reclamation Facility and the collector and interceptor sewer lines. The District uses these plans, along with other resources including representatives from the member agencies, to develop a ten-year Capital Improvement Plan projected to spend an average of \$33.1 million annually. The District expects to fund these costs out of user charges along with the issuance of additional bonds.

As of June 30, 2021, the District had begun sewer projects expected to incur future costs of approximately \$162.3 million, and the District is committed under various contracts encumbered for sewer construction and rehabilitation estimated to cost \$3.2 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. The District was in compliance with all requirements of the Bond Order during the year ended June 30, 2019. 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 expenditures 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, 2021, the Long-Term Debt Service Requirement equaled principal and interest due on January 1, 2021 and July 1, 2021.

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	\$ 45,453,983
Interest and Non-Operating Revenues	353,352
Adjustments to Revenues:	
Interest Income allocable to Non-Operating Funds	(2,174)
Facility, Tap, and Other Fees	(5,156,619)
Gain on Disposal of Property	<u>(322,770)</u>
Adjusted Revenues	<u>40,325,772</u>
Operating Expenses	(28,924,292)
Adjustments to Expenses:	
Pension plan and OPEB contributions net of expense	220,556
Trustee and liquidity expense capitalized	(132,255)
Add back Depreciation	<u>12,394,875</u>
Adjusted Operating Expenses	<u>(16,441,116)</u>
Income Available for Debt Service	\$ 23,884,656
Long-Term Debt Service Requirement	\$ 9,811,696
Minimum Required Percentage	<u>120%</u>
Minimum Required Income	<u>\$ 11,774,035</u>

Therefore, the District 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 243%.

Note 11—Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Unamortized bond refunding charges	\$ 1,400,910	\$ -
Accumulated decrease in fair value of hedging derivative	3,018,824	-
Pensions - difference between expected and actual experience	527,028	-
Pensions - change in assumptions	310,583	-
Pensions - net difference between projected and actual investment earnings	587,294	-
Pensions - changes in proportion and difference between employer contributions and proportionate share of contributions	52,032	16,801
Contributions to pension plan in 2018-2019 Fiscal Year	922,750	-
OPEB- difference between expected and actual experience	86,000	246,000
OPEB-Changes in assumptions	513,000	-
OPEB-benefit payments and administrative cost made subsequent to measurement date	256,360	-
Total	\$ 7,674,781	\$ 262,801

Note 12—Hydroelectric Power

The District operates a hydroelectric generation facility on the French Broad River in proximity to the wastewater treatment plant. In some years with above average rainfall, sufficient quantities of electricity are produced to supply all of the plant's needs with excess electricity generated being sold to Duke Energy Progress. During the year ended June 30, 2021, the District generated power used by the plant, which was estimated to have a net cost after deducting expenditures to generate such power of approximately \$483,824 if purchased. This is considerably higher than in prior years due to rainfall that was significantly above average levels.

Note 13—Claims and Judgments

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

Required Supplemental Information

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

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

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

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

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

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

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 189,000	\$ 162,000	\$ 161,000	\$ 156,000
Interest	113,000	109,000	110,000	106,000
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(75,000)	124,000	(441,000)	-
Changes of assumptions	159,000	433,000	188,000	-
Benefit payments	<u>(294,000)</u>	<u>(168,000)</u>	<u>(69,000)</u>	<u>(226,000)</u>
Net change in total OPEB liability	92,000	660,000	(51,000)	36,000
Total OPEB liability - beginning	<u>3,582,000</u>	<u>2,922,000</u>	<u>2,973,000</u>	<u>2,937,000</u>
Total OPEB liability - ending	<u>\$ 3,674,000</u>	<u>\$ 3,582,000</u>	<u>\$ 2,922,000</u>	<u>\$ 2,973,000</u>
Covered payroll	\$ 8,335,863	\$ 8,335,863	\$ 8,502,682	\$ 8,261,415
Total OPEB liability as a percentage of covered payroll	44.07%	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:

2021	2020	2019	2018
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, 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.

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Supplemental Financial Data

Comparative Statement of Net Position

June 30, 2021 and 2020

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$ 55,035,224	\$ 53,831,628
Investments	13,996,631	14,022,192
Restricted cash and cash equivalents	7,482,433	7,327,883
Receivables (net):		
Accounts	6,835,102	6,424,828
Sales	467,812	522,152
Employee	19,480	14,658
Interest	-	71,715
Inventories	457,028	463,815
Prepaid expenses	2,500	70,300
Total current assets	84,296,210	82,749,171
Noncurrent assets:		
Restricted cash and cash equivalents	1,026,733	1,010,040
Capital Assets:		
Land	2,773,980	2,515,666
Easements	11,117,028	10,562,044
Plant and equipment	672,869,563	633,087,693
Construction in progress	20,770,543	14,130,635
Less: accumulated depreciation	(210,948,214)	(196,029,949)
Total property and equipment	496,582,900	464,266,089
Total noncurrent assets	497,609,633	465,276,129
Total assets	581,905,843	548,025,300
Deferred outflows of resources:		
Liabilities and Net Position:		
Current liabilities:		
Payments from current assets:		
Accounts payable and accrued expenses	3,963,853	5,477,426
Current portion of compensated absences payable	60,000	50,000
Payments from restricted cash and cash equivalents:		
Bond interest payable	1,492,202	1,590,341
Current portion of long term debt	6,120,825	5,855,825
Total current liabilities	11,636,880	12,973,592
Noncurrent liabilities:		
Compensated absences, net of current portion	827,292	875,101
Other post-employment benefit	3,674,000	3,582,000
Net pension liability	4,173,404	3,257,717
Derivative liability	3,018,824	4,238,825
Bonds payable, net of current maturities	92,241,084	99,130,301
Total noncurrent liabilities	103,934,604	111,083,944
Total liabilities	115,571,484	124,057,536
Deferred inflows of resources:		
	262,801	269,000
Net position:		
Net investment in capital assets	399,621,901	360,881,071
Restricted for:		
Debt service	5,990,231	5,737,542
Bond covenant	1,026,733	1,010,040
Unrestricted	67,107,474	64,850,064
Total net position	\$ 473,746,339	\$ 432,478,717

**Comparative Statement of Revenues, Expenses, and
Changes in Net Position**
For the Fiscal Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Sewer charges	\$ 38,591,901	\$ 37,371,562
Facility and tap fees	5,092,060	5,737,611
Miscellaneous	<u>1,770,022</u>	<u>731,965</u>
Total operating revenues	<u>45,453,983</u>	<u>43,841,138</u>
Operating expenses:		
Salaries and employee benefits	8,640,936	8,762,073
Contractual services	1,810,481	1,619,078
Utilities	1,105,110	1,205,899
Repairs and maintenance	998,183	975,618
Other supplies and expenses	1,623,222	1,559,480
Insurance claims and expenses	2,351,485	2,106,989
Depreciation	<u>12,394,875</u>	<u>11,337,087</u>
Total operating expenses	<u>28,924,292</u>	<u>27,566,224</u>
Operating income	<u>16,529,691</u>	<u>16,274,914</u>
Nonoperating revenues (expenses):		
Investment income	30,582	1,215,565
Interest expense	(3,110,487)	(3,292,282)
Gain on disposal of surplus property	322,770	(121,183)
Total nonoperating expenses	<u>(2,757,135)</u>	<u>(2,197,900)</u>
Income before contributions	<u>13,772,556</u>	<u>14,077,014</u>
Capital contribution	7,558,647	4,281,722
Special item - Cane Creek Water and Sewer District asset contribution from Henderson County	<u>19,936,419</u>	-
Change in net position	41,267,622	18,358,736
Total net position, beginning of year	<u>432,478,717</u>	<u>414,119,981</u>
Total net position, end of year	<u>\$ 473,746,339</u>	<u>\$ 432,478,717</u>

Schedule of Revenues and Expenditures

Budget to Actual (Non-GAAP)

For the Year Ended June 30, 2021

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Sewer charges (net):			
Domestic users	\$ 32,234,286	\$ 34,703,937	\$ 2,469,651
Industrial users	2,881,690	3,497,070	615,380
Billings and collections	934,101	983,058	48,957
	<u>36,050,077</u>	<u>39,184,065</u>	<u>3,133,988</u>
Facility and tap fees	2,175,000	5,092,060	2,917,060
City of Asheville(Enka Bonds)	35,000	30,586	(4,414)
Rental income	71,641	79,445	7,804
Miscellaneous	6,710,728	4,759,187	(1,951,541)
Total operating revenues	<u>45,042,446</u>	<u>49,145,343</u>	<u>4,102,897</u>
Nonoperating revenues:			
Investment income	433,837	30,582	(403,255)
Total nonoperating revenues	<u>433,837</u>	<u>30,582</u>	<u>(403,255)</u>
Total revenues	<u>45,476,283</u>	<u>49,175,925</u>	<u>3,699,642</u>
Expenses:			
Operating expenses:			
Salaries and employee benefits	8,168,377		
Contractual services	1,810,481		
Utilities	1,105,110		
Repairs and maintenance	998,183		
Other supplies and expenses	1,545,415		
Insurance claims and expenses	2,048,608		
Total operating expenses	<u>17,462,663</u>	<u>15,676,174</u>	<u>1,786,489</u>
Capital Projects:			
Equipment	757,604		
Infrastructure	18,407,385		
Total capital projects	<u>32,800,781</u>	<u>19,164,989</u>	<u>13,635,792</u>
Debt service			
Principal	6,120,825		
Interest	3,679,272		
Total debt service	<u>9,837,382</u>	<u>9,800,097</u>	<u>37,285</u>
Other long-term obligation service	<u>2,750,000</u>	<u>2,726,576</u>	<u>23,424</u>
Total Expenses	<u>62,850,826</u>	<u>47,367,836</u>	<u>15,482,990</u>
Revenues over (under) expenses	<u>(17,374,543)</u>	<u>1,808,089</u>	<u>19,182,632</u>
Other Financing Sources:			
Proceeds from long-term obligations	-		
Use of available funds	17,374,543	-	(17,374,543)
	<u>17,374,543</u>	<u>-</u>	<u>(17,374,543)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,808,089</u>	<u>\$ 1,808,089</u>

Schedule of Revenues and Expenditures
Budget to Actual (Non-GAAP)
For the Year Ended June 30, 2021 (continued)

	<u>Actual</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 1,808,089</u>
Reconciling items:	
Unamortized discount recognized in interest expense	568,194
Debt principal payments	6,120,825
Other long term obligation payment	2,648,769
Capital project transfers	18,875,778
Change in allowance for doubtful accounts	(592,164)
Change in compensated absences	37,809
Change in health insurance IBNR	(302,877)
Change in other post-employment insurance OPEB	-
Deferred outflows of resources for contributions made in current fiscal year:	
Pension plan	922,750
OPEB plan	256,360
Pension expense	(1,045,440)
OPEB expense	(354,236)
Contributed assets	7,558,647
Special item - Cane Creek Water and Sewer District asset contribution from Henderson County	<u>19,936,419</u>
Depreciation	(12,394,875)
Gain (loss) on disposal of surplus property	<u>(2,776,426)</u>
Total reconciling items	<u>39,459,533</u>
Change in net position	<u>\$ 41,267,622</u>

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

As of June 30, 2021

	Enterprise Account	Capital Reserve Account
Assets:		
Current assets:		
Cash and cash equivalents	\$ 52,997,220	\$ -
Investments	13,478,323	
Restricted cash and cash equivalents	-	-
Receivables (net):		
Accounts	6,835,102	-
Sales tax	315,584	-
Employee	19,480	-
Inventories	457,028	-
Prepaid expenses	2,500	-
Total current assets	<u>74,105,237</u>	-
Noncurrent assets:		
Restricted cash and cash equivalents	-	1,026,733
Capital assets:		
Land	-	-
Easements	-	-
Plant and equipment	-	-
Construction in progress	-	-
Less accumulated depreciation	-	-
Total property and equipment	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>1,026,733</u>
Total assets	<u>74,105,237</u>	<u>1,026,733</u>
 Deferred outflow of resources:		
	<u>2,613,017</u>	<u>-</u>

Combining Schedule of Net Position, All Funds (Non-GAAP)
As of June 30, 2021 (continued)

Bond Service Account	Construction Account	General Account	Capital Account	Total
\$ - \$ 1,863,398	\$ 3,986	170,620	\$ 55,035,224	
	473,902	1,014	43,392	13,996,631
7,482,433	-	-	-	7,482,433
-	-	-		6,835,102
-	144,036	-	8,192	467,812
-	-	-	-	19,480
-	-	-	-	457,028
-	-	-	-	2,500
7,482,433	2,481,336	5,000	222,204	84,296,210
-	-	-	-	1,026,733
-	-	-	2,773,980	2,773,980
-	-	-	11,117,028	11,117,028
-	-	-	672,869,563	672,869,563
-	-	-	20,770,543	20,770,543
-	-	-	(210,948,214)	(210,948,214)
-	-	-	496,582,900	496,582,900
-	-	-	496,582,900	497,609,633
7,482,433	2,481,336	5,000	496,805,104	581,905,843
-	642,030	-	4,419,734	7,674,781

Combining Schedule of Net Position, All Funds (Non-GAAP)
As of June 30, 2021 (continued)

	Enterprise Account	Capital Reserve Account
Liabilities		
Current liabilities:		
Payments from current assets:		
Accounts payable and accrued expenses	2,020,810	-
Current portion of compensated absences payable	60,000	-
Payments from restricted cash and cash equivalents:		
Bond interest payable	-	-
Current portion of long-term obligation	-	-
Total current liabilities	<u>2,080,810</u>	-
Noncurrent liabilities:		
Compensated absences, net of current portion	827,292	-
Other post-employment benefits	3,674,000	-
Net pension liability	3,005,425	-
Derivative liability	-	-
Long-term obligations, net of current maturities	-	-
Total noncurrent liabilities	<u>7,506,717</u>	-
Total liabilities	<u>9,587,527</u>	-
Deferred inflows of resources	<u>258,194</u>	-
Net position	<u>\$ 66,872,533</u>	<u>\$ 1,026,733</u>

Combining Schedule of Net Position, All Funds (Non-GAAP)
As of June 30, 2021 (continued)

Bond Service Account	Construction Account	General Account	Capital Account	Total
-	1,849,592	3,900	89,551	3,963,853
-	-	-	-	60,000
1,492,202	-	-	-	1,492,202
-	-	-	6,120,825	6,120,825
1,492,202	1,849,592	3,900	6,210,376	11,636,880
<hr/>				
-	-	-	-	827,292
-	-	-	-	3,674,000
-	1,167,979	-	-	4,173,404
-	-	-	3,018,824	3,018,824
-	-	-	92,241,084	92,241,084
-	1,167,979	-	95,259,908	103,934,604
1,492,202	3,017,571	3,900	101,470,284	115,571,484
<hr/>				
-	4,607	-	-	262,801
<hr/>				
\$ 5,990,231	\$ 101,188	\$ 1,100	\$ 399,754,554	\$ 473,746,339

Combining Schedule of Revenues, Expenses, and Changes in Net Position, All Funds (Non-GAAP)

For the Year Ended June 30, 2021

	Enterprise Account	Capital Reserve Account
Operating revenues:		
Sewer charges (refunds)	\$ 38,591,901	-
Facility and tap fees	-	-
Miscellaneous	<u>1,705,218</u>	<u>-</u>
Total operating revenues	<u><u>40,297,119</u></u>	<u><u>-</u></u>
Operating expenses:		
Operations	16,214,088	-
Depreciation	<u>-</u>	<u>-</u>
Total operating expenses	<u>16,214,088</u>	<u>-</u>
Operating income (loss)	<u><u>24,083,031</u></u>	<u><u>-</u></u>
Nonoperating revenues (expenses):		
Investment income	28,408	193
Interest expense	-	-
Bond issuance costs	-	-
Gain (Loss) on disposal of surplus property	<u>180,435</u>	<u>-</u>
Miscellaneous expense	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>208,843</u>	<u>193</u>
Income (loss) before other transactions	<u>24,291,874</u>	<u>193</u>
Capital contribution	-	-
Special item - Cane Creek Water and Sewer		
District asset contribution from Henderson County	1,826,863	-
Operating transfers	(22,886,599)	16,500
Purchase of and transfer capital assets	(757,604)	-
Payment of debt and other long-term obligation:		
Principal	-	-
Other long-term obligation	<u>-</u>	<u>-</u>
Change in net position	<u>2,474,534</u>	<u>16,693</u>
Total net position, beginning of year	64,397,999	1,010,040
Total net position, end of year	<u><u>\$ 66,872,533</u></u>	<u><u>\$ 1,026,733</u></u>

**Combining Schedule of Revenues, Expenses, and
Changes in Net Position, All Funds (Non-GAAP)**
For the Year Ended June 30, 2021 (continued)

Bond Service Account	Construction Account	General Account	Capital Account	Total
\$ -	\$ -	\$ -	\$ -	38,591,901
-	-	5,092,060	-	5,092,060
-	245	64,559	-	1,770,022
-	245	5,156,619	-	45,453,983
<hr/>				
77,807	133,507	-	104,015	16,529,417
-	-	-	12,394,875	12,394,875
77,807	133,507	-	12,498,890	28,924,292
(77,807)	(133,262)	5,156,619	(12,498,890)	16,529,691
<hr/>				
25	1,170	591	195	30,582
(3,110,487)	-	-	-	(3,110,487)
-	-	-	-	-
-	3,099,196	-	(2,956,861)	322,770
-	-	-	-	-
(3,110,462)	3,100,366	591	(2,956,666)	(2,757,135)
(3,188,269)	2,967,104	5,157,210	(15,455,556)	13,772,556
<hr/>				
-	-	7,558,647	-	7,558,647
(21,778)	-	-	18,131,334	19,936,419
11,967,330	15,290,685	(5,156,110)	768,194	-
-	(18,377,093)	(7,558,647)	26,693,344	-
(5,855,825)	-	-	5,855,825	-
(2,648,769)	-	-	2,648,769	-
252,689	(119,304)	1,100	38,641,910	41,267,622
<hr/>				
5,737,542	220,492	-	361,112,644	432,478,717
\$ 5,990,231	\$ 101,188	\$ 1,100	\$ 399,754,554	\$ 473,746,339

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Statistical Section



Introduction

This part of MSD's comprehensive annual 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.

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

Revenue Capacity

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

- Ø Sewer Charge Revenue by Customer Type
- Ø Residential Sewer Rates
- Ø Principal Commercial Users

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.

- Ø Ratio of Outstanding Debt
- Ø 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.

- Ø Demographic & Economic Statistics
- Ø Personal Income by Industry
- Ø 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.

- Ø Employees by Division
- Ø Operating Indicators by Division

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Net Position by Component

FY 2012-FY 2021

Fiscal Year Ended June 30	Net Invested in Capital Assets	Restricted	Unrestricted	Total Net Position
2012	270,297,021	8,117,494	28,687,702	307,102,217
2013	289,369,009	5,472,550	23,332,868	318,174,427
2014	273,702,824	6,238,648	50,388,726	330,330,198
2015	290,329,700	6,930,286	47,164,270	344,424,256
2016	310,277,965	6,087,649	44,227,370	360,592,984
2017	324,826,191	5,169,667	48,827,214	378,823,072
2018	318,591,132	6,045,516	69,374,003	394,010,651
2019	337,729,290	11,860,481	64,530,210	414,119,981
2020	360,881,071	6,747,582	64,850,064	432,478,717
2021	399,621,901	7,016,964	67,107,474	473,746,339

Net Position by Component FY 2012 thru FY 2021



Changes in Net Position

FY 2012-FY 2021

(Accrual Basis of Accounting)

	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenues:										
Sewer charges	\$ 27,849,176	\$ 28,268,850	\$ 30,287,440	\$ 32,617,886	\$ 33,679,560	\$ 35,521,220	\$ 36,891,000	\$ 37,393,609	\$ 37,371,562	\$ 38,591,901
Facility and tap fees	2,321,474	2,566,635	4,430,475	4,311,259	6,324,596	6,977,097	5,357,008	6,343,842	5,737,611	5,092,060
Miscellaneous	907,987	663,003	728,937	757,619	764,928	681,243	745,022	716,441	731,965	1,770,022
Total operating revenues	31,078,637	31,498,488	35,446,852	37,686,764	40,769,084	43,179,560	42,993,030	44,453,892	43,841,138	45,453,983
Operating expenses:										
Salaries & employee benefits	6,663,907	6,878,737	7,019,623	6,758,251	7,183,043	7,656,858	7,846,038	8,043,728	8,762,073	8,640,936
Contractual services	1,452,459	1,230,543	1,247,204	1,398,288	1,472,795	1,653,918	1,598,381	1,657,789	1,619,078	1,810,481
Utilities	1,106,158	1,013,310	1,059,709	1,144,711	1,058,299	1,234,029	1,295,636	1,170,937	1,205,899	1,105,110
Repairs and maintenance	958,738	971,919	982,524	938,977	998,758	1,019,150	985,838	919,882	975,618	998,183
Other supplies and expenses	1,545,557	1,616,021	1,662,793	1,545,531	1,500,249	1,736,302	1,886,837	1,728,385	1,559,480	1,623,222
Insurance claims and expenses	2,255,450	1,963,988	2,109,844	2,682,426	2,990,973	2,467,567	2,765,151	2,528,122	2,106,989	2,351,485
Depreciation	7,681,340	7,965,835	8,310,114	8,543,402	9,332,957	9,929,559	10,393,126	10,659,346	11,337,087	12,394,875
Total operating expenses	21,663,609	21,640,353	22,391,811	23,011,586	24,537,074	25,697,383	26,771,007	26,708,189	27,566,224	28,924,292
Operating income	9,415,028	9,858,135	13,055,041	14,675,178	16,232,010	17,482,177	16,222,023	17,745,703	16,274,914	16,529,691
Nonoperating revenues (expenses):										
Investment Income	311,807	507,644	175,797	209,220	237,604	343,988	960,222	1,844,280	1,215,565	30,582
Interest Expense	(2,534,946)	(2,132,131)	(2,104,758)	(2,771,525)	(2,586,670)	(2,794,077)	(3,515,801)	(3,399,735)	(3,292,282)	(3,110,487)
Amortization of bond issuance costs	(144,651)	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	(393,694)	(434,357)	-	-	-	(355,583)	-	-	-
Gain (loss) on sale of surplus property	86,165	14,410	67,663	17,258	(106,997)	(280,337)	10,187	(434,989)	(121,183)	322,770
Total nonoperating revenues (expenses)	(2,281,625)	(2,003,771)	(2,295,655)	(2,545,047)	(2,456,063)	(2,730,426)	(2,900,975)	(1,990,444)	(2,197,900)	(2,757,135)
Income before contributions & special items	7,133,403	7,854,364	10,759,386	12,130,131	13,775,947	14,751,751	13,321,048	15,755,259	14,077,014	13,772,656
Capital contribution	2,047,550	3,217,846	1,396,385	3,078,520	2,392,781	3,478,337	3,222,031	4,354,071	4,281,722	7,558,647
Special Item - Cane Creek Water and Sewer District asset contribution from Henderson County	-	-	-	-	-	-	-	-	-	19,936,419
Change in Net Position	\$ 9,180,953	\$ 11,072,210	\$ 12,155,771	\$ 15,208,651	\$ 16,168,728	\$ 18,230,088	\$ 16,543,079	\$ 20,109,330	\$ 18,358,736	\$ 41,267,622

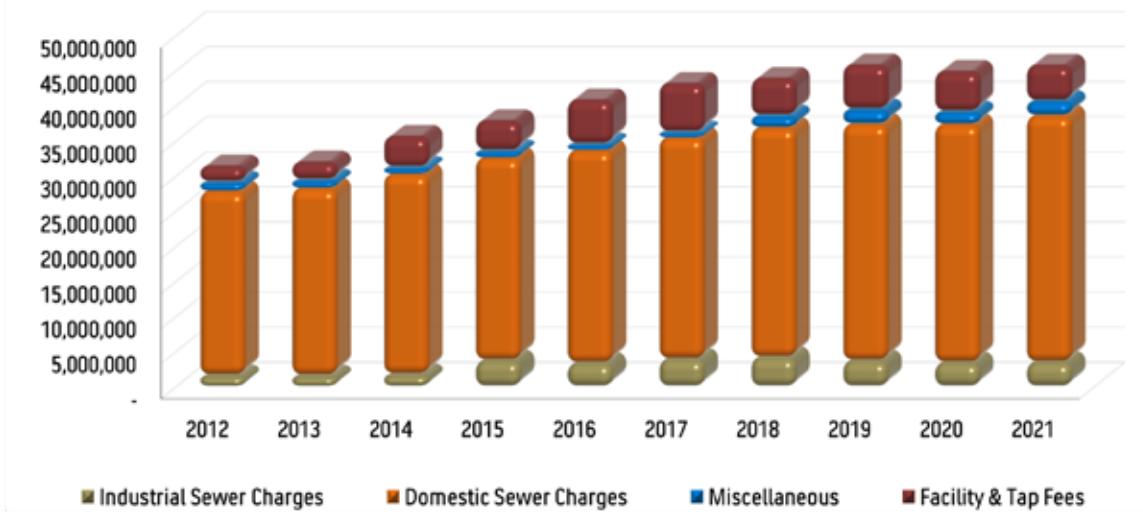
General Revenues by Source

FY 2012-FY 2021

Fiscal Year Ended June 30	Industrial Sewer Charges	Domestic Sewer Charges	Facility & Tap Fees	Miscellaneous	Total
2012	1,599,819	26,249,357	2,321,474	1,305,959	31,476,609
2013	1,577,916	26,690,934	2,566,635	1,185,057	32,020,542
2014	1,758,818	28,528,622	4,430,475	972,397	35,690,312
2015	3,725,584	28,892,302	4,311,259	984,097	37,913,242
2016	3,344,074	30,335,486	6,324,596	895,535	40,899,691
2017	3,909,925	31,611,295	6,977,097	744,894	43,243,211
2018	4,159,767	32,731,233	5,357,008	1,715,431	43,963,439
2019	3,687,703	33,705,906	6,343,842	2,125,732	45,863,183
2020	3,426,103	33,945,459	5,737,611	1,826,347	44,935,520
2021	3,497,070	35,094,831	5,092,060	2,123,374	45,807,335

Note: Does not include Capital Contributions.

**General Revenues by Source
FY 2012 thru FY 2021**



Expenses by Function (Non-GAAP)

FY 2012-FY 2021

Fiscal Year Ended June 30	Operating Expenses ¹	Capital Improvement ²	Capital Contributions ³	Debt Service ⁴	Total
2012	13,982,269	17,775,391	2,047,550	7,859,771	41,664,981
2013	13,674,518	14,988,922	3,217,846	6,553,956	38,435,242
2014	14,081,697	12,701,810	1,396,385	6,464,583	34,644,475
2015	14,468,184	16,455,653	3,078,520	8,154,350	42,156,707
2016	15,204,117	19,201,501	2,392,781	8,722,495	45,520,894
2017	15,767,824	14,631,155	3,478,337	8,069,902	41,947,218
2018	16,536,830	22,528,740	3,222,031	7,841,626	50,129,227
2019	16,315,760	20,860,363	4,354,071	8,505,560	50,035,754
2020	16,158,239	23,629,714	4,281,722	8,558,107	52,627,782
2021	16,441,116	18,377,093	27,495,566	8,966,312	71,280,087

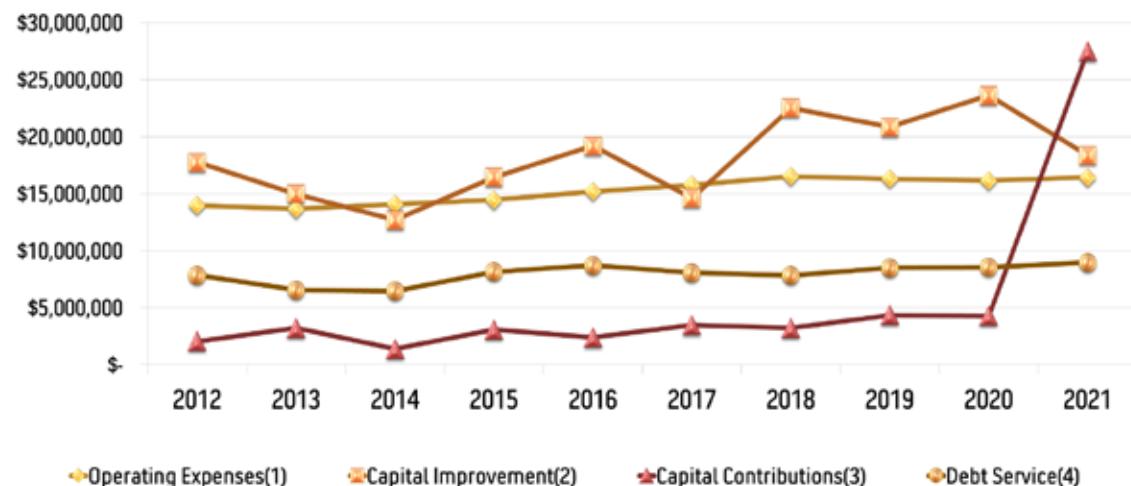
¹ Includes general operations

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

**Expenses by Function
FY 2012 thru FY 2021**

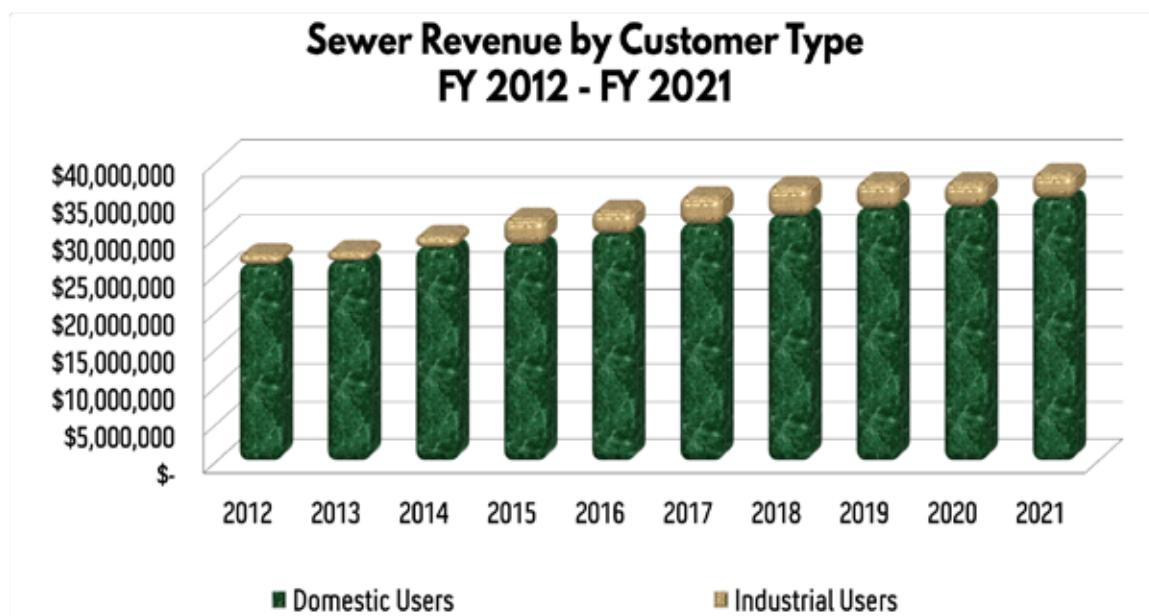


Sewer Charge Revenue by Customer Type

FY 2012-FY 2021

	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Domestic Users										
Asheville	\$ 20,243,750	\$ 20,856,426	\$ 21,527,715	\$ 22,423,891	\$ 23,494,692	\$ 24,518,045	\$ 25,487,028	\$ 26,164,545	\$ 26,484,060	\$ 26,860,749
Biltmore Forest	310,060	316,932	318,743	366,741	366,135	348,323	322,377	326,587	346,937	317,195
Black Mountain	1,013,611	984,242	1,001,650	1,052,869	1,069,901	1,096,604	1,169,878	1,195,893	1,244,835	1,256,334
Henderson County	1,090,551	718,582	1,129,721	1,203,477	1,250,146	1,447,613	1,493,912	1,535,675	1,431,015	1,403,908
Montreat	253,546	278,739	243,406	256,944	260,871	268,045	244,133	290,989	278,707	247,890
Weaverville	648,722	660,062	671,221	749,113	814,691	887,368	932,060	1,007,833	1,030,505	1,007,754
Woodfin Sanitary Water & Sewer District	912,414	989,107	1,024,986	1,049,061	1,084,717	1,120,014	1,171,111	1,198,467	1,201,332	1,251,937
Other	1,776,703	1,886,844	2,611,180	1,790,206	1,994,333	1,925,283	1,910,734	1,985,917	1,928,068	2,749,064
Industrial Users	<u>1,599,819</u>	<u>1,577,916</u>	<u>1,758,818</u>	<u>3,725,584</u>	<u>3,344,074</u>	<u>3,909,925</u>	<u>4,159,767</u>	<u>3,687,703</u>	<u>3,426,103</u>	<u>3,497,070</u>
Total	<u>\$ 27,849,176</u>	<u>\$ 28,268,850</u>	<u>\$ 30,287,440</u>	<u>\$ 32,617,886</u>	<u>\$ 33,679,560</u>	<u>\$ 35,521,220</u>	<u>\$ 36,891,000</u>	<u>\$ 37,393,609</u>	<u>\$ 37,371,562</u>	<u>\$ 38,591,901</u>

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



Customer Accounts by Member Agency

FY 2012-FY 2021

	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Asheville	40,732	40,420	40,620	41,020	41,634	42,242	42,298	42,842	42,866	43,587
Biltmore Forest	650	650	650	653	662	649	649	653	658	658
Black Mountain	2,544	2,637	2,647	2,642	2,729	2,788	2,854	2,908	2,981	3,505
Henderson County	3,240	3,275	3,417	3,512	3,774	3,898	3,964	3,911	4,201	3,345
Montreat	669	671	663	666	666	669	669	674	677	678
Weaverville	2,318	2,376	1,694	1,740	1,779	1,830	1,901	1,901	2,126	2,224
Woodfin Sanitary Water & Sewer District	2,317	2,353	2,422	2,469	2,527	2,557	2,567	2,616	2,686	2,969
Total	<u>52,470</u>	<u>52,382</u>	<u>52,113</u>	<u>52,702</u>	<u>53,771</u>	<u>54,633</u>	<u>54,902</u>	<u>55,505</u>	<u>56,195</u>	<u>56,966</u>

Source: Member Agencies

Customer Accounts by Member Agency FY 2012 thru FY 2021



Residential Sewer Rates

FY 2012-FY 2021

Fiscal Year Ended June 30	Monthly Base Rate	Rate Per 1,000 Gallons	Average Monthly Billing
2012	5.98	5.19	26.45
2013	6.13	5.32	27.14
2014	6.28	5.45	27.81
2015	6.44	5.59	28.49
2016	6.60	5.72	29.15
2017	6.77	5.87	29.88
2018	6.94	6.02	30.62
2019	7.11	6.16	31.36
2020	7.29	6.32	32.17
2021	7.29	6.32	32.17

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 2012 & FY 2021

Commercial User	Type of Business	2012			2021		
		Total Charges	Rank	Percentage of Total Charges	Total Charges	Rank	Percentage of Total Charges
Milkco, Inc.	Dairy Products & Juices	\$ 529,303	1	1.90%	\$ 724,302	1	1.88%
Jacob Holm Industries America	Textile Manufacturer	120,883	5	0.43%	573,937	2	1.49%
Sierra Nevada	Micro-Brewery Manufacturer	-----			305,179	3	0.79%
Ridgecrest Baptist Conference Center	Christian Conference Center	176,541	3	0.63%	201,015	4	0.52%
VA Medical Center	Veterans Hospital	98,181	7	0.35%	175,478	5	0.45%
- Asheville Department of Veterans Affairs							
Arcadia Beverage	Beverage Supplier for local/global retailers	-----			160,212	6	0.42%
New Belgium Brewing	Micro-Brewery Manufacturer	-----			145,113	7	0.38%
The Biltmore Company	Tourist Attraction/Winery/Resort Services	-----			138,035	8	0.36%
Givens Estates, Inc.	Continuing Care Retirement Community	142,559	4	0.51%	136,826	9	0.35%
Mission Health System	Health & Emergency Services	264,630	2	0.95%	126,279	10	0.33%
BONAR	Chemical Manufacturer	98,603	6	0.35%	-----		
- (formerly Colbond)							
Cooperative Laundry Services	Laundry Services Provider	85,556	8	0.31%	-----		
Flint Group	Textile Machine Parts	74,878	9	0.27%	-----		
- (formerly Day International)							
Continental Automotive Systems	Automotive Parts Manufacturer	74,346	10	0.27%	-----		
TOTAL		\$ 1,665,480		5.98%	\$ 2,686,376		6.96%

Source: District Billing Records

Ratio of Outstanding Debt

FY 2012-FY 2021

Fiscal Year Ended June 30	Total Outstanding Debt ¹	Debt Per Capita ²	Per Capita Income ³	Percentage of Personal Income
2012	94,534,320	783	38,205	2.05%
2013	86,909,009	721	37,973	1.90%
2014	110,407,625	921	40,604	2.27%
2015	104,325,293	857	43,006	1.99%
2016	97,627,539	789	44,478	1.77%
2017	91,896,562	731	46,297	1.58%
2018	115,148,090	912	48,936	1.86%
2019	109,315,483	856	50,690	1.69%
2020	103,385,018	800	Unavailable	Unavailable
2021	96,960,999	740	Unavailable	Unavailable

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

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

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

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

Revenue Bond Coverage

FY 2012-FY 2021

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

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

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

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

Revenue Bond Coverage

FY 2012-FY 2021

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
2012	28,510,573	14,398,228	14,112,345	7,274,680	8,729,616	6,837,665	1.94
2013	29,075,493	14,013,024	15,062,469	8,114,665	9,737,598	6,947,804	1.86
2014	31,096,483	14,302,479	16,794,004	8,408,166	10,089,799	8,385,838	2.00
2015	33,428,669	15,179,802	18,248,867	10,184,460	12,221,352	8,064,407	1.79
2016	34,529,568	15,688,258	18,841,310	9,003,519	10,804,223	9,837,791	2.09
2017	36,402,135	16,280,644	20,121,491	7,918,557	9,502,268	12,202,934	2.54
2018	38,102,682	16,536,830	21,565,852	9,423,689	11,308,427	12,142,163	2.29
2019	39,379,533	16,315,760	23,063,773	9,412,540	11,295,048	13,651,233	2.45
2020	39,022,654	16,158,239	22,864,415	9,826,547	11,791,856	13,037,868	2.33
2021	40,325,772	16,441,116	23,884,656	9,811,696	11,774,035	14,072,960	2.43

(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 2012-FY 2021

Fiscal Year Ended June 30	Population Estimates ¹	Per Capita Income ²	Median Age ¹	Civilian Labor Force ³		
				Employed	Unemployed	Unemployment Rate
2012	243,655	38,205	41.3	118,636	9,794	7.6%
2013	246,807	37,973	41.4	121,521	7,929	6.1%
2014	249,084	40,604	41.7	122,480	5,898	4.6%
2015	251,954	43,006	41.9	125,355	6,131	4.7%
2016	254,955	44,478	41.9	129,324	5,412	4.0%
2017	257,071	46,297	42.2	132,122	4,856	3.5%
2018	259,259	48,936	42.3	135,728	4,545	3.2%
2019	261,191	50,690	42.5	138,212	4,564	3.2%
2020	Unavailable	Unavailable	Unavailable	118,165	15,077	11.3%
2021	Unavailable	Unavailable	Unavailable	129,830	6,064	4.5%

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 2020 & 2021 were not available at the time of this report.

Sources:

¹Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce Subcounty Resident Population Estimates: April 1, 2010 to July 1, 2019; April 1, 2020; and July 1, 2020 File: 7/1/2020 Subcounty Population Estimates; Release Date: May 2021. Updated July 2021 with April 1, 2020 Estimates

²Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce; Last updated: November 17, 2020-- new statistics for 2019; revised statistics for 2010-2018.

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

Personal Income by Industry

CY 2012-CY 2021

	Calendar Year										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Total Personal Income	6,451,367	6,659,757	7,176,129	7,621,379	8,063,431	8,396,545	8,928,256	9,419,565	Unavailable	Unavailable	
Farm earnings	20,837	22,330	27,026	30,371	25,342	28,265	20,412	27,558	-	-	
Nonfarm earnings	6,430,530	6,637,427	7,149,103	7,591,008	8,038,089	8,368,280	8,907,844	9,392,007	-	-	
Private earnings	5,374,909	5,580,792	6,093,426	6,523,410	6,948,700	7,229,883	7,699,206	8,124,626	-	-	
Agricultural services, forestry, fishing	5,204	5,838	6,032	6,062	6,795	7,299	7,657	6,493	-	-	
Mining	6,942	5,828	6,370	6,585	4,914	6,143	5,433	6,031	-	-	
Construction	377,429	348,820	392,983	448,839	477,968	528,875	622,149	686,771	-	-	
Manufacturing	703,599	705,620	757,644	821,492	836,336	861,985	911,139	986,023	-	-	
Durable goods	505,819	507,469	536,048	541,045	530,189	553,236	595,512	646,478	-	-	
Nondurable goods	197,780	198,151	221,596	280,447	306,147	308,749	315,627	339,545	-	-	
Wholesale trade	217,822	217,822	214,617	236,067	254,894	264,917	269,237	281,308	-	-	
Retail Trade	505,721	505,721	526,884	557,906	630,823	653,196	678,474	696,550	-	-	
Transportation and public utilities	247,509	253,686	265,025	302,007	267,815	295,169	302,888	331,781	-	-	
Services	2,234,225	2,458,492	2,841,168	3,046,483	3,354,424	3,445,637	3,673,179	3,834,730	-	-	
Government and government enterprises	1,055,621	1,056,635	1,055,677	1,067,598	1,089,389	1,138,397	1,208,638	1,267,381	-	-	
Federal, civilian	331,563	321,224	315,026	316,318	322,729	336,082	361,268	393,955	-	-	
Military	26,654	25,501	24,683	23,637	24,875	24,887	26,762	28,081	-	-	
State and local	697,404	709,910	715,968	727,643	741,785	777,428	820,608	845,345	-	-	
	5,374,909	5,580,792	6,093,426	6,523,410	6,948,700	7,229,883	7,699,206	8,124,626	-	-	

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

Source:

Regional Economic Accounts, Bureau of Economic Analysis, US Department of Commerce;

Last updated: November 17, 2020-- new statistics for 2019; revised statistics for 2010-2018.

Principal Employers

FY 2012-FY 2021

Employer	FY 2012			FY 2021		
	Employees	Rank	% of Total County Employment	Employees*	Rank	% of Total County Employment
Mission Health System & Hospitals	6,994	1	5.90%	3,000+	1	2.17%+
Buncombe County Public Schools	4,000	2	3.37%	3,000+	2	2.17%+
The Biltmore Company	1,770	3	1.49%	1,000-2,999	3	0.72% - 2.17%
VA Medical Center - Asheville	1,593	4	1.34%	1,000-2,999	4	0.72% - 2.17%
Buncombe County Government	1,380	5	1.16%	1,000-2,999	5	0.72% - 2.17%
Ingles Markets, Inc.	1,137	6	0.96%	1,000-2,999	6	0.72% - 2.17%
The Grove Park Inn Resort & Spa	1,100	7	0.93%	1,000-2,999	7	0.72% - 2.17%
Asheville-Buncombe Technical Community College	1,019	8	0.86%	1,000-2,999	8	0.72% - 2.17%
City of Asheville	1,000	9	0.84%	1,000-2,999	9	0.72% - 2.17%
CarePartners	950	10	0.80%	500-999	10	0.36% - 0.72%
Total for Principal Employers	<u>20,943</u>		<u>17.65%</u>	<u>13,500 - 21,992</u>		<u>9.77% - 15.91%</u>

* Employee range is the only public information available

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

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

Employees by Division (FTE's)

FY 2012-FY 2021

Department	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Office of the General Manager										
Office Support	1	1	1	1	1	1	0	0	0	0
Human Resources Department										
Human Resource	3	3	3	3	3	3	3	3	4	4
Environmental, Health & Safety	2	2	2	2	2	2	2	2	2	2
Information Technology Department										
IT & MIS	5	5	5	5	5	5	5	5	5	5
Geographic Information Systems	4	4	4	4	4	4	4	4	4	4
Financial Services Department										
Finance & Budget	1	1	1	1	1	1	1	1	1	1
Accounting, Investments & Cash Flow Mgmt.	3	3	4	4	4	3	3	3	3	3
Purchasing & Warehouse	3	3	3	3	3	3	2	2	2	2
Fleet Maintenance	4	4	4	4	4	4	4	4	4	4
Structural Maintenance	6	6	6	6	6	6	6	6	6	6
Water Reclamation Facility										
Office Support	0	0	0	0	1	1	1	1	1	1
Plant Operations	11	11	10	11	11	12	12	12	13	13
Industrial Waste	5	5	5	5	5	5	5	3	3	3
System Services Department										
Office Support	4	4	4	4	4	4	4	4	4	4
Pump Station Maintenance	0	0	0	0	0	3	4	5	5	5
Mechanical Maintenance	8	0	0	0	7	7	7	8	8	8
Electrical Maintenance/Hydro	8	16	15	12	7	4	4	4	4	4
Construction Administration	5	5	5	5	5	5	6	6	6	6
System Services	51	51	51	54	51	54	54	54	54	55
Engineering Services Department										
Office Support	1	1	1	1	1	0	0	0	0	0
Right of Way	3	3	3	3	3	3	3	3	3	3
Planning and Development	5	5	5	3	4	3	4	4	4	4
Design and Drafting	3	3	4	3	3	3	3	3	3	3
Engineers	3	3	3	5	4	4	4	4	4	4
Management										
Division Heads	8	8	8	7	7	7	7	7	7	7
General Manager	1	1	1	1	1	1	1	1	1	1
Total	148	148	148	147	147	148	149	149	151	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 2012-FY 2021

DEPARTMENT	FISCAL YEAR									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Engineering Services Department										
Sewer Tap Applications	876	1,356	1,594	1,382	1,177	1,631	1,443	1,169	1,004	1,204
Plans Reviewed	33	92	69	62	66	76	78	68	69	60
Linear Feet of rehabilitated Sewer Systems	52,641	43,519	51,110	46,729	42,675	49,782	49,918	44,790	30,041	34,506
Linear Feet of Accepted Sewer Systems	25,550	44,309	18,314	29,185	43,616	32,945	39,888	48,455	23,699	34,000
Human Resources Department										
Number of workforce injuries	11	5	12	5	5	5	5	5	2	1
Lost Work Rate per 100 employees	5.52	3.46	7.85	3.48	3.48	3.48	3.46	3.46	0.00	0.00
System Services Department										
Average Response Time to sewer problem (hours)	0.55	0.51	0.52	0.55	0.52	0.52	0.51	0.51	0.51	0.52
Lines Washed (lineal feet) - in-house only	873,077	807,746	699,543	729,451	730,000	885,687	1,124,220	900,249	905,778	917,978
Construction Repairs to Sewer Lines	523	507	589	543	500	555	508	493	380	466
Taps Installed	208	199	218	239	234	358	351	324	294	285
Manhole Repairs	436	342	355	376	294	330	323	286	217	183
Sanitary Sewer Overflows	25	37	36	37	53	30	25	40	19	11
Pump Stations	32	32	32	32	31	30	30	30	31	41
Water Reclamation Facility										
Sanitary Sewers (approximate miles)	960	977	1,000	1,000	1,000	1,020	1,027	1,043	1,041	1,130
Treatment Provided (millions of gallons)	6,825.50	7,993.50	8,358.50	6,971.50	7,884.00	7,117.50	7,592.00	9,453.50	8,541.00	7,993.50
Daily (average) flow treated (millions of gallons daily)	18.7	21.9	22.9	19.1	21.6	19.5	20.8	25.9	23.4	21.9
Maximum daily flow treated (millions of gallons daily)	50.2	62.1	74.6	39.0	67.1	53.0	64.8	67.5	67.2	67.3
Percentage of plant capacity used	46.8%	54.8%	57.3%	47.8%	54.0%	48.8%	52.0%	64.8%	58.5%	54.8%
Cost per millions of gallons treated	\$ 801	\$ 617	\$ 614	\$ 735	\$ 735	\$ 767	\$ 718	\$ 554	\$ 729	\$ 708
Energy cost per millions of gallons treated	\$ 136	\$ 119	\$ 101	\$ 115	\$ 96	\$ 117	\$ 121	\$ 107	\$ 111	\$ 91
Total suspended solids (TSS) removal efficiency (%)	90%	93%	96%	97%	97%	97%	97%	95%	94%	93%
Inspection of Significant Industrial Users	18	17	18	18	21	23	22	21	23	20
Restaurant inspections for Grease Reduction Compliance	906	1,364	1,190	1,229	1,017	1,192	1,251	1,189	1,005	1,100

Source: District Operational Records

Compliance Section



Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

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 Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 29, 2021.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Beharri LLP

Charlotte, North Carolina

October 29, 2021