New Issue/Book-Entry Only | **Ratings:** **Moody's: Aaa**

S&P: AAA

(See "RATINGS" herein)

This Official Statement has been prepared by the City of Asheville, North Carolina (the "City") to provide information in connection with the sale and issuance of the City's General Obligation Refunding Bonds, Series 2023 (the "Bonds") described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless otherwise indicated, capitalized terms used on this cover page have the meanings given in this Official Statement.

$22,405,000
City of Asheville, North Carolina
General Obligation Refunding Bonds, Series 2023

Dated: Date of Delivery | **Due: As shown on inside cover page**

Tax Treatment:	In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law (1) assuming compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax, and (2) interest on the Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.
Redemption:	The Bonds are subject to optional redemption prior to their maturities as described herein.
Security:	The Bonds constitute general obligations of the City, secured by a pledge of the faith and credit and taxing power of the City.
Interest Payment Dates:	June 1 and December 1, commencing June 1, 2023.
Denominations:	$5,000 or any integral multiple thereof.
Delivery Date:	February 9, 2023.
Professionals:	Parker Poe Adams & Bernstein LLP, Bond Counsel, Charlotte, North Carolina; Brad Branham, Esq., Asheville, North Carolina, City Attorney; DEC Associates, Inc., Charlotte, North Carolina, financial advisor to the City; and Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, counsel to the Underwriter.

BofA Securities

January 19, 2023

MATURITY SCHEDULE

June 1	Amount	Rate	Yield	Price	CUSIP[†]
2024	$1,125,000	5.00%	2.30%	103.464%	044033 SA7
2025	1,120,000	5.00	2.17	106.342	044033 SB5
2026	1,120,000	5.00	2.13	109.125	044033 SC3
2027	1,120,000	5.00	2.11	111.846	044033 SD1
2028	1,120,000	5.00	2.12	114.391	044033 SE9
2029	1,120,000	5.00	2.15	116.732	044033 SF6
2030	1,120,000	5.00	2.17	119.034	044033 SG4
2031	1,120,000	5.00	2.20	121.158	044033 SH2
2032	1,120,000	5.00	2.21	123.360	044033 SJ8
2033	1,120,000	5.00	2.23	125.386	044033 SK5
2034	1,120,000	5.00	2.38[C]	123.827	044033 SL3
2035	1,120,000	5.00	2.56[C]	121.985	044033 SM1
2036	1,120,000	5.00	2.75[C]	120.077	044033 SN9
2037	1,120,000	5.00	2.82[C]	119.383	044033 SP4
2038	1,120,000	4.00	3.21[C]	106.884	044033 SQ2
2039	1,120,000	4.00	3.29[C]	106.162	044033 SR0
2040	1,120,000	4.00	3.36[C]	105.534	044033 SS8
2041	1,120,000	4.00	3.39[C]	105.266	044033 ST6
2042	1,120,000	3.50	3.57	99.025	044033 SU3
2043	1,120,000	3.50	3.62	98.280	044033 SV1

[C] Yield to June 1, 2033 call date at 100%.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright © 2023 CUSIP Global Services. CUSIP data herein is provided for convenience of reference only for the purchasers of the Bonds. Neither the City, the Local Government Commission of North Carolina nor the Underwriter is responsible for selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein has been obtained from the City and other sources believed to be reliable. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

Neither the Bonds nor the Resolution (as defined herein) have been registered or qualified with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4) of the Trust Indenture act of 1939, as amended. The registration or qualification of the Bonds or the Resolution in accordance with applicable provisions of securities laws of the states in which the Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

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

BofA Securities, Inc., as the underwriter of the Bonds (the "Underwriter"), has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances, but the Underwriters do not guarantee the accuracy or completeness of such information.

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INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the issuance, sale and delivery of $22,405,000 General Obligation Refunding Bonds, Series 2023 (the "Bonds") of the City of Asheville, North Carolina (the "City").

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Rule"), except, when it is in preliminary form, for the omission of certain pricing and other information. In accordance with the requirements of such Rule, the City has agreed in a resolution adopted by the City Council of the City to certain continuing disclosure obligations. See the caption "CONTINUING DISCLOSURE" herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

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

THE BONDS

Description

The Bonds will be dated as of their date of delivery and will bear interest from their date. Interest on the Bonds will be payable semiannually on each June 1 and December 1, beginning June 1, 2023. The Bonds will mature on the dates set forth on the inside cover page of this Official Statement. The record date for the Bonds will be the fifteenth (15^{th}) day of the month preceding each interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in denominations of $5,000 or integral multiples thereof and in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of the book-entry system and DTC.

Redemption Provisions

Optional Redemption. The Bonds maturing on or after June 1, 2034 may be redeemed before their maturities, at the option of the City, from any funds that may be available for such purpose, either in whole or in part on any date on or after June 1, 2033 at the redemption price of 100% of the principal amount of such Bond to be redeemed, together with accrued interest to the date fixed for redemption.

General Redemption Provisions. If less than all of the Bonds are called for redemption, the City shall select the maturity or maturities of the Bonds to be redeemed in such manner as the City in its discretion may determine. If a book-entry system through DTC is used for determining beneficial ownership of the Bonds and less than all the Bonds of any maturity are called for redemption, DTC and its participants shall determine which of the Bonds within a maturity are to be redeemed in accordance with its rules and procedures.

If, at the time of such redemption, the book-entry system with respect to the Bonds is discontinued, the City shall select the portion of the Bonds to be redeemed by lot in such manner as the City in its discretion may determine. The portion of any Bond to be redeemed shall be in the principal amount of $5,000 or an integral multiple thereof. In selecting Bonds for redemption, each Bond is to be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by $5,000.

When the City elects to redeem any Bonds, notice of such redemption of such Bonds, stating the redemption date, redemption price and identifying the Bonds or portions thereof to be redeemed and further stating that on such redemption date there shall become due and payable on each Bond or portion thereof so to be redeemed, the principal thereof, and interest accrued to the redemption date and that from and after such date interest thereon shall cease to accrue, is to be given not less than 30 days nor more than 60 days before the redemption date in writing to DTC or its nominee as the registered owner of the Bonds, by prepaid certified or registered United States mail (or by such other means as may be permitted by DTC's rules and procedures), at the address provided to the City by DTC, but any failure or defect in respect of such mailing will not affect the validity of the redemption. If DTC is not the registered owner of the Bonds, the City will give notice at the time set forth above by prepaid first-class United States mail to the then-registered owners of the Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the City.

Such notice may state that it is conditional on the deposit of money for the redemption on the date of redemption as set forth in the notice. Any notice, once given, may be withdrawn by notice delivered in the same manner as the notice of redemption was given.

Discharge and Satisfaction

If the City causes to be paid, or has made provisions to pay, on maturity or on redemption before maturity, to the owners of the Bonds the principal of such Bonds (including interest to become due thereon) and, premium, if any, on such Bonds, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to the Resolution or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with an escrow agent or otherwise, moneys sufficient therefor, including, but not limited to, interest earned or to be earned on Federal Securities (as defined below), and then, to the extent permitted by law, such Bonds shall be considered to have been discharged and satisfied, and the principal of such Bonds (including premium, if any, and interest thereon) shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in the Resolution requires the deposit of more than such Federal Securities as may be sufficient, taking into account both the principal amount of such Federal Securities and the interest to become due thereon, to implement any such defeasance. Provisions shall be made by the City, for the mailing of a notice to the owners of such Bonds that such moneys are so available for such payment.

"Federal Securities" means, to the extent permitted by Section 159-72 of the General Statutes of North Carolina, as amended, and any successor statute, (a) direct obligations of the United States of America for the timely payment of which the full faith and credit of the United States of America is pledged; (b) obligations, the timely payment of the principal and interest on which is fully guaranteed as full faith and credit obligations of the United States of America (including any securities described in (a) or (b) issued or held in the name of a trustee in book-entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are held in the name of a trustee and are not subject to redemption or purchase prior to maturity at the option of anyone other than the holder; (c) any bonds or other obligations of the State of North Carolina or of any agency, instrumentality or local governmental unit of the State of North Carolina which are (i) not callable prior to maturity or (ii) as to which irrevocable instructions have been given to the trustee or escrow agent with respect to such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody's, if the Bonds are rated by Moody's, S&P, if the Bonds are rated by S&P and Fitch Ratings, if the Bonds are rated by Fitch Ratings, within the highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) or (b) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; (d) direct evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (a) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (a), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated; or (e) any other obligations permitted under laws of the State of North Carolina for the defeasance of local government bonds.

Authorization

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina and a bond order and a resolution (the "Resolution") duly adopted by the City Council for the City on December 13, 2022.

Security

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

THE PLAN OF REFUNDING

The Bonds are being issued for the purpose of providing funds, together with other available funds of the City, to (a) refund all of the City's outstanding General Obligation Bond, Series 2020 (the "2020 Bond") and (b) pay the fees and expenses incurred in connection with the sale and issuance of the Bonds. The 2020 Bond, which is held by Bank of America, N.A., an affiliate of the Underwriter, will be redeemed on or about the date of issuance of the Bonds. The proceeds of the 2020 Bond were used to finance transportation and parks and recreation improvements.

CONTINUING DISCLOSURE

In accordance with the requirements of the Rule, the City has undertaken in the Resolution to provide to the Municipal Securities Rulemaking Board (the "MSRB"):

(1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2023, the audited financial statements of the City for the preceding Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the City for such Fiscal Year to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;

(2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2023, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the captions "THE CITY—Debt Information" and "--Tax Information" (excluding information on overlapping and underlying units) in Appendix A of this Official Statement;

(3) in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

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

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

(d) unscheduled draws on any credit enhancements reflecting financial difficulties;

(e) substitution of any credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

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

(h) call of any of the Bonds other than pursuant to a sinking fund redemption, if material, and tender offers;

(i) defeasance of any of the Bonds;

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

(k) rating changes;

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

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

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

(o) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and

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

(4) in a timely manner, notice of the failure by the City to provide the required annual financial information described in (1) and (2) above on or before the date specified.

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

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

The Resolution also provides that the City's undertaking pursuant to the Rule is intended to be for the benefit of the registered owners and the beneficial owners of the Bonds and is enforceable by any of the registered owners and the beneficial owners of the Bonds then outstanding, including an action for specific performance of the City's obligations described in this Section, but a failure to comply will not be an event of default and will not result in acceleration of the payment of the Bonds. An action must be instituted, had and maintained in the manner provided in the Resolution for the benefit of all of the registered owners and beneficial owners of the Bonds.

The City may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City; (2) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the registered owners of the Bonds or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the registered owners of a majority in principal amount of the Bonds then outstanding. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The City's Rule undertakings will terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the Bonds.

All documents provided to the MSRB as described above will be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The City may discharge its undertaking described above by providing such information in a manner subsequently authorized by the SEC in lieu of the manner described above.

The City filed information on January 31, 2019 regarding its compliance with the debt service coverage covenant for its Special Obligation Bonds, Series 2017 for the Fiscal Year ended June 30, 2018; however, for such Fiscal Year, the City did not file the required information on the underlying "Pledged Funds." The City has subsequently filed such information. Except to the extent described in the preceding sentences, the City has not failed to comply in any material respect with any previous continuing disclosure undertaking pursuant to Rule 15c2-12.

APPROVAL OF LEGAL PROCEEDINGS

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

RATINGS

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

TAX TREATMENT

General. On the date of issuance of the Bonds, Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina ("Bond Counsel"), will render an opinion that, under existing law (1) assuming compliance by the City with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax, and (2) interest on the Bonds is exempt from State of North Carolina income taxation. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

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

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

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

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

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

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

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

Original Issue Discount. As indicated on the inside cover page, the Bonds maturing on June 1, 2042 and 2043 (the "OID Bonds"), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of an OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal alternative minimum tax. However, it should be noted that the original issue discount that accrues to an owner of an OID Bond may result in other collateral federal income tax consequences for certain taxpayers in the year of accrual.

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

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

Original Issue Premium. As indicated on the inside cover page, the Bonds maturing on June 1, 2024 to 2041, inclusive (the "Premium Bonds"), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

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

RELATED PARTIES

Parker Poe Adams & Bernstein LLP serves as Bond Counsel for the City and, from time to time they and Womble Bond Dickinson (US) LLP, counsel to the Underwriter, have represented the Underwriter as counsel in other financing transactions. Neither the City nor the Underwriter have conditioned the future employment of any of these firms in connection with any proposed financing issues for the City or for the Underwriter on the successful issuance of the Bonds.

UNDERWRITING

BofA Securities, Inc., Charlotte, North Carolina (the "Underwriter"), has agreed under the terms of a Bond Purchase Agreement to purchase all of the Bonds, if any of the Bonds are to be purchased, at a purchase price equal to the par amount of the Bonds, plus a net original issue premium with respect to the Bonds of $2,881,496.40 and less an Underwriter's discount with respect to the Bonds of $122,599.21.

The Underwriter's obligation to purchase the Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

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

Bank of America, N.A., an affiliate of the Underwriter, is the holder of the 2020 Bond that will be redeemed with a portion of the proceeds of the Bonds.

FINANCIAL ADVISOR

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

MISCELLANEOUS

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

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

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the City Council for the City.

LOCAL GOVERNMENT COMMISSION
OF NORTH CAROLINA

By: /s/ Sharon G. Edmundson
Secretary of the Commission

CITY OF ASHEVILLE, NORTH CAROLINA

By: /s/ Debra Campbell
City Manager

APPENDIX A

INFORMATION CONCERNING THE
CITY OF ASHEVILLE, NORTH CAROLINA

THE CITY OF ASHEVILLE

General Description

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

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

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

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

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

Demographic Characteristics

The City is the principal city in the Asheville, NC Metropolitan Statistical Area (the "MSA"). The MSA, which encompasses the County, Madison, Haywood and Henderson Counties, experienced approximately 11% growth in population from 2010 to 2020. The United States Department of Commerce, Bureau of the Census, has recorded the population of the City to be as follows:

2000	2010	2020
68,889	83,393	93,413

The Office of State Budget and Management and the United States Department of Commerce, Bureau of the Census, as applicable, has estimated the population of the City to be as follows:

2017	2018	2019	2020	2021
91,929	92,000	92,452	93,413	93,350

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

Year	MSA	County[1]	State
2017	$41,779	$45,720	$44,591
2018	43,235	48,123	46,352
2019	48,247	51,095	48,741
2020	50,891	53,944	51,900
2021	54,827	57,895	56,173

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

City Economy, Industry Sectors and Employment

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

Total taxable sales and construction activity are key economic indicators for the City and the region. The County's taxable sales activity also directly impacts the City's General Fund budget through sales tax receipts. Total taxable sales in the County for the past five fiscal years and the four months ended October 31, 2022 are shown in the following table:

Fiscal Year Ended June 30,	Total Taxable Sales	Increase Over Prior Year
2018	$5,437,492,143	5.9%
2019	5,754,439,712	5.8
2020	5,490,195,247[1]	(4.6)
2021	6,160,933,639	12.2
2022	7,310,486,079	18.7
2023 (4 months)	2,637,559,108	--

[1] Sales declined in fiscal year 2020 due to the impacts of the COVID-19 pandemic.
[2] Total taxable sales for the County for the comparable four-month period ended October 31, 2021 were $2,412,466,021.
Source: North Carolina Department of Revenue, Sales and Use Tax Division (separate data for the City not available).

The following table summarizes the number and value of new construction building permits issued in the City for the five fiscal years ended June 30, 2022:

	Commercial		Residential		
Fiscal Year	Building Permits Issued	Building Permit Values	Building Permits Issued	Building Permit Values	Total Value
2018	187	$ 78,723,584	332	$68,224,776	$146,948,360
2019	298	186,234,431	341	70,562,867	256,797,298
2020	221	177,469,718	337	75,886,471	253,356,189
2021	149	55,988,355	392	95,307,139	151,295,494
2022	221	169,766,751	281	86,090,394	255,857,145

Source: City of Asheville Development Services Department.

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

Travel and Tourism. One of the largest sectors of the service industry in the City is the leisure and hospitality industry. Tourism is the third-largest employer in the area and a significant driver of the City's economy. Data from the N.C. Department of Commerce indicates that visitor spending in the County totaled $2.6 billion in 2021, which was the second highest spending level in the State. Over 18,000 jobs in the County were linked to travel according to the report from the Department of Commerce.

The City's opportunities for tourists are recognized in the tourism industry. *Frommer's* named the City among their list of the "15 Best Places to Go in 2015" and *Lonely Planet* described Asheville as "the undisputed 'capital' of the North Carolina mountains." Among the City's attractions are its significant arts community, outdoor activities, cuisine and microbreweries.

The Harrah's Cherokee Center Asheville (the "Center"), formerly the Asheville Civic Center, has been providing facilities for entertainment, convention, commercial, cultural and sports activities for the City and surrounding community since 1974. The Center includes a 7,200-seat arena, a banquet hall, a performing arts auditorium with a seating capacity of 2,431, and an exhibition hall. In 2018, events at the Center attracted over 250,000 people. The Southern Conference's men's and women's basketball tournament is a highlight event and has been held in the City since 2013. An economic impact study published in 2019 determined that the Center has an annual economic impact of over $42 million, is responsible for over 550 full-time equivalent jobs and generates over $6 million in federal, State and local taxes each year.

The 469-mile scenic Blue Ridge Parkway winds along the Blue Ridge Mountains, through the City and enters the Great Smoky Mountains National Park. Overlooks, hiking trails and the headquarters of the Southern Highland Craft Guild make scenic drives along the Blue Ridge Parkway popular for locals and tourists alike. Chimney Rock State Park, with hiking trails for all ages and a 404-foot waterfall, is located just 25 miles southeast of the City.

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

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

The Omni Grove Park Inn (the "Inn") is a resort in the City with 513 rooms, a 40,000 square-foot modern subterranean spa, an 18-hole Donald Ross-designed golf course, a 50,000 square-foot sports complex and 55,000 square feet of meeting space. The Inn opened in July 1913 and is listed on the National Register of Historic Places. The Inn is operated by Omni Hotels & Resorts and boasts an AAA four-diamond rating. The Inn is listed on *Fodor's* list of "Top 10 Luxury Spa Resorts" and *Travel + Leisure's* list of "Top Spa Resorts" in the world.

The City has experienced growth in its lodging options in recent years. Since 2016, 23 properties have been added to the City's hotel inventory, including 10 hotels located downtown. A model of the City's sustainable-growth goals was the construction of the Aloft Hotel downtown, which opened in 2012. The hotel features 115 loft-style rooms as part of a mixed-use development. The building is connected to a City-owned public parking garage, which is wrapped with workforce housing units. This model, providing workforce housing in the core business sector of the community, has been key to the City's plans for sustainable growth and development.

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

Health Services. Health Services is the largest industry in the Asheville MSA, accounting for approximately 20% of jobs. The City serves as the regional referral service for the western part of the State. Mission Health, an operating division of HCA Healthcare, is based in the City and is the sixth-largest health system in North Carolina. Mission Hospital is Mission Health's flagship hospital with a 795 bed capacity. The Asheville location also includes the Mission Children's Hospital, the sole children's hospital in the region. Mission Hospital is a significant employer in the region, employing approximately 12,000 people. In February 2019, Mission Health was sold to HCA Healthcare. Since Mission Health was a non-profit entity and HCA Healthcare is a for-profit company, proceeds of the sale went to a nonprofit foundation, the Dogwood Health Trust, with plans to distribute grants for healthcare.

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

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

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

In November 2022, Pratt and Whitney, a global aerospace manufacturing corporation, completed construction on a $650 million manufacturing facility in the County, with the expectation to create 800 new jobs with salaries averaging $68,000 per year. Pratt & Whitney is a Fortune-500 firm that builds aircraft engines for both commercial and military applications. At its Asheville site, Pratt & Whitney will manufacture turbine airfoils for the company's engines. This is the largest manufacturing facility to be established in Western North Carolina to date.

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

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

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

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

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

Employer	Industry	Employees
M H Hospital Manager LLC	Health Care & Social Assistance	1,000+
Buncombe County Board of Education	Educational Services	1,000+
Ingles Markets, Inc.	Retail Trade	1,000+
Veterans Administration VA	Health Care & Social Assistance	1,000+
Biltmore Workforce Management Inc.	Arts, Entertainment, & Recreation	1,000+
County of Buncombe	Public Administration	1,000+
City of Asheville	Public Administration	1,000+
Wal-Mart Associates Inc.	Retail Trade	1,000+
Eaton Corporation	Manufacturing	1,000+
Kendro Laboratory Products LP	Manufacturing	500-999
Mountain Area Health Education Center	Health Care & Social Assistance	500-999
A-B Tech	Education Services	500-999
Parallon Enterprises, LLC	Health Care & Social Assistance	500-999
UNC Asheville	Education Services	500-999
Mission Health Community Multispecialists	Health Care & Social Assistance	500-999
Asheville City Schools	Education Services	500-999
Teletech Services Corporation	Other Services	500-999
Lowes Home Centers Inc.	Retail Trade	500-999
Omni Hotel Management Group	Accommodation and Food Services	500-999
State of NC Dept of Health & Human Services	Public Administration	500-999
M B Haynes Corp.	Construction	500-999
Borgwarner Turbo Systems Inc.	Manufacturing	500-999
Kruse & Associates Inc.	Admin & Support & Waste Management	250-499
YMCA Of Western North Carolina	Other Services	250-499
Linamar North Carolina Inc.	Manufacturing	250-499

Source: North Carolina Department of Commerce (2021); latest data available.

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

	2017	2018	2019	2020	2021	2022
January	4.1%	3.4%	3.3%	3.1%	6.1%	3.1%
February	3.8	3.3	3.2	3.0	5.7	3.1
March	3.5	3.1	3.1	3.7	5.2	3.0
April	3.1	2.8	2.6	23.2	4.9	2.9
May	3.3	3.1	3.1	19.4	5.0	3.1
June	3.6	3.3	3.2	15.0	5.2	3.3
July	3.7	3.2	3.2	12.4	4.8	3.0
August	3.7	3.2	3.3	8.4	4.4	3.2
September	3.1	2.8	2.7	7.6	3.5	2.7
October	3.1	2.9	2.8	5.8	3.6	3.4
November	3.3	2.9	2.7	5.7	3.1	3.1
December	3.2	3.0	2.7	5.3	2.7	N/A

Government and Major Services

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

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

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

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

The following table shows the number of schools and the ADM for the last five school years for the Asheville City Schools:

School Year	Number of Schools	Elementary (K-5) ADM	Intermediate (6-8) ADM	Grades (9-12) ADM	Total ADM
2017-18	10	2,181	835	1,330	4,346
2018-19	10	2,085	889	1,307	4,281
2019-20	10	2,057	885	1,355	4,297
2020-21	10	1,827	894	1,400	4,121
2021-22	10	1,795	861	1,433	4,099

Note: ADM or Average Daily Membership (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computation is used as a basis for teacher allotments.

Source: North Carolina Department of Public Instruction website.

The following table shows the number of schools and the ADM for the last five school years for the Buncombe County Schools:

School Year	Number of Schools	Elementary (K-5) ADM	Intermediate (6-8) ADM	Grades (9-12) ADM	Total ADM
2017-18	46	10,862	5,342	7,551	23,755
2018-19	46	10,655	5,430	7,334	23,419
2019-20	44	9,642	6,777	6,996	23,415
2020-21	44	9,786	5,124	6,849	21,759
2021-22	44	9,857	4,951	6,975	21,783

Note: ADM or Average Daily Membership (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computation is used as a basis for teacher allotments.

Source: North Carolina Department of Public Instruction website.

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

UNC Asheville is ranked in several national publications for its educational quality and value. U.S. News & World Report ranks UNC Asheville eighth in the nation among public liberal arts colleges in its list of "2023 Best Colleges." The 2022 Fiske Guide to Colleges named UNC Asheville a "Best Buy"—one of only three North Carolina public universities which made this international list. In 2023, the Princeton Review ranked UNC Asheville sixth nationally on its "Green Matters: Everyone Cares about Conservation" list and fifteenth nationally on its "College City Get High Marks" list.

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

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

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

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

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

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

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

Asheville Regional Airport offers 60+ flights, with 22 non-stop destinations. The Airport is one of the fastest growing small hub airports in the country based on the number of enplaned passengers. The City is also served by the Norfolk Southern Railroad Corporation providing rail lines through Knoxville, Tennessee to the west and Greenville, South Carolina to the south. Passenger rail service is available in Greenville, South Carolina. Local facilities offer loading and unloading.

Public Enterprise Services. The City owns and operates water and stormwater systems. The City water system serves customers within the City, Buncombe County and Henderson County. Sanitary sewer service within the City is provided by the Metropolitan Sewerage District of Buncombe County. The water and stormwater systems are supported solely by user charges and fees.

Water System. The water system has approximately 63,000 active connections and serves in excess of 156,720 people or approximately 60% of the population of the County, inclusive of the City. The watershed, treatment plants, 1,703 miles of transmission and service lines, 41 pumping stations and storage tank system combine to make the system one of the largest in North Carolina.

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

The North Fork Treatment Plant was constructed in 1978 at the Burnett Reservoir. In 1993, the plant was upgraded and expanded from a treatment capacity of 22 MGD to 31 MGD. The maximum safe yield of the North Fork Reservoir is 24.5 MGD, one of the largest in North Carolina. "Maximum safe yield" generally means the quantity of water that can be provided continuously during the worst historic drought. The William DeBruhl Treatment Plant was constructed in 1986 at Bee Tree Lake with a treatment capacity of 5 MGD. The DeBruhl Treatment Plant was completely refurbished in 2008. The maximum safe yield of the reservoir is 3.3 MGD.

Recently, the City's Water Department completed a significant project involving the North Fork Dam (the "North Fork Project"). The North Fork Project included the addition of spillway capacity, structural upgrades to the conduit running through the main dam, and seismic upgrades for both the main dam and saddle dam. The City undertook the North Fork Project because the prior spillway was significantly undersized against storm levels.

Additional water supply outside of the City's watershed is available from an intake on the Mills River south of the City in Henderson County. The Mills River Treatment Plant was constructed in 1999 at the confluence of the Mills River and French Broad River and has a treatment capacity of 7.5 MGD. The Mills River Treatment Plant is built to allow for modular expansion up to a future capacity of 20-30 MGD on the current site of 327 acres. The maximum safe yield of the Mills River source is limited by treatment capacity and is currently 7.5 MGD.

After treatment, water is stored in 35 reservoirs or tanks throughout the distribution system. These storage tanks range in capacity from ten thousand to five million gallons of water and with the addition of three clearwells, the total storage capacity is 26.3 million gallons. The combined safe yield of all three water sources is 35.3 MGD. The total treatment capacity of the plants is 43.5 MGD. Current average consumption is approximately 20.30 MGD (less than one-half treatment capacity) with 26.4 MGD as the highest single day of finished production. The total finished water flow in the fiscal year ended June 30, 2022 was 8.135 billion gallons for all plants.

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

Wastewater System. Wastewater treatment is provided by the Metropolitan Sewerage District of Buncombe County. The Metropolitan Sewerage District (the "Sewerage District") is a public body organized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, being Article 5, Chapter 162A of the General Statutes of North Carolina, as amended. The Sewerage District was created and established in 1962 by the North Carolina State Stream Sanitation Committee for the purpose of constructing and operating facilities for the treatment and disposal of sewage and industrial wastewater generated within the political subdivisions comprising the Sewerage District. In 1964, the City, pursuant to the creation of the Sewerage District entered into an agreement with that agency for the treatment and disposal of sewage. On July 2, 1990, the City and all of the other public entities in the County conveyed their collector sewer systems to the Sewerage District. Pursuant to the terms of transfer, the Sewerage District assumed the responsibility of maintaining, rehabilitating and reconstructing, where necessary, all of the collector sewer systems in the County that were previously owned and maintained by the City and other public entities.

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

Other Major Services

Fire. There are 12 fire stations located throughout the City, with total department staffing of 292 approved positions. The stations are strategically located so that all areas of the City are within an approximately five-minute driving time of the nearest fire station. The City has also signed mutual-aid agreements with fire departments in the County to provide help when it is needed.

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

Police. The City's Police Department is made up of 238 sworn and 31 non-sworn positions. The department also utilizes a volunteer Chaplaincy Corp. The department also collaborates with federal agencies and other local law enforcement agencies to staff various task force teams. The Police Department is a nationally accredited police department through the Commission on Accreditation for Law Enforcement Agencies.

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

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

Debt Information

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, as of June 30, 2022, the City has the statutory capacity to incur additional net general obligation debt in the amount of approximately $1,422,642,000.

General Obligation Debt of the City:

	Principal Outstanding as of			
General Obligation Bonds	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
General Government Bonds	$ 170,000	$ 70,000	--	
General Obligation Refunding Bond	--	20,825,000	$19,785,000	$18,740,000
2018 Note (as defined below)	12,305,384[1]	--		
2020 Bond (as defined below)	--	5,065,971[2]	8,580,347[2]	14,934,912[2]
Total Debt Outstanding	$12,475,384	$25,960,971	$28,365,347	$33,674,912

[1] Consists of amounts drawn at such date on the City's General Obligation Bond Anticipation Note, Series 2018 (the "2018 Note") that was refinanced in whole with proceeds of the City's $12,625,000 General Obligation Refunding Bonds, Series 2020A and $8,200,000 General Obligation Refunding Bonds, Series 2020B (the "2020 Bonds") on March 25, 2020. The 2018 Note is no longer outstanding.

[2] Consists of amounts drawn at such date on the City's General Obligation Bond, Series 2020 (the "2020 Bond"). The 2020 Bond is a draw-down obligation issued with a not-to-exceed principal amount of $25,000,000. The 2020 Bond will be redeemed in whole with the proceeds of the Bonds on the date of issuance of the Bonds.

General Obligation Bonds Authorized and Unissued:

Purpose	Date Approved	Balance Authorized and Unissued[1]
Transportation	November 8, 2016	$7,063,287
Parks and Recreation	November 8, 2016	2,861,818
Housing	November 8, 2016	16,899,345

[1] Reflects the full draw-down of the 2020 Bond prior to the issuance of the Bonds and the redemption of the 2020 Bond.

General Obligation Debt Ratios:

At July 1	Total GO Debt	Assessed Valuation (in 000s)	Total GO Debt to Assessed Valuation	Population[1]	Total GO Debt Per Capita	Assessed Valuation Per Capita
2018	$7,175,384[2]	$14,654,367	$0.049	92,000	$ 78	159,287
2019	12,475,384[2]	15,156,336	0.082	92,245	135	164,305
2020	25,960,971[3]	16,123,956	0.162	93,413	281	172,609
2021	28,365,347[3]	17,092,859	0.166	93,350	304	183,105
2022	33,674,912[3]	19,857,066	0.170	96,829	348	205,073
After Bonds now offered are issued and 2020 Bond is redeemed	$41,145,000	$19,857,066	$0.207	96,829	$425	$205,073

[1] Estimates of North Carolina Office of State Budget and Management or the U.S. Census Bureau, as applicable.

[2] Includes the outstanding principal amount of the 2018 Note at such time. The 2018 Note was refinanced on March 25, 2020 with the proceeds of the 2020 Bonds and is no longer outstanding.

[3] Includes the outstanding principal amount of the 2020 Bond drawn at such time ($8,580,347 for 2021 and $14,934,912 for 2022). The City anticipates drawing down the full amount of the 2020 Bond prior to the issuance of the Bonds and the redemption of the 2020 Bond.

General Obligation Debt Service Requirements as of June 30, 2022:

Fiscal Year	Existing Debt[1] Principal	Interest	Total	Bonds Now Offered (Principal Only)
2023	$1,045,000	457,193	1,502,192	
2024	1,040,000	443,224	1,483,224	$1,125,000
2025	1,040,000	428,612	1,468,612	1,120,000
2026	1,040,000	413,012	1,453,012	1,120,000
2027	1,040,000	396,164	1,436,164	1,120,000
2028	1,040,000	376,040	1,416,040	1,120,000
2029	1,045,000	338,475	1,383,475	1,120,000
2030	1,045,000	286,225	1,331,225	1,120,000
2031	1,045,000	234,100	1,274,100	1,120,000
2032	1,040,000	187,300	1,227,300	1,120,000
2033	1,040,000	156,050	1,201,050	1,120,000
2034	1,045,000	135,200	1,175,200	1,120,000
2035	1,040,000	114,400	1,154,400	1,120,000
2036	1,040,000	93,600	1,133,600	1,120,000
2037	1,040,000	72,800	1,112,800	1,120,000
2038	1,040,000	52,000	1,092,000	1,120,000
2039	1,040,000	31,200	1,071,200	1,120,000
2040	1,040,000	10,400	1,050,400	1,120,000
2041				1,120,000
2042				1,120,000
2043				1,120,000
Total	$18,740,000	$4,225,995	$22,965,995	$22,405,000

[1] Excludes debt service related to the 2020 Bond.

Note: Totals may not foot due to rounding.

General Obligation Debt Information for Overlapping Unit as of June 30, 2022.

Unit	2021 Population	Assessed Valuation	Tax Rate Per $100	Debt Authorized and Unissued: Utility	Debt Authorized and Unissued: Other	Total GO Debt: Utility	Total GO Debt: Other	Total GO Debt Per Capita
Buncombe County	271,454	$47,445,289,903	0.488	-	-	$10,004,000		$37

On November 8, 2022, Buncombe County voters approved $30,000,000 Open Space General Obligation Bonds and $40,000,000 Housing General Obligation Bonds.

Revenue Debt of the City. As of June 30, 2022, the City had $70,625,000 of its Water System revenue bonds outstanding. These bonds are special obligations of the City and are secured by and payable solely from the revenues received from operation of the water system. The City anticipates issuing revenue bonds or notes in the approximate amount of $30,000,000 in calendar year 2023 for improvements to the water system.

Other Long-Term Commitments. As of June 30, 2022, the City has outstanding installment financing contracts, special obligation bonds and other obligations with a total principal amount of $83,651,304. The debt service on these obligations, which excludes debt service on revenue bonds and general obligation bonds, is listed in the table below. Totals may not foot due to rounding.

Fiscal Year	Principal	Interest	Total
2023	$ 7,422,690	2,774,075	10,196,765
2024	7,052,758	2,525,210	9,577,968
2025	15,918,189[1]	2,270,607	18,188,796
2026	4,251,666	1,860,497	6,112,163
2027	4,210,000	1,649,038	5,859,038
2028	4,220,000	1,438,288	5,658,288
2029	4,215,000	1,239,250	5,454,250
2030	4,210,000	1,060,275	5,270,275
2031	4,190,000	892,413	5,082,413
2032	4,180,000	731,988	4,911,988
2033	3,065,000	623,313	3,688,313
2034	3,065,000	531,363	3,596,363
2035	3,065,000	439,413	3,504,413
2036	3,065,000	347,463	3,412,463
2037	3,065,000	254,978	3,319,978
2038	3,065,000	176,834	3,241,834
2039	1,530,000	106950	1,636,950
2040	1,530,000	76,350	1,606,350
2041	1,525,000	45,750	1,570,750
Total	$82,845,303	$19,044,055	$101,889,358

[1] In 2022, the City provided for the delivery of a short-term, draw-down limited obligation bond with Wells Fargo Bank, N.A. (the "Draw-Down LOB") in an aggregate principal amount not to exceed $42,000,000. As of June 30, 2022, the City had $9,970,132 outstanding under the Draw-Down LOB, and such outstanding amount is included in the table for the fiscal year ending June 30, 2025. The City will continue to draw down on the Draw-Down LOB, and such outstanding amount will increase. The Draw-Down LOB is stated to mature during the fiscal year ending June 30, 2025. Prior to that maturity date, the City anticipates refunding the Draw-Down LOB with the proceeds of long-term fixed rate obligations.

Debt Outlook. The City regularly examines the condition of its general infrastructure and equipment and considers on an ongoing basis other public service needs. To the extent necessary, the City will seek debt authorization in keeping with these objectives.

The City's Five-Year Capital Improvement Program includes projects planned between 2022 and 2026. Projects will be funded primarily through limited obligation bonds and installment financing contracts, and general obligation bonds supplemented with grants and pay-as-you-go funding. The City's debt model uses interim credit facilities such as the 2020 Bond and the Draw-Down LOB to cover costs of construction, which is then refinanced with permanent long-term debt every two to three years. This draw-down model allows the City to leverage available funds most effectively.

At present, the City anticipates issuing the remaining authorization from the 2016 bond referendum as fixed rate bonds and entering into an approximately $5,000,000 equipment installment financing in calendar year 2023.

The City owns and operates a stadium which it leases to a minor league baseball team, the Asheville Tourists. The stadium is in need of approximately $37,500,000 in renovations and upgrades in order to meet current Major League Baseball standards. The City is considering a financing to address these needs in partnership with Buncombe County, the Asheville Tourists, and the local Tourism Development Authority. The City anticipates making a decision on the timing, structure and plan of finance for this project in the first half of calendar year 2023.

Tax Information

General Information.

	Fiscal Year Ended or Ending June 30				
	2019	2020	2021	2022	2023[3]
	(Amounts in thousands)				
Assessed Valuation:					
Assessment Ratio[1]	100%	100%	100%	100%	100%
Real Property	$13,252,640	$14,131,542	$14,506,336	$17,391,578	$17,455,675
Personal Property	941,466	1,068,919	1,549,337	1,374,922	1,325,213
Vehicles	743,651	723,905	836,588	865,863	826,945
Public Service Companies[2]	218,580	199,590	200,598	224,703	224,253
Total Assessed Valuation	$15,156,336	$16,123,956	$17,092,859	$19,857,066	$19,879,349
Population	92,245	93,413	93,350	96,829	96,829
Per Capita Assessed Value	164,305	172,609	183,105	205,074	205,304
Rate per $100	0.4289	0.4289	0.4289	0.4030	0.4030
Levy (excluding penalties)	$65,011	$69,164	$73,315	$79,627	$80,114

[1] Percentage of appraised value has been established by statute.
[2] Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.
[3] Estimated.

Note: The levy of property taxes each year is based on the assessed value of taxable property as of January 1, preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at time of revaluation. Revaluation of real property is required by statute at least once every eight years, but is done every four years in Buncombe County. The last revaluation was conducted in 2021 and effective for fiscal year 2022 with the next revaluation to be come effective with fiscal year 2026.

Tax Collections.

Year Ended June 30	Amount Collected in Current Year (in 000s)	Amount Collected in Subsequent Years	Total Amount of Levy Collected (in 000s)	Percentage of Current Year's Levy Collected
2019	$64,980	-	$64,980	99.95%
2020	68,934	-	68,934	99.67
2021	73,047	-	73,047	99.63
2022	79,518	-	79,518	99.86

Note: Amounts in thousands.

Ten Largest Taxpayers for Fiscal Year Ended June 30, 2022:

Taxpayer	Type of Business	Assessed Valuation[1]	Percentage of Assessed Value
MH Mission Hospital LLC	Health Care	$ 943,094	4.90%
GPI Resort Holdings Inc.	Hospitality	146,281	0.76
Ingles Markets, Inc.	Grocery	130,113	0.68
New Belgium Brewing Company Inc.	Brewery	109,817	0.57
Linamar, North Carolina Inc.	Manufacturing	106,293	0.55
Duke Energy Progress Inc.	Energy	99,752	0.52
Town Square West LLC	Multi-Family Property	93,414	0.48
MHG Asheville	Real Estate Development	80,183	0.42
Unison Engine Components	Manufacturing	69,646	0.36
Asheville Retail Associates LLC	Retail	55,112	0.29
Total		$1,833,705	9.53%

[1] Amounts in thousands.

2022-2023 Budget Outlook

The City's adopted General Fund budget for fiscal year ending June 30, 2023 totals $159,102,944, which represents a 9.5% increase compared to the fiscal year 2022 original budget. The City's adopted ad valorem tax rate for fiscal year 2023 is 40.30 cents per $100 of assessed valuation which is the same as the prior fiscal year. Revenue from other (sales) taxes is budgeted to increase by 19% compared to the fiscal 2022 original budget based on the strong retail sales performance in fiscal year 2022 and continued strength in the local economy. The adopted fiscal year 2023 General Fund budget includes a $400,000 fund balance appropriation.

The General Fund budget for personnel costs (salaries & wages and benefits) includes $4.9 million to increase staff pay to:

- Ensure all full-time employees earn at least $35,360 annually in July 2022, increasing to $36,816 in January 2023;
- Provide all other staff who do not receive an adjustment as a part of the first bullet a 5.0% increase if hired on or before December 31, 2021 or a 2.5% increase if hired after that date;
- Make additional salary adjustments to mitigate compression; and

- Continue to review options for recruitment and retention incentives.

Based on claims trends, the City was able to keep both employer and employee contributions to the health insurance program flat for the fifth consecutive fiscal year. The citywide benefits budget does include $1.0 million to fund a required increase of 1% for law enforcement personnel and 0.75% for other employees in the employer contribution to the Local Government Employee Retirement System (LGERS).

In the General Fund, operating costs are up approximately $3.9 million. This increase is driven partially by a new contract with the County to provide 911 dispatch services at a total cost of $2.0 million. Other significant new operating costs include a $500,000 General Fund contribution to reparations; $200,000 for new leased space to house parks maintenance operations; and $375,000 in one-time costs for a new disparity study which will allow the City to maintain its race and gender conscious procurement policy. Funding for the General Fund multi-year capital model is increased by 2.0% to $16.7 million in fiscal year 2023.

Recent Developments Related to COVID-19 Pandemic

General. The City continues to monitor the financial and operational impact of COVID-19, a respiratory disease caused by a new strain of coronavirus that emerged in March 2020. Throughout the pandemic, the City has implemented various measures to address the economic outcomes of COVID-19 including restricting certain expenditures and taking a conservative approach to budgeting. While the economic effects of the COVID-19 pandemic have thus far not proven as severe as initially forecasted, there is ongoing uncertainty around future actions governmental authorities or other institutions may take to contain or mitigate the impact of the virus.

Federal Funding. On March 27, 2020, upon congressional approval, President Trump signed into law the $2 trillion stimulus package known as the Coronavirus Aid, Relief and Economic Security ("CARES") Act. This federal aid package included funding to local governments for response efforts. The City received pass through funds from the County of $1.9 million in federal funding. The funding was used for a variety of purposes including a one-time pay supplement for front-line City workers; cleaning supplies, PPE and other materials; small business assistance; and homelessness services. Certain other CARES Act funding was received directly by the City from various federal agencies for housing and transit-related purposes, among others.

On March 11, 2021, upon congressional approval, President Biden signed into law the $1.9 trillion recovery package known as the American Rescue Plan Act ("ARPA"). The federal recovery package included direct assistance to local governments in funding response efforts towards the public health emergency or its negative economic impacts, premium pay for frontline workers, replacement of revenue loss from government services, and necessary infrastructure improvements. The City received direct funding of $26.2 million from the U.S. Treasury in two tranches of $13.1 million. The first tranche was received in May 2021, and the second tranche was received in June 2022.

The City has allocated $11.7 million in ARPA funding to community projects through a competitive process with most of that funding going to non-profits. This funding went to projects in the following Council-approved categories: Affordable Housing, Caring for Aging Residents, Homelessness Services, Small Business Recovery, Food Systems, City Infrastructure, Domestic Violence Prevention and Assistance, Community Communication, Climate Change, and Workforce Development.

To date, the City has also allocated $6.4 million under the revenue replacement category for several budgetary items including: $1.6 million for revenue loss in the City's Parking Services Fund, $2.5 million for capital improvements at the City's baseball stadium, and $2.3 million to fund expenses in the budget for the fiscal year ending June 30, 2023. The next largest amount of $5.2 million has gone toward addressing homelessness issues through non-congregate sheltering for the unhoused and a partnership with a local non-profit to build long-term supportive housing. Approximately $1.7 million remains unallocated at this time.

Pension Plans and Other Post-Employment Benefits

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

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

LGERS provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their annual covered salary. Each employer makes a normal contribution plus, where applicable, a contribution toward any unfunded liability. The City has no unfunded liability. The fiscal year ended June 30, 2022 normal contribution rate, uniform for all employers was 11.35% of eligible payroll for general employees and 12.04% of eligible payroll for law enforcement officers. The fiscal year ending June 30, 2023 normal contribution rate, uniform for all employers is 12.10% of eligible payroll for general employees and 13.04% of eligible payroll for law enforcement officers. Contributions to the system are determined on an actuarial basis. The City has made all required contributions. At December 2021, LGERS actuarial value of assets was $32.65 billion, the actuarial accrued liability was $34.18 billion with an unfunded liability of $1.53 billion, reflecting a funded ratio of 96%.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of creditable service or at age 60 after at least five years of creditable service. Unreduced benefits are available as follows: at age 65, with at least five years of service, at age 60, with at least 25 years of creditable service, or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

The City administers a single-employer defined benefit pension plan ("Separation Allowance") that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly.

Employee members do not make contributions to the Separation Allowance plan. The City has elected to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's actuarial Pension Expense as of the measurement date of June 30, 2022 was $927,867; the City paid $633,683 in separation allowance benefits during that period. At June 30, 2022, the unfunded pension obligation was $8,311,457.

The City contributes to the Supplemental Retirement Income Plan (the "Plan"), a Section 401(k) defined contribution retirement savings plan administered by the Department of State Treasurer and a board of trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. City Council has agreed to extend this benefit to all regular full-time and regular part-time non-law enforcement employees. The employer's contribution rate to the Plan is five percent of eligible payroll. Employee members make voluntary contributions to the Plan.

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

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

The City funds its Other Post-Employment Benefits ("OPEB") benefits on an actuarial basis and is accounting and reporting its related expenses and liabilities in accordance with requirements of Governmental Accounting Standards Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans." As of June 30, 2022, OPEB actuarial value of assets was $17,331,010, the actuarial accrued liability was $37,555,236 with an unfunded liability of $20,224,226 million, reflecting a funded ratio of 46.15%. The City has established an irrevocable trust for managing its OPEB assets consistent with investment authority provided by legislation enacted by the North Carolina General Assembly. Such authority allows the City to invest its OPEB funds in securities that mirror the State of North Carolina's eligible investments used for statewide pension funds. For additional information see the Notes to the City's audited financial statements in Appendix B hereto.

Sustainability and Climate Action

The City has demonstrated a long-standing commitment to sustainability and climate action. The City has taken action through City Council resolutions and investments in new technologies and programs to encourage sustainability and combat climate change. The City Council has set specific goals in a variety of climate-related areas including achieving LEED certification for new City buildings, reducing carbon emissions by 80%, reducing municipal waste by 50% and transitioning municipal operations to renewable energy sources. The City's Office of Sustainability was created in 2008 to integrate sustainable design, technology, and practice into municipal operations, infrastructure and services. The Office of Sustainability is responsible for incorporating City Council's goals pertaining to sustainability within the City government. The City adopted a Sustainability Management Plan (the "SMP) in 2009 and conducted a Climate Resiliency Assessment in 2019. The City is currently in the process of developing a Municipal Climate Action Plan as an update to the 2009 SMP. This Plan is intended to serve as the City's roadmap for making further sustainability and climate action progress.

Cybersecurity

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

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

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

APPENDIX B

FINANCIAL INFORMATION CONCERNING THE CITY OF ASHEVILLE, NORTH CAROLINA

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APPENDIX B

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

The following is Management's Discussion and Analysis of the financial activities of the City, lifted from the Comprehensive Annual Financial Report for the City for the fiscal year ended June 30, 2022. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the City's financial activities based on currently known facts, decisions or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the City have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

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CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2022

As management of the City of Asheville (the "City"), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's Notes to the Financial Statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by more than $555 million (net position). Of this amount, $157 million (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

- The City's total net position of $555 million represents an increase of $44.8 million over fiscal year 2020's net position of approximately $510 million.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of over $126 million, an increase of $18 million in comparison with the prior year's amount of $108 million. The unassigned portion of the General Fund balance is approximately $34.6 million; this amount is available to spend at the City's discretion.

- At the end of the current fiscal year, the non-spendable, restricted, committed and assigned portions of fund balance for all governmental funds was $94 million.

- The City's total long-term liabilities decreased by $14.5 million during the current fiscal year. This decrease is primarily attributable to a $6.2 million decrease in the net pension liability for LGERS. In FY2022, the city also paid off the Limited Obligation Bond 2012, in the amount of $1.5 million. In FY2019, the city issued interim construction debt for the North Fork Dam project, Water Revenue Bonds, Series 2018, in the amount of $40 million, this short-term debt was refunded in FY2022 with Water Revenue Bonds, Series 2021 in the amount of $38.1 million. In FY2022, the city issued direct placement limited obligation bonds, in an amount not to exceed $24 million, of which an additional $9.5 million was drawn down in FY2022. The decrease in long-term liabilities was partially offset by the payment of principal on the City's existing debt in conformance with the applicable maturity schedules.

  The City's current general obligation bond ratings as noted below.
  Moody's Aaa
  Standard & Poor's AAA

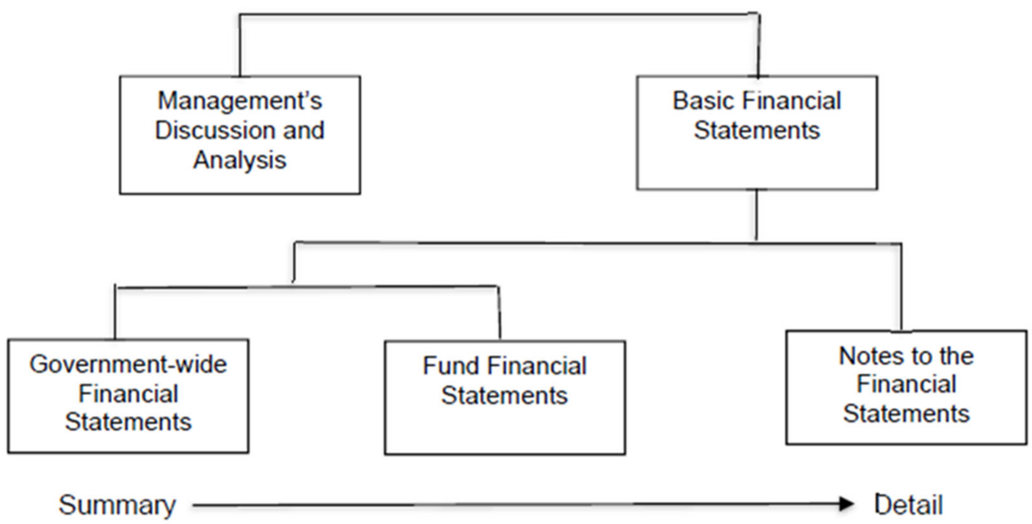
The GO Bond Anticipation Note, and the Limited Obligation interim debt are part of the City's long-term debt model, which is designed to minimize debt service during capital construction. These debt issuances are short-term, interim debt facilities which will be paid off in full with the issuance of permanent long-term (20 year) debt as projects are completed. The City's financial model allows the City to most effectively leverage taxpayer funds and tie debt maturity more accurately to the life of the underlying assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, the **required supplementary information** section contains funding information about the City's pension plans and post-employment healthcare and dental benefits plans. Next, **supplementary information** is provided to show details about the City's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

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

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

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

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements
The **fund financial statements** (Exhibits C through L) provide a more detailed look at the City's most significant activities. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting ensures and reflects compliance, or non-compliance, with related legal requirements, such as General Statutes, grantor provisions, or the City's budget ordinance. The funds of the City are divided into three categories: 1) the governmental fund statements, 2) the proprietary fund statements, and 3) the fiduciary fund statements.

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

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

The City adopts an annual budget for its General Fund, as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from Asheville citizens, city management, and decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The General Fund budgetary comparison statement uses the budgetary basis of accounting – modified accrual – and is presented with modifications to the format, language, and classifications from the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council, 2) the final budget as amended by the City Council, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements are Exhibits C through G of this report.

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains three fiduciary funds: one pension trust fund and two agency funds. The basic fiduciary fund financial statements can be found on Exhibits K and L of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 43-92 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 93-98 of this report. The combining statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. The other supplementary information shows details about the City's individual funds, including budgetary information required by the North Carolina General Statutes as well as other data the City considers helpful to the reader.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the City, assets and deferred outflows exceed liabilities and deferred inflows by $555 million as of June 30, 2022 (Figure 2).

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

- The decrease in both governmental and business-type non-current liabilities (approximately $14.5 million), is related to the LGERS Liability, Water Revenues Bonds and Limited Obligation Bonds issued in 2022, noted above.

Government-Wide Financial Analysis
City of Asheville Net Position
(amounts expressed in thousands)
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 176,876	$ 149,706	$ 100,630	$ 96,735	$ 277,506	$ 246,441
Capital assets	269,292	253,190	317,506	310,867	586,798	564,057
Total Asssets	446,168	402,896	418,136	407,602	864,304	810,498
Deferred outflows of resources	23,144	19,330	6,468	5,503	29,612	24,833
Total assets and deferred outflows of resources	469,312	422,226	424,604	413,105	893,916	835,331
Non-current liabilities	163,837	169,296	95,525	104,418	259,362	273,714
Other liabilities	39,834	29,491	10,659	16,389	50,493	45,880
Total Liabilities	203,671	198,787	106,184	120,807	309,855	319,594
Deferred inflows of resources	23,634	4,387	5,412	1,167	29,046	5,554
Total liabilities and deferred inflows of resources	227,305	203,174	111,596	121,974	338,901	325,148
Net position:						
Net investment in capital assets	145,863	143,206	231,326	219,589	377,189	362,795
Restricted	39,482	31,363	-	-	39,482	31,363
Unrestricted	56,661	44,483	81,681	71,541	138,342	116,024
Total net position	$ 242,006	$ 219,052	$ 313,007	$ 291,130	$ 555,013	$ 510,182

By far the largest portion of the City's net position ($377.2 million or 68 percent) reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt that is still outstanding that was issued to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities. An additional portion of the City of Asheville's net position, $39.4 million, represents resources that are subject to external restrictions such as state statute requirements, community development activities, and cemetery maintenance. The remaining balance of $138.3 million is unrestricted.

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

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

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

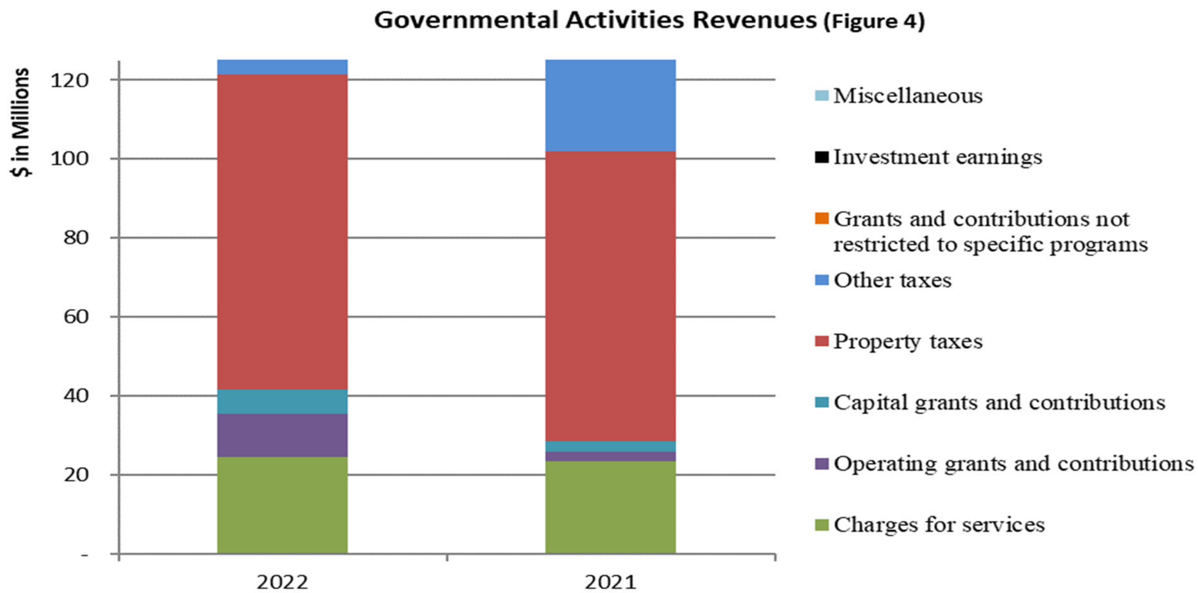
- Ongoing careful management of resources. The City of Asheville's management is committed to deliberate and considered use of taxpayer funds. Actual budget performance in expenditures consistently comes in under the adopted budget. Continued better than budget performance demonstrates the success of management initiatives to maximize the impact of budgeted funds.
- Long-range planning. City management is committed to developing plans that ensure the financial sustainability of the City in the long term. Resource management and human capital management decisions are made collaboratively and with consideration for both short and long-term impacts on service delivery, succession planning and financial sustainability.
- Local economy. External factors, including local economic growth, help to increase revenues. Diversification of revenues can be challenging given the City's limited ability to develop new revenue streams without specific State Legislative approval. On a positive note, sales tax revenue has increased significantly over the last two fiscal years; up 16% in fiscal year 2021 and up another 17% in fiscal year 2022.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2022

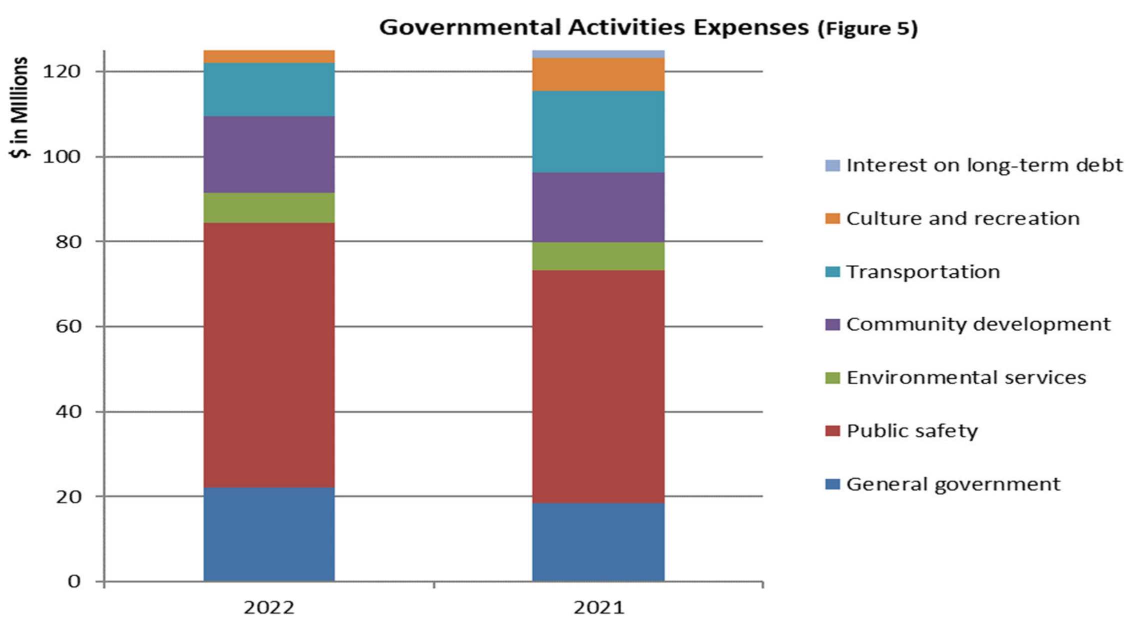
City of Asheville Changes in Net Position
(amounts expressed in thousands)
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2021	2020
Revenues:						
Program revenues:						
Charges for services	$24,599	$23,556	$57,175	$46,422	$81,774	$69,978
Operating grants and contributions	10,967	2,309	9,068	8,867	20,035	11,176
Capital grants and contributions	5,984	2,574	7,692	7,962	13,676	10,536
General revenues:						
Property taxes	79,760	73,567	-	-	79,760	73,567
Other taxes	37,947	32,299	-	-	37,947	32,299
Grants and contributions not restricted to specific programs	14,933	18,207	-	-	14,933	18,207
Investment earnings	(404)	42	(189)	76	(593)	118
Miscellaneous	342	3,894	502	393	844	4,287
Total revenues	174,128	156,448	74,248	63,720	248,376	220,168
Expenses:						
General government	22,251	18,418	-	-	22,251	18,418
Public safety	62,155	54,829	-	-	62,155	54,829
Environmental services	7,189	6,660	-	-	7,189	6,660
Community development	17,988	16,404	-	-	17,988	16,404
Transportation	12,551	19,262	-	-	12,551	19,262
Culture and recreation	15,543	7,714	-	-	15,543	7,714
Interest on long-term debt	3,229	2,912	-	-	3,229	2,912
Water resources	-	-	32,042	31,325	32,042	31,325
Parking services	-	-	3,697	4,118	3,697	4,118
Street Cut Utility	-	-	1,591	1,503	1,591	1,503
Stormwater	-	-	5,349	6,947	5,349	6,947
U.S. Cellular Center	-	-	5,514	3,655	5,514	3,655
Mass transit	-	-	14,447	16,035	14,447	16,035
Total expenses	140,906	126,199	62,640	63,583	203,546	189,782
Increase in net position before transfers	33,222	30,249	11,608	137	44,830	30,386
Transfers	(10,268)	(8,545)	10,269	8,545	1.00	-
Increase in net position	22,954	21,704	21,877	8,682	44,831	30,386
Net position, beginning of year	219,052	197,348	291,130	282,448	510,182	479,796
Net position, end of year	$242,006	$219,052	$313,007	$291,130	$555,013	$510,182

Government-wide Analysis



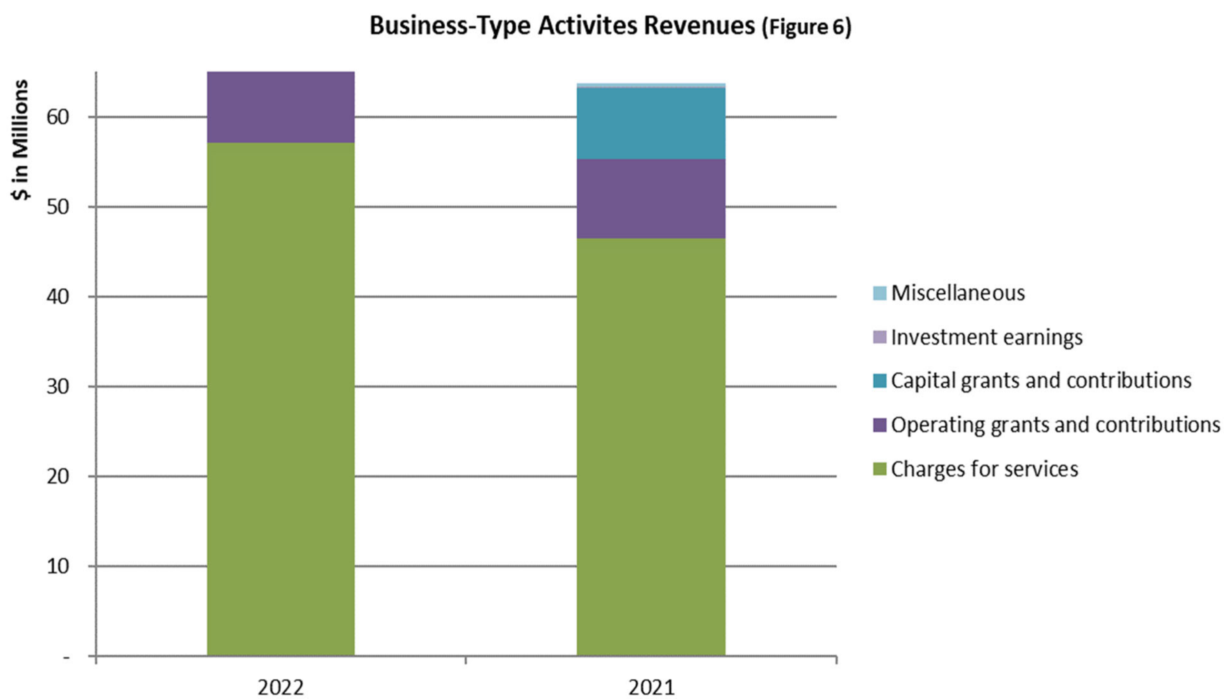
Total expenses reported (Figure 5) in the governmental activities for fiscal year 2022 were $140.9 million as compared to fiscal year 2021's $126.2 million – a year-over-year increase of $14.7 million. Much of this increase in spending in governmental activities is due to the full implementation of the Archer Compensation Study recommendations for employees on the public safety pay plans, and increases in compensation for all other employees to either the greater of the new Archer-recommended minimum pays or a 2.5% pay increase.

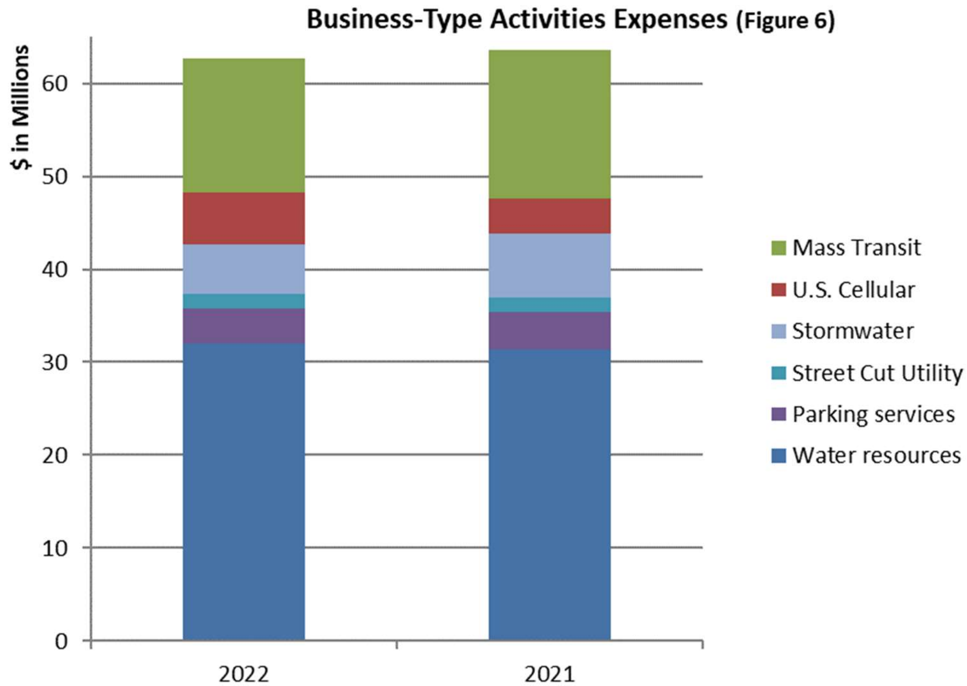


Business-type activities – The City's Net Position for business-type activities increased approximately $21.9 million. This increase was related to post-pandemic rebounds for the Parking Services Fund and Harrah's Cherokee Center Asheville as well as an increase in fees for the Water Resource Fund.

Revenues for all business-type activities, year-over-year, increased by $10.5 million (Figure 6). Expenses decreased by $1 million (Figure 7). Key elements of these changes are as follows:

- Charges for services increased by $5 million primarily due to the increase in fees for the Water Resources Fund
- Revenues for the Harrah's Cherokee Center Asheville increased by $6 million due to the venue getting back to their pre-pandemic show schedule and a pandemic related grant.
- The decrease in expenses is primary due to the completion of the North Fork Dam project in the Water Capital Project Fund.





Governmental Funds – The general fund is the chief operating fund of the City. At the end of the current fiscal year, the City's fund balance available in the General Fund was $34.6 million, while total fund balance reached $121.7 million. The City Council has determined that the City should maintain a minimum available fund balance of 15 percent of General Fund expenditures to meet the cash flow needs of the City in case of unforeseen needs. At June 30, 2022, the unassigned fund balance of $34.6 million is approximately 23.9 percent of fiscal year 2022 General Fund expenditures and transfers out. Below is a discussion of the change in fund balance of major governmental funds.

Changes in fund balance in the general fund are attributable to the following:

- Revenues related to Ad Valorem Taxes and Other Taxes (including sales tax) saw increases of $6.3 million or 8.6%, and $5.6 million or 17.5%, respectively.
- Departmental expenditures were under budget due to a variety of factors including, conservative budgeting on the part of management and staff, a higher than normal level of vacancy saving, and ongoing efforts to identify and implement operational efficiencies wherever possible.

The General Capital Projects Fund includes all non-enterprise capital spending. The City funds capital projects through a debt model that includes the use of treasurer's cash (pooled cash) to cover expenses, reimbursement of treasurer's cash from a short-term installment debt facility during construction, and the payoff of the interim facility with long-term debt tied to the asset life of the completed project/asset (up to 20 years). The fund balance as of June 30, 2021 was ($3.8) million. As of June 30, 2022 the fund balance was ($2.9) million. This change is due to the timing of cash draw down from our short-term installment debt facility.

Capital Asset and Debt Administration

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

The City's capital assets (Figure 8) for the governmental and business-type activities as of June 30, 2022, totals $581.8 million (net of accumulated depreciation). This is an increase of $17.8 million, driven primarily by construction in progress.

City of Asheville Capital Assets
(amount expressed in thousands)
Figure 8

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 56,332	$ 54,816	$ 16,047	$ 16,046	$ 72,379	$ 70,862
Buildings and Improvements	29,735	29,594	51,028	53,032	80,763	82,626
Improvements Other than Buildings	16,131	14,476	3,463	3,680	19,594	18,156
Machinery and Equipment	24,604	27,814	11,829	13,406	36,433	41,220
Infrastructure	53,957	44,690	165,944	169,931	219,901	214,621
Construction in Progress	78,529	76,649	37,694	29,401	116,223	106,050
Intangibles	5,169	5,127	31,341	25,356	36,510	30,483
Other Capital Assets	15	24	17	15	32	39
Net Capital Assets	$ 264,472	$ 253,190	$ 317,363	$ 310,867	$ 581,835	$ 564,057

Major capital expenditures in fiscal year 2022 included:

- Initial construction expenses for Fire Station 13 at the Broadway Public Safety Station,
- Improvements to the City's streets, sidewalks, greenways and parks,
- Replacement and maintenance of water lines and maintenance at water treatment plants,
- Replacement and maintenance of stormwater infrastructure, and
- Purchase of land for affordable housing projects and parks.

Additional information regarding the City's capital assets is found in Note 5 on pages 57-60 of this report.

Long-term Debt – As of June 30, 2022, the City had total debt outstanding of $188.1 million (Figure 9). Of this total indebtedness, $33.7 million is backed by the full faith and credit of the City. The remainder of the City's bonded debt, totaling $154.4 million, represents bonds secured solely by specified revenue sources (revenue bonds or special obligation bonds), bonds secured by the City's master indenture as collateral (limited obligation bonds), or contracts collateralized by the financed project – often real or personal property (installment financing contracts).

In September 2021, the City paid off the 2018 Water Revenue Bonds through the issuance of the Water System Revenue Refunding Bonds, Series 2021 in the amount of 38,125,000. The 2021 Water Revenue Refunding Bonds were underwritten by BoA Securities. The bonds have a coupon rate of 1.625% to 5.00% and extend out to 2051.

In June 2022, the City entered into a fifth amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued direct placement limited obligation bonds ("2022 LOBs") in an amount not to exceed $42,000,000. The Funds will be used to pay costs of (1) Various projects in the City for affordable housing, public safety, transposition, economic development, parks and recreation and repair and renovations to City facilities and (2) issuance of the direct placement 2022 LOBs.

The City's total net debt at June 30, 2022 increased by approximately $2.7 million when compared to 2021 fiscal year end. This is the result of annual payments made in accordance with regularly scheduled maturity dates on the existing debt and the effect of the current year's additional debt discussed above. The City has $74 million in General Obligation Bonds approved by the voters on November 8, 2016, $28 million of which are considered authorized and unissued as of June 30, 2022.

State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately $1.4 billion, which is significantly higher than the City's outstanding general obligation debt. Additional information regarding the City's long-term debt can be found in Note 8 on page 63 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2021	2021	2022	2021
General obligation bonds	$ 33,675	$ 28,365	$ -	$ -	$ 33,675	$ 28,365
Installment financing contracts	75,041	71,271	8,611	9,309	83,652	80,580
Revenue bonds	-	-	70,625	76,300	70,625	76,300
Other long-term indebtedness	34	61	89	99	123	160
Total bonds	$ 108,750	$ 99,697	$ 79,325	$ 85,708	$ 188,075	$ 185,405

General Fund Budgetary Highlights

During fiscal year 2022, there was a $10.4 million net increase in appropriations between the original and final amended General Fund budgets. The largest component of this budget increase was the $5.9 million increase in appropriations for prior year's encumbrances and carry-over assignments that rolled over from fiscal year 2021. The next largest component was the $4.4 million appropriation for commitments in the General Fund for affordable housing loans.

Actual General Fund revenues came in above final budget estimates by approximately $9.3 million or 6.4% primarily due to the fact that ad valorem, other taxes, licenses and permits, and miscellaneous revenues came in higher than budget estimates. Ad valorem tax revenues, the City's largest General Fund revenue source, finished the year at 101.8% of budget. Fiscal year 2022 revenue from ad valorem taxes was up 8.6% compared to fiscal year 2021 partly due to the fact that City Council approved a tax rate as part of the fiscal year 2022 budget process that was 2-cents above the revenue neutral rate. Other taxes, which includes sales taxes and is the second largest General Fund revenue, finished the year at 116.3% of budget, and was up 17.5% compared to fiscal year 2021. Miscellaneous revenue came in over budget by approximately $1.4 million primarily due to a 28% increase in the revenue that the City receives from the local Alcoholic Beverage Control (ABC) board. Licenses and permits revenue came in at 122.8% of budget due to growth in development revenue. Revenue from investment earnings came in under budget as a result of the year-end mark-to-market adjustment caused by rising interest rates. Overall, General Fund revenues for fiscal year 2022 totaled $153.6 million compared to fiscal year 2021 revenues of $138.7 million, an increase of $14.9 million or 10.8%.

General Fund expenditures (excluding transfers to other funds, which are included in the budget as expenditures) came in under budget by $11.7 million. The biggest determinants of the under budget performance in expenditures were: 1) $5.2 million in Community Development budget that was unspent but is committed to future housing trust fund activities; and 2) approximately $6.6 million in unspent budget that is restricted and assigned for unexpended fiscal year 2022 contracts, purchase orders, and various projects. Overall, expenditures and transfers to other funds finished the year at 91% of budget, with total expenditures and transfers up 14.5% year-over-year.

As of June 30, 2022, a total of $41.5 million was assigned in fund balance for future capital and debt service expenses as part of the multi-year capital improvement financial model. In addition, the City also assigned $1.8 million in expenditure budget savings for future expenses, including: 1) $469,000 for the Strategic Partnership Funding (SPF) Program, 2) $210,000 for parks maintenance, 3) $165,000 for land use incentive grants (LUIG), and 3) $167,000 for the Neighborhood Matching Grant Program. The City also assigned $400,000 in fund balance that was appropriated for the fiscal year 2023 budget.

The other financing uses category includes transfers to other funds totaling $13.4 million for fiscal year 2022. This total includes transfers to the Mass Transit and the HCCA enterprise funds as well as to the General Capital Projects Fund and the Special Revenue Fund. The other financing sources and uses category also includes appropriated fund balance, with a final amended budget of $11.0 million. The original fiscal year 2022 budget adopted by City Council included a $650,000 appropriation from fund balance. The increase in fund balance appropriation between original and final budget relates to prior year encumbrances and carry forward appropriations, which were either previously budgeted, or already assigned in fiscal year 2021 fund balance. No additional General Fund fund balance appropriations were submitted to or approved by Council during fiscal year 2022. Actual revenues and other financing sources exceeded expenditures and other financing uses by $12.3 million in fiscal year 2022. The comparable figure in fiscal year 2021 was $15.4 million.

Economic Factors

Prior to the onset of the COVID-19 pandemic, the local labor market was in a very strong position. Buncombe County's unemployment rate of 2.9% was the lowest amongst North Carolina's 100 counties. By June of 2020, however, the Buncombe County rate had risen to 9.8% and was the fifth highest amongst the State's counties. The local labor market has demonstrated steady improvement since that time, and as of August 2022, Buncombe County's unemployment rate was down to 3.1%, which was one of the lowest county unemployment rates in North Carolina, and below the statewide rate.

The 2020 Census population totaled 94,589, which represents a 13% increase over the 2010 Census. Asheville's 2020 Census population made it the eleventh largest city in North Carolina.

Between fiscal years 2015 and 2019, retail sales in Buncombe County grew at an average rate of 7.5%. Due to the economic impacts of COVID-19, retail sales declined by 4.6% in fiscal year 2020. However, retail sales recovered quickly in fiscal year 2021, growing by 12.2%, and then grew another 18.7% in fiscal year 2022. For fiscal year 2021 retail sales totaled $7.3 billion.

Overall economic conditions, population growth, and retail sales trends were all factors considered in preparing the City's budget for the 2023 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2023

The City's adopted General Fund budget for fiscal year 2023 totals $159,102,944, which represents a 9.5% increase compared to the fiscal year 2022 original budget. The City's adopted ad valorem tax rate for fiscal year 2023 is 40.30 cents per $100 of assessed valuation which is the same as the prior fiscal year. Revenue from other (sales) taxes is budgeted to increase by 19% compared to the fiscal 2022 original budget based on the strong retail sales performance in fiscal year 2022 and continued strength in the local economy. The adopted fiscal year 2023 General Fund budget includes a $400,000 fund balance appropriation.

The General Fund budget for personnel costs (salaries & wages and benefits) includes $4.9 million to increase staff pay to:

- Ensure all full-time employees earn at least $35,360 annually in July 2022, increasing to $36,816 in January 2023;

- Provide all other staff who do not receive an adjustment as a part of the first bullet a 5.0% increase if hired on or before December 31, 2021 or a 2.5% increase if hired after that date;

- Make additional salary adjustments to mitigate compression; and

- Continue to review options for recruitment and retention incentives.

Based on claims trends, the City was able to keep both employer and employee contributions to
the health insurance program flat for the fifth consecutive fiscal year. The citywide benefits budget does include $1.0 million to fund a required increase of 1% for law enforcement personnel and 0.75% for other employees in the employer contribution to the Local Government Employee Retirement System (LGERS).

In the General Fund, operating costs are up approximately $3.9 million. This increase is driven partially by a new contract with Buncombe County to provide 911 dispatch services at a total cost of $2.0 million. Other significant new operating costs include a $500,000 General Fund contribution to reparations; $200,000 for new leased space to house parks maintenance operations; and $375,000 in one-time costs for a new disparity study which will allow the City to maintain its race and gender conscious procurement policy. Funding for the General Fund multi-year capital model is increased by 2.0% to $16.7 million in fiscal year 2023.

Business-type Activities – Budgets increased in four of the City's six Enterprise Funds in fiscal year 2023. The exceptions were the Parking Services Fund where the budget was reduced to reflect recent trends in parking garage revenues, which have yet to return to pre-pandemic levels; and the Transit Services Fund where budgets were reduced as a result of a planned service expansion being delayed due to staffing shortages. Similar to the General Fund, most of the increases in the other Enterprise Funds were the result of compensation increases and overall inflation.

In the Water Resources Fund, City Council approved an increase to the water usage fee resulting in a $3.5 million revenue increase. This additional revenue will offset the costs of rising material and contract prices and allow the fund to continue replacing funding for the water capital program that was lost when the Water CIP fee was discontinued during fiscal year 2021.

City Council also approved a fee increase in the Stormwater Fund. The additional $846,000 in revenue from the fee increase will fund a Stormwater Billing Specialist who will provide improved customer service for billing, recovery of outstanding collections, and updated inventory of accounts and assets, additional funding for increased costs in materials and supplies, and enhanced funding to support stormwater capital projects.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, City of Asheville, P.O. Box 7148, Asheville NC 28802

Financial Statements of the City

The financial statements of the City have been audited by certified public accountants for the fiscal year ended June 30, 2022. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available in the office of the Chief Financial Officer of the City, Tony McDowell, 70 Court Plaza, Asheville, North Carolina 28801, or Post Office Box 7148, Asheville, North Carolina 28802, telephone (828) 259-5598.

The following financial statements are the basic financial statements of the City, the notes thereto and the management's discussion and analysis, lifted from the audited Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2022.

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City of Asheville — Exhibit A

Statement of Net Position
June 30, 2022

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: City of Asheville ABC Board
Assets				
Current assets:				
Cash and investments	$ 135,419,549	$ 82,066,403	$ 217,485,952	$ 3,780,462
Cash and investments – restricted	1,336,809	9,044,203	10,381,012	-
Receivables (net of allowance for uncollectibles):				
Property taxes	742,551	-	742,551	-
Due from other governments	19,439,618	675,217	20,114,835	-
Accounts receivable	5,216,079	6,638,320	11,854,399	4,325
Other receivables	177,205	-	177,205	-
Inventories and prepaids	2,637,908	2,156,232	4,794,140	6,931,706
Lease receivable	258,668	478,167	736,835	-
Notes receivable (net of allowance for uncollectibles)	11,647,159	-	11,647,159	-
Total current assets	176,875,546	101,058,542	277,934,088	10,716,493
Non-current assets:				
Lease receivable, non-current	2,798,567	3,155,069	5,953,636	-
Right to use leased assets, net of amortization	2,021,279	1,021,737	3,043,016	-
Capital assets, net:				
Assets not being depreciated	140,030,022	85,081,965	225,111,987	3,708,543
Assets being depreciated, net	124,442,223	232,281,093	356,723,316	6,081,158
Total noncurrent assets	269,292,091	321,539,864	590,831,955	9,789,701
Total assets	446,167,637	422,598,406	868,766,043	20,506,194
Deferred Outflows of Resources				
Pension and OPEB related deferrals	22,042,323	5,585,596	27,627,919	1,017,466
Charge on refunding	1,101,501	882,159	1,983,660	-
Total deferred outflows of resources	23,143,824	6,467,755	29,611,579	1,017,466
Liabilities				
Accounts payable	8,276,977	6,615,296	14,892,273	398,160
Due to other governments	2,550	19,526	22,076	2,425,860
Other accrued liabilities	5,892,735	1,186,634	7,079,369	448,875
Customer deposits	581,567	706,755	1,288,322	-
Accrued interest payable	674,120	1,144,168	1,818,288	-
Unearned revenue	19,402,748	987,254	20,390,002	-
Estimated claims payable:				
Due within one year	1,522,552	-	1,522,552	-
Due in more than one year	3,481,177	-	3,481,177	-
Non-current liabilities:				
Due within one year	12,099,507	6,803,545	18,903,052	329,240
Due in more than one year	151,737,451	89,604,540	241,341,991	3,197,596
Total liabilities	203,671,384	107,067,718	310,739,102	6,799,731
Deferred Inflows of Resources				
Prepaid taxes	53,551	-	53,551	-
Pension and OPEB related deferrals	20,584,061	5,363,157	25,947,218	827,309
Leases	2,996,266	3,627,802	6,624,068	-
Total deferred inflows of resources	23,633,878	8,990,959	32,624,837	827,309
Net Position				
Net investment in capital assets	145,862,512	231,325,892	377,188,404	6,746,259
Restricted for:				
Nonspendable:				
Inventories and prepaids	2,637,908	2,156,232	4,794,140	-
Leases	60,969	-	60,969	-
Perpetual maintenance	339,054	-		-
Notes receivable	8,700,262	-	8,700,262	-
Restricted:				
Stabilization by State Statute	27,744,280	-	27,744,280	-
Unrestricted	56,661,214	79,525,360	136,525,628	7,150,361
Total net position	**$ 242,006,199**	**$ 313,007,484**	**$ 555,013,683**	**$ 13,896,620**

See notes to financial statements

City of Asheville **Exhibit B**

Statement of Activities

Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
			Operating	Capital				
		Charges for	Grants and	Grants and	Governmental	Business-Type		City of Asheville
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	ABC Board
Primary government:								
Governmental activities:								
General government	$ 22,250,692	$ 8,521,193	$ -	$ -	$ (13,729,499)	$ -	$ (13,729,499)	$ -
Public safety	62,154,663	1,547,053	1,034,843	56,826	(59,515,941)	-	(59,515,941)	-
Environmental services	7,189,229	5,791,029	-	-	(1,398,200)	-	(1,398,200)	-
Community development	17,987,751	5,198,235	7,201,306	-	(5,588,210)	-	(5,588,210)	-
Transportation	12,550,890	1,691,783	2,731,174	5,927,524	(2,200,409)	-	(2,200,409)	-
Culture and recreation	15,543,479	1,849,244	-	-	(13,694,235)	-	(13,694,235)	-
Interest on long-term debt	3,228,837	-	-	-	(3,228,837)	-	(3,228,837)	-
Total governmental activities	140,905,541	24,598,537	10,967,323	5,984,350	(99,355,331)	-	(99,355,331)	-
Business-type activities:								
Water Resources	32,041,815	38,430,977	-	6,164,100	-	12,553,262	12,553,262	-
Parking Services	3,697,197	4,936,896	-	-	-	1,239,699	1,239,699	-
Street Cut Utility	1,591,466	1,737,202	-	-	-	145,736	145,736	-
Stormwater	5,348,737	6,587,557	-	1,027,508	-	2,266,328	2,266,328	-
Harrah's Cherokee Center	5,514,041	4,554,825	2,441,050	500,000	-	1,981,834	1,981,834	-
Mass Transit	14,445,632	927,219	6,626,686	-	-	(6,891,727)	(6,891,727)	-
Total business-type activities	62,638,888	57,174,676	9,067,736	7,691,608	-	11,295,132	11,295,132	-
Total primary government	$ 203,544,429	$ 81,773,213	$ 20,035,059	$ 13,675,958	(99,355,331)	11,295,132	(88,060,199)	-
Component unit:								
ABC Board	$ 37,035,577	$ 38,234,002	$ -	$ -	-	-	-	1,198,425
General revenues:								
Property taxes					79,760,008	-	79,760,008	-
Sales taxes					36,628,909	-	36,628,909	-
Other taxes					1,318,267	-	1,318,267	-
Grants and contributions not restricted to specific programs					14,933,156	-	14,933,156	-
Investment earnings (losses)					(403,666)	(188,580)	(592,246)	869
Miscellaneous					-	333,187	333,187	1,235
Gain (loss) on sale of assets					341,885	168,809	510,694	(1,221)
Transfers					(10,268,682)	10,268,682	-	-
Total general revenues and transfers					122,309,877	10,582,098	132,891,975	883
Changes in net position					22,954,546	21,877,230	44,831,776	1,199,308
Net position – beginning					219,051,653	291,130,254	510,181,907	12,697,312
Net position – ending					$ 242,006,199	$ 313,007,484	$ 555,013,683	$ 13,896,620

See notes to financial statements.

City of Asheville | Exhibit C

Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds				
	General Fund	General Capital Projects Fund	Grant Programs Fund	Non-major Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 98,668,108	$ 24,999	$ 21,794,259	$ 1,164,407	$ 121,651,773
Cash and investments – restricted	578,301	-	-	758,508	1,336,809
Receivables (net of allowance for uncollectibles):					
Property taxes	742,551	-	-	-	742,551
Due from other governments	15,152,626	2,319,173	387,439	1,580,380	19,439,618
Accounts receivable	2,635,510	61,902	-	-	2,697,412
Other receivables	108,544	-	27,132	41,529	177,205
Inventories and prepaids	494,378	2,143,530	-	-	2,637,908
Due from other funds	4,314,952	-	-	-	4,314,952
Lease receivable	3,057,235	-	-	-	3,057,235
Notes receivable (net of allowance for uncollectibles)	8,700,262	-	-	2,946,897	11,647,159
Total assets	$ 134,452,467	$ 4,549,604	$ 22,208,830	$ 6,491,721	$ 167,702,622
Liabilities					
Accounts payable	$ 3,094,585	$ 4,141,262	$ 160,837	$ 365,484	$ 7,762,168
Other accrued liabilities	5,801,850	-	5,169	13,302	5,820,321
Due to other governments	2,550	-	-	-	2,550
Due to other funds	-	2,979,318	-	1,335,634	4,314,952
Deposits	581,567	-	-	-	581,567
Unearned revenue	3,713	10,000	19,337,947	51,088	19,402,748
Total liabilities	9,484,265	7,130,580	19,503,953	1,765,508	37,884,306
Deferred Inflows of Resources					
Taxes	177,752	-	-	-	177,752
Leases	2,996,266	-	-	-	2,996,266
Unavailable resources	53,551	332,784	308,414	124,601	819,350
Total deferred inflows of resources	3,227,569	332,784	308,414	124,601	3,993,368
Fund Balances					
Non-spendable:					
Inventories and prepaids	494,378	2,143,530	-	-	2,637,908
Leases	60,969	-	-	-	60,969
Perpetual maintenance	-	-	-	339,054	339,054
Notes receivable	8,700,262	-	-	2,946,897	11,647,159
Restricted:					
Stabilization by State Statute	27,744,280	-	-	-	27,744,280
Grant programs	-	-	-	464,784	464,784
Committed:					
Community and economic development	6,426,648	-	-	-	6,426,648
Sustainability	-	-	-	1,058,463	1,058,463
Assigned:					
Appropriated for subsequent year's budget	400,000	-	-	-	400,000
Capital improvements	41,553,684	-	-	-	41,553,684
Various projects	1,773,216	-	-	-	1,773,216
Unassigned	34,587,196	(5,057,290)	2,396,463	(207,586)	31,718,783
Total fund balances (deficit)	121,740,633	(2,913,760)	2,396,463	4,601,612	125,824,948
Total liabilities, deferred inflows of resources and fund balances	$ 134,452,467	$ 4,549,604	$ 22,208,830	$ 6,491,721	$ 167,702,622

See notes to financial statements.

City of Asheville **Exhibit D**

Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance – governmental funds	$ 125,824,948
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	264,472,245
Right to use leased assets used in govenmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical cost	1,940,173
Accumulated amortization	(204,485)
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable resources	943,551
Bond refunding charges	1,101,501
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements:	
General obligation bonds	(33,674,912)
Installment financing contracts and premiums	(75,040,816)
Lease liabilities	(1,764,317)
Other long-term indebtedness	(34,440)
Bond premiums	(8,788,522)
Compensated absences	(7,575,534)
Total pension liability - LEOSSA	(8,311,457)
Net OPEB Liability	(16,001,407)
Net pension liability - LGERS	(12,287,261)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	7,033,507
Pension and OPEB related deferrals	(5,576,542)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:	
Interest payable	(674,120)
The internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	10,624,087
Net position of governmental activities (Exhibit A)	$ 242,006,199

See notes to financial statements.

City of Asheville **Exhibit E**

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022

	Major Funds				
	General Fund	General Capital Projects Fund	Grant Programs Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Ad valorem taxes	$ 79,908,772	$ -	$ -	$ -	$ 79,908,772
Other taxes	37,947,176	-	-	-	37,947,176
Intergovernmental	13,476,104	5,786,390	10,249,177	1,913,558	31,425,229
Licenses and permits	6,139,728	(222)	-	-	6,139,506
Charges for services	12,353,697	655,667	631,684	58,051	13,699,099
Investment earnings (losses)	(372,058)	-	-	(13,340)	(385,398)
Miscellaneous	4,223,906	227,202	94,474	214,350	4,759,932
Total revenues	153,677,325	6,669,037	10,975,335	2,172,619	173,494,316
Expenditures:					
Current:					
General government	21,683,895	3,892,094	117,254	643,118	26,336,361
Public safety	60,920,156	4,849,290	851,480	-	66,620,926
Environmental services	7,420,541	159,006	1,497	-	7,581,044
Community development	9,471,089	1,622,512	5,133,456	2,040,476	18,267,533
Transportation	6,367,530	7,914,906	206,150	-	14,488,586
Culture and recreation	12,690,656	5,735,638	199,262	826	18,626,382
Debt service:					
Principal	8,561,753	-	-	106,272	8,668,025
Interest and other charges	3,331,673	-	-	-	3,331,673
Leases:					
Principal	121,458	-	-	-	121,458
Interest and other charges	28,318	-	-	-	28,318
Total expenditures	130,597,069	24,173,446	6,509,099	2,790,692	164,070,306
Revenues over (under) expenditures	23,080,256	(17,504,409)	4,466,236	(618,073)	9,424,010
Other financing sources (uses):					
Transfers from other funds	713,649	3,766,437	1,509,125	878,539	6,867,750
Transfers to other funds	(13,670,662)	(1,339,387)	(2,054,262)	(72,121)	(17,136,432)
Proceeds from sale of capital assets	393,549	-	-	-	393,549
Proceeds from long term debt issued	-	6,354,565	-	-	6,354,565
Lease liabilities issued	1,885,774	-	-	-	1,885,774
Installment purchase obligations issued	-	9,614,067	-	-	9,614,067
Total other financing sources (uses), net	(10,677,690)	18,395,682	(545,137)	806,418	7,979,273
Net change in fund balances	12,402,566	891,273	3,921,099	188,345	17,403,283
Fund balances (deficit) - beginning	109,338,067	(3,805,033)	(1,524,636)	4,413,267	108,421,665
Fund balances (deficit) - ending	$ 121,740,633	$ (2,913,760)	$ 2,396,463	$ 4,601,612	$ 125,824,948

See notes to financial statements.

City of Asheville

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2022

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances--total governmental funds (Exhibit E)	$	17,403,283
Depreciation and ammortization expense is not a use of current financial resources and, therefore, is not reported in the governmental fund statements.		(11,328,561)
Capital asset additions are a use of current financial resources and, therefore, are not reported as expenditures in the Statement of Activities.		22,662,705
Cumulative effect of disposal of fixed assets		(51,664)
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.		(134,446)
Property tax revenue and other revenues recorded in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenues in the fund statements:		
Change in unavailable revenues for property taxes		(148,764)
Change in unavailable revenues for grants		459,600
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of those differences in the treatment of long-term debt and related items.		
Repayment of long-term debt		6,915,687
Long-term debt issued		(15,968,632)
Bond refunding charge		430,970
Amortization of premium		540,069
Pension expense reported in the Statement of Activities does not require the use of current financial resources and, therefore is not reported as an expenditure in the governmental funds.		(12,878,495)
Adjustments to other long-term obligations that do not require current financial resources and therefore, are not reported as expenditures in the governmental fund statements:		
Compensated absences		(1,183,911)
Net Pension liability, Net OPEB liability, & Total Pension liabilty		17,118,040
The Internal Service Funds are used by management to charge the costs of risk management to the individual funds. The net expenses of certain activities of the Internal Service Funds are reported with governmental activities.		(881,336)
Change in net position of governmental activities (Exhibit B)	$	22,954,546

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund (Non-GAAP)
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget-Positive (Negative)
Revenues:				
Taxes:				
Ad valorem taxes	$78,512,370	$78,512,370	$ 79,908,772	$ 1,396,402
Other taxes	32,619,124	32,619,124	37,947,176	5,328,052
Intergovernmental	13,067,972	13,067,972	13,476,104	408,132
Licenses and permits	4,999,498	4,999,498	6,139,728	1,140,230
Charges for services	11,987,532	11,692,857	12,353,697	660,840
Investment earnings (loss)	623,000	623,000	(372,058)	(995,058)
Miscellaneous	2,795,931	2,825,931	4,223,906	1,397,975
Total revenues	144,605,427	144,340,752	153,677,325	9,336,573
Expenditures:				
Current:				
General government	23,222,393	23,053,084	21,683,895	1,369,189
Public safety	60,484,803	60,344,969	60,920,156	(575,187)
Environmental services	7,277,788	7,474,343	7,420,541	53,802
Community development	11,656,469	17,864,976	9,471,089	8,393,887
Transportation	7,226,823	7,271,106	6,367,530	903,576
Culture and recreation	13,366,265	14,266,457	12,690,656	1,575,801
Debt service:				
Principal	8,561,504	8,578,729	8,561,753	16,976
Interest and other charges	3,206,683	3,410,877	3,331,673	79,204
Leases:				
Principal	-	-	121,458	(121,458)
Interest and other charges	-	-	28,318	(28,318)
Total expenditures	135,002,728	142,264,541	130,597,069	11,667,472
Revenues over expenditures	9,602,699	2,076,211	23,080,256	21,004,045
Other financing sources (uses):				
Appropriated fund balance	650,000	11,013,242	-	(11,013,242)
Transfers from other funds	23,457	318,132	713,649	395,517
Transfers to other funds	(10,383,225)	(13,514,654)	(13,670,662)	(156,008)
Lease liabilities issued	-	-	1,885,774	1,885,774
Proceeds from sale of capital assets	107,069	107,069	393,549	286,480
Total other financing uses, net	(9,602,699)	(2,076,211)	(10,677,690)	(8,601,479)
Net change in fund balance	$ -	$ -	$ 12,402,566	$ 12,402,566

See notes to financial statements.

City of Asheville **Exhibit H**

Statement of Net Position
Proprietary Funds
June 30, 2022

	Major Funds			Totals	
	Water Resources	Mass Transit	Non-major Enterprise Funds	Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments	$ 64,432,026	$ 2,174,016	$ 15,460,361	$ 82,066,403	$ 13,767,776
Cash and investments - restricted	6,613,955	-	2,430,248	9,044,203	-
Accounts receivable (net of allowance for uncollectibles)	5,249,303	6,768	1,382,249	6,638,320	2,518,667
Lease receivables	-	-	478,167	478,167	-
Due from other governments	-	675,217	-	675,217	-
Inventories and prepaids	2,052,003	8,710	95,519	2,156,232	-
Total current assets	78,347,287	2,864,711	19,846,544	101,058,542	16,286,443
Non-current assets:					
Lease receivable, non-current	-	-	3,155,069	3,155,069	-
Right to use leased assets, net of amortization	6,020	832,196	183,521	1,021,737	285,591
Capital assets:					
Assets not being depreciated	67,761,198	165,512	17,155,255	85,081,965	-
Assets being depreciated, net	192,253,192	7,194,117	32,833,784	232,281,093	-
Total noncurrent assets	260,020,410	8,191,825	53,327,629	321,539,864	285,591
Total assets	338,367,697	11,056,536	73,174,173	422,598,406	16,572,034
Deferred outflows of resources					
Employer contributions subsequent to the measurement date	1,077,628	29,816	671,281	1,778,725	101,472
Differences between expected and actual experience	1,916,024	22,134	391,450	2,329,608	-
Change in assumptions and other inputs	163,109	7,286	17,423	187,818	-
Net difference between projected and actual earnings on pension plan investments	213,734	38,876	1,036,835	1,289,445	-
Deferred charge on refunding	865,413	-	16,746	882,159	-
Total deferred outflows of resources	4,235,908	98,112	2,133,735	6,467,755	101,472
Liabilities					
Current liabilities:					
Accounts payable	2,238,570	1,151,751	3,224,975	6,615,296	514,809
Claims payable	-	-	-	-	1,522,552
Customer deposits	706,255	-	500	706,755	-
Interest payable	1,058,594	-	85,574	1,144,168	-
Other accrued liabilities	652,949	8,113	525,572	1,186,634	72,414
Due to other governments	-	9,560	9,966	19,526	-
Unearned revenue	500,272	289,769	197,213	987,254	-
Current portion of long-term debt	5,472,534	93,269	1,237,742	6,803,545	50,644
Total current liabilities	10,629,174	1,552,462	5,281,542	17,463,178	2,160,419
Non-current liabilities:					
Estimated claims payable	-	-	-	-	3,481,177
Long-term liabilities, less current portion	76,738,450	1,328,435	11,537,655	89,604,540	307,648
Total liabilities	87,367,624	2,880,897	16,819,197	107,067,718	5,949,244
Deferred inflows of resources					
Leases	-	-	3,627,802	3,627,802	-
Differences between expected and actual experience	18,080	500	11,262	29,842	100,175
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,208,158	95,620	2,029,537	5,333,315	-
Total deferred inflows of resources	3,226,238	96,120	5,668,601	8,990,959	100,175
Net position					
Net investment in capital assets	183,661,603	6,913,533	40,750,756	231,325,892	-
Unrestricted	68,348,140	1,264,098	12,069,354	81,681,592	10,624,087
Total net position	$ 252,009,743	$ 8,177,631	$ 52,820,110	$ 313,007,484	$ 10,624,087

See notes to financial statements.

City of Asheville **Exhibit I**

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2022

	Major Funds			Totals	
	Water Resources	Mass Transit	Non-major Enterprise Funds	Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for services	$ 37,856,635	$ 552,493	$ 13,556,988	$ 51,966,116	$ 19,087,381
Rents	-	-	921,078	921,078	-
Concessions	-	-	2,254,648	2,254,648	-
Other operating revenue	574,342	374,726	1,083,766	2,032,834	1,441,090
Total operating revenues	38,430,977	927,219	17,816,480	57,174,676	20,528,471
Operating expenses:					
Administration	1,608,733	632,496	4,650,346	6,891,575	1,456,515
Operations	21,215,565	10,892,564	8,764,455	40,872,584	19,926,174
Other operating expenses	-	1,520,471	258,631	1,779,102	-
Depreciation	6,459,911	1,381,254	2,138,811	9,979,976	-
Amortization - leases	-	5,175	327	5,502	5,558
Total operating expenses	29,284,209	14,431,960	15,812,570	59,528,739	21,388,247
Operating income (loss)	9,146,768	(13,504,741)	2,003,910	(2,354,063)	(859,776)
Non-operating revenues (expenses)					
Intergovernmental	-	6,626,686	2,441,050	9,067,736	-
Investment earnings (losses)	(148,298)	(25,452)	(47,777)	(221,527)	(18,268)
Interest earned - leases	-	-	32,947	32,947	-
Interest and other charges	(2,757,606)	(221)	(338,871)	(3,096,698)	-
Interest and other charges - leases	-	(12,315)	(1,136)	(13,451)	(3,292)
Amortization of bond issuance costs	282,034	-	51,153	333,187	-
Total non-operating revenues (expenses), net	(2,623,870)	6,588,698	2,137,366	6,102,194	(21,560)
Income (loss) before transfers, proceeds from sale of capital assets and capital grants and contributions	6,522,898	(6,916,043)	4,141,276	3,748,131	(881,336)
Transfers:					
Transfers from other funds	-	7,334,562	2,934,120	10,268,682	-
Proceeds from sale of capital assets	146,692	6,557	15,560	168,809	-
Capital grants and contributions	6,164,100	-	1,527,508	7,691,608	-
Changes in net position	12,833,690	425,076	8,618,464	21,877,230	(881,336)
Total net position – beginning	239,176,053	7,752,555	44,201,646	291,130,254	11,505,423
Total net position – ending	$ 252,009,743	$ 8,177,631	$ 52,820,110	$ 313,007,484	$ 10,624,087

See notes to financial statements.

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Major Funds			Totals	
	Water Resources	Mass Transit	Non-major Enterprise Funds	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers, users and others	$ 38,071,663	$ 1,221,075	$ 18,064,493	$ 57,357,231	$ 19,485,429
Cash paid for goods and services	(16,618,521)	(15,252,978)	(9,699,108)	(41,570,607)	(21,214,607)
Cash paid to employees	(10,099,121)	(233,714)	(6,373,759)	(16,706,594)	(344,217)
Net cash provided by (used in) operating activities	11,354,021	(14,265,617)	1,991,626	(919,970)	(2,073,395)
Cash flows from non-capital financing activities:					
Receipts from operating grants	-	-	2,441,050	2,441,050	-
Transfers from other funds	-	7,334,562	2,934,120	10,268,682	-
Net cash provided by non-capital financing activities	-	7,334,562	5,375,170	12,709,732	-
Cash flows from capital and related financing activities:					
Receipts from capital grants or contributions	-	10,082,755	1,527,508	11,610,263	-
Proceeds from disposal of capital assets	146,692	6,557	15,560	168,809	-
Acquisition and construction of capital assets	(6,722,011)	(42,174)	(3,548,072)	(10,312,257)	-
Proceeds from long-term debt issued	-	446,096	(8,733)	437,363	-
Proceeds from refinancing, net	431,180	-	-	431,180	
Due to other funds	-	(1,350,175)	-	(1,350,175)	-
Principal paid on debt	(3,809,910)	-	(1,144,622)	(4,954,532)	-
Interest and other charges - leases	-	(12,315)	(1,136)	(13,451)	-
Interest and other charges paid on debt	(2,365,506)	(221)	(376,749)	(2,742,476)	-
Net cash provided by (used in) capital and related financing activities	(12,319,555)	9,130,523	(3,536,244)	(6,725,276)	-
Cash flows from investing activities:					
Investment earnings (losses)	(148,298)	(25,452)	(14,830)	(188,580)	(18,268)
Net increase (decrease) in cash and cash equivalents	(1,113,832)	2,174,016	3,815,722	4,875,906	(2,091,663)
Cash and cash equivalents:					
Beginning of year, July 1	72,159,813	-	14,074,887	86,234,700	15,859,439
End of year, June 30	$ 71,045,981	$ 2,174,016	$ 17,890,609	$ 91,110,606	$ 13,767,776

(Continued)

See notes to financial statements

City of Asheville **Exhibit J**
Continued

Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended June 30, 2022

	Major Funds			Totals	
	Water Resources	Mass Transit	Non-major Enterprise Funds	Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 9,146,768	$ (13,504,741)	$ 2,003,910	$ (2,354,063)	$ (863,068)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	6,459,911	1,381,254	2,138,811	9,979,976	-
Amortization - leases	16	5,175	327	5,518	-
Loss on disposal of fixed assets	-	455	-	455	-
Changes in assets, liabilities and deferred outflows and inflows of resources:					
(Increase) decrease in accounts receivable	(464,007)	12,032	34,169	(417,806)	(1,043,042)
(Increase) decrease in due from other governments	-	-	17,500	17,500	-
(Increase) decrease in inventories and prepaids	(2,052,003)	(3,027)	39,471	(2,015,559)	-
(Increase) decrease accounts receivable leases	-	-	(3,633,236)	(3,633,236)	-
(Increase) decrease in deferred outflows of resources for pensions	(647,833)	(15,495)	(387,587)	(1,050,915)	(16,382)
Increase (decrease) in accounts payable	(1,176,910)	(2,399,681)	(2,020,936)	(5,597,527)	98,169
Increase (decrease) in other accrued expenses	104,278	(4,595)	143,054	242,737	44,801
Increase (decrease) in unearned revenue	131,559	281,824	197,213	610,596	-
Increase (decrease) in customer deposits	(26,866)	-	-	(26,866)	-
Increase (decrease) in estimated claims payable	-	-	-	-	(303,737)
Increase (decrease) in compensated absences	88,761	(5,571)	(15,236)	67,954	-
Increase (decrease) in pension liability - LGERS	(2,758,116)	(76,311)	(1,718,099)	(4,552,526)	(93,754)
Increase (decrease) in OPEB liability	(12,230)	(338)	(7,619)	(20,187)	-
Increase (decrease) in deferred inflows - leases	-	-	3,627,802	3,627,802	-
Increase (decrease) in deferred inflows of resources for pensions	2,560,693	63,402	1,572,082	4,196,177	98,060
Net cash provided by (used in) operating activities	$ 11,354,021	$ (14,265,617)	$ 1,991,626	$ (919,970)	$ (2,078,953)
Reconciliation of cash and cash equivalents:					
Cash and investments:					
Unrestricted	$ 64,432,026	$ 2,174,016	$ 11,655,906	$ 78,261,948	$ 13,767,776
Restricted	6,613,955	-	2,430,248	9,044,203	-
Total cash and cash equivalents	$ 71,045,981	$ 2,174,016	$ 14,086,154	$ 87,306,151	$ 13,767,776
Non-cash investing, capital, and financing activities:					
Donated capital assets	$ 6,164,100	$ -	$ -	$ 6,164,100	$ -

See notes to financial statements.

Statement of Fiduciary Net Position
Fiduciary Trust and Custodial Funds
June 30, 2022

	OPEB Trust Fund	Metropolitan Sewer District Custodial Fund
Assets		
Cash and investments	$ -	$ 532,882
Cash and investments held by fiscal agent:		
State Treasurer's OPEB Fund	17,331,010	-
Due from customers	-	2,401,428
Total assets	17,331,010	2,934,310
Liabilities		
Due to other governments	-	2,934,310
Total liabilities	-	2,934,310
Net Position		
Assets held in trust for OPEB benefits	$ 17,331,010	$ -

See notes to financial statements.

City of Asheville **Exhibit L**

Statement of Changes in Fiduciary Net Position

Fiduciary Trust Fund

Year Ended June 30, 2022

	OPEB Trust Fund	Metropolitan Sewer District Custodial Fund
Additions:		
Employer contributions	$ 5,450,363	$ -
Investment earnings	(2,656,191)	-
Sewer fees	-	29,030,521
Total additions	2,794,172	29,030,521
Deductions:		
Benefits	2,250,363	-
Administrative expenses	4,231	-
Sewer payments	-	29,030,521
Total deductions	2,254,594	29,030,521
Change in net position	539,578	-
Total net position – beginning	16,791,432	-
Total net position – ending	$ 17,331,010	$ -

See notes to financial statements.

Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Included within the reporting entity are:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Not included within the reporting entity are:

Housing Authority of the City of Asheville ("Housing Authority")
The Mayor appoints the five-member board of the Housing Authority of the City of Asheville. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

Asheville City School System ("School System")
The Asheville City Council appoints the five-member board of the School System. The City is accountable for the School System because it appoints a majority of the governing board; however, the City is not financially accountable for the School System.

Jointly governed organization:

Greater Asheville Regional Airport Authority: On June 28, 2012, the North Carolina General Assembly adopted legislation (S.L. 2012-121) changing the governance structure of the former Asheville Regional Airport from a joint governmental agency, comprised of the City of Asheville and Buncombe County, to an independent, state-sanctioned airport authority, the Greater Asheville Regional Airport Authority. The structure of the new authority is such that Henderson County is now a "member government," along with Asheville and Buncombe County. Each member government has two appointments to the board, with the seventh member to be appointed by the other six. The City no longer has any fiscal responsibility for the Airport Authority.

Basis of presentation:

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

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

Fund financial statements: The fund financial statements provide information about the City's funds, including the fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The parking services fund is displayed as a major fund for consistency and public interest, however, it does not meet the requirements to be considered a major fund. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

The City reports the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The City has the following Special Revenue Funds: Community Development, Section 108 Rehabilitation and Affordable Home Ownership, and the Sustainability fund.

Perpetual Care Permanent Fund: This fund is used to account for perpetual care of the City's Riverside Cemetery.

The City reports the following major proprietary funds:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Additionally the City reports the following fund types:

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

Fiduciary Funds: The City maintains an Other Post-Employment Benefit (OPEB) Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The OPEB Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

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

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

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

Government-wide, proprietary, and fiduciary fund financial statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days of the end of the current fiscal period, except for property taxes. Ad valorem taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when motor vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Budgetary data: The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Water Resources Fund and the other non-major enterprise operating funds. Multi-year budgets are adopted for non-major governmental funds and enterprise capital projects funds. All annual appropriations lapse at the fiscal year-end. As required by state law [N. C. General Statute 159-26(d)], the City maintains encumbrance accounts, which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are restricted and will be charged against next year's budget. All budgets are prepared using the modified accrual basis of accounting. N.C. General Statute 159-13(a)(3) requires the budget ordinance make appropriations by department, function or project. The City has defined its annual operating funds to be functions; therefore, expenditures may not legally exceed appropriations at the fund level for all annual operating funds. Expenditures may not legally exceed appropriations at the project level for all multi-year project funds. Amendments are required for any revisions that alter the total fund budget and must be approved by the City Council. The City internally manages expenditures on a line item and departmental basis. The Budget division must approve all of these internal budget revisions. During the year numerous budget revisions to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, liabilities, deferred outflows/inflows of recourses, and fund equity:

Deposits and investments: The deposits of the City and the ABC Board are secured as required by North Carolina General Statute (G.S.) 159-31. The City may establish official depositories with any bank or savings association whose principal office is located in North Carolina. The City and the ABC Board may establish time deposits in the form of NOW and SUPERNOW accounts, money market accounts, and certificates of deposits.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are generally reported at fair value as determined by quoted market prices.

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

The STIF securities are reported at cost and maintain a constant $1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The BIF is also valued at $1 per share. The BlackRock's MSCI ACWI EQ Index Non-Lendable Class B fund is priced at $27.230307 per share at June 30, 2022. The BIF, which does not have a credit rating, was valued at $1 per unit and had an average maturity of 8.75 years on June 30, 2022.

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

Ad valorem taxes receivables: In accordance with North Carolina General Statutes [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes, other than motor vehicles, on July 1, the beginning of the fiscal year. The taxes are due September 1 (lien date), but interest and penalties do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for doubtful accounts: All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and the percentage of prior year receivables collected within the current fiscal year. In addition, an allowance is provided for certain loans where collectability is uncertain.

Lease Receivable: The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreements. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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

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

Notes receivable: Notes receivable are recorded in governmental funds net of an allowance for uncollectible accounts.

Note 1. Summary of Significant Accounting Policies (Continued)

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

City of Asheville

Category of capital asset	Capitalization Threshold
Land	No threshold
Infrastructure	$ 50,000
Buildings	50,000
Improvements other than buildings	50,000
Machinery and equipment	5,000
Rights of way	5,000
Software	100,000
Internally generated software	1,000,000

Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair market value at the date of the donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Costs incurred in repairing or maintaining an asset that do not extend the asset's useful life, increase its productivity, or add value to it are not capitalized. Capitalization of assets and improvements within a long-term project occur when the related asset is completed and put into use. Capitalized interest incurred during the construction phase of a project is included in the value of the asset capitalized in enterprise funds.

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

City of Asheville

Category of capital asset	Useful Life In Years
Infrastructure	20-50
Buildings	20-50
Improvements other than buildings	10-20
Machinery and equipment	5-30
Software	5

ABC Board

Category of capital asset	Useful Life In Years
Buildings	20-30
Leasehold improvements	10-20
Furniture and equipment	5-10
Motor Vehicles	5

Right to use assets: The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion, contributions made to the pension plans in the 2022 fiscal year, other deferral of pension and OPEB expense and unamortized losses on bond defeasance in the Governmental Activities, Water Resources Fund and Parking Fund. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future period and so will not be recognized as revenue until then. The City has multiple items that meet the criterion for this category – prepaid taxes, property taxes receivable (less penalties), some grant revenues, leases, and deferrals of pension and OPEB that result from the implementation of GASB Statements 68, 73,75 and 87.

Compensated absences: The vacation policy of the City provides for the accumulation of up to a maximum of 40 days earned vacation leave, with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide, proprietary funds, and component unit financial statements. ABC Board employees may accumulate up to 30 days earned vacation and such leave is fully vested when earned.

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

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

The City and the ABC Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither of the two entities is obligated for the accumulated sick leave until it is actually taken, no liability for sick leave has been recorded.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

The governmental fund types classify fund balances as follows:

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

> Inventories, notes receivable and prepaid balances - portion of fund balance that is not available for appropriation because it represents the year-end balance of inventories, notes receivable and prepaid balances, which are not expendable available resources.
>
> Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.
>
> Perpetual maintenance - portion of fund balance that is required to be retained in perpetuity for maintenance of the City’s cemetery.

Restricted fund balance: This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

> Restricted for stabilization by state statute - Portion of fund balance that is constrained by state statute G.S. 159-8(a) from appropriation.
>
> Restricted for grant programs - Portion of fund balance restricted for various grant programs.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Unassigned fund balance: This classification includes amounts of fund balance that are spendable and have not been restricted, committed, or assigned to specific purposes or other funds.

The City has a revenue spending practice that provides guidance for programs with multiple revenue sources. The Director of Finance and Management Services will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-city funds, and lastly, City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Director of Finance and Management Services has the authority to deviate from these practices if it is in the best interest of the City.

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

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS") and Law Enforcement Officer Special Separation Allowance (the "Separation Allowance") and additions to/deductions from LGERS' and the Separation Allowance fiduciary net position have been determined on the same basis as they are reported by LGERS and Separation Allowance. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Asheville's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and Separation Allowance. Investments are reported at fair value. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the OPEB Trust' fiduciary net position have been determined on the same basis as City. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

Note 2. Deposits and Investments

Deposits: All deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and the ABC Board have no policy regarding custodial credit risk for deposits.

Note 2. Deposits and Investments (Continued)

At June 30, 2022, the City's deposits, including fiduciary fund amounts, had a carrying amount of $78,206,490 and a bank balance of $79,934,665. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City also had $51,234 in petty cash at year-end. At June 30, 2022, the ABC Board's deposits had a carrying amount of $3,114,636 and a bank balance of $4,308,025. Of the bank balance, $250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. Certificates of Deposit are purchased for investment purposes and are included in the detail schedule below. All certificates held are covered by federal depository insurance and collateral held under the pooling method.

Investments: The calculation of realized gains is independent of the calculation of the net increase/decrease in the fair value of investments that have been held in more than one fiscal year and sold during the current year. The current year realized gain is recognized as an increase/decrease in the fair value of the current year investments as compared to the investments as reported in the prior year. The net decrease in fair value during 2022 for the City was $2,040,042. This amount takes into account all changes in fair value (including purchases, sales and maturities) that occurred during the year. The unrealized loss on investments held at year-end was $(1,125,121).

As of June 30, 2022, the City had the following investments and maturities:

	Valuation Measurement Method	Reported at 6/30/2022	Maturity 0-6 Months	Maturity 6-12 Months	Maturity 1-3 Years	Rating
U.S. government securities	Fair Value Level 2	$ 88,907,655	$ 34,716,445	$ 34,408,390	$ 19,782,820	AAA
U.S. government agencies	Fair Value Level 2	14,981,345	-	14,981,345	-	Aaa/AA+
NCCMT – Government portfolio	Fair Value Level 1	15,730,106	15,730,106	-	-	AAAm
Bank Certificates of Deposit	Amortized Cost	10,021,724	-	10,021,724	-	Unrated
Commercial paper	Fair Value Level 2	19,968,410	19,968,410	-	-	A1/P1
Total		$ 149,609,240	$ 70,414,961	$ 59,411,459	$ 19,782,820	

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

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

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

As of June 30, 2022, the ABC Board had investments of $542,357.

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

Note 2. Deposits and Investments (Continued)

Credit risk: State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (“NRSROs”). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City’s investments in the Federal Home Loan Bank rated of AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. The City’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s and AAAm-mf by Moody’s Investors Service. The City’s investments in bank certificates of deposits are unrated. The City’s investments in commercial paper are rated A1 by Standard & Poor’s and P1 by Moody’s Investors Service. The City’s investments in US Agencies (Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association) are rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service as of June 30, 2022.

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

Concentration of credit risk: The City’s policy generally limits the amount of investment in any one issuer to 25 percent by security type and institution. At June 30, 2022, approximately 71 percent of the City’s total investments were in US Government Securities, 11 percent were in Federal Home Loan Bank Securities, 2 percent were in the NCCMT Government and Term accounts, 11 percent were in local bank Certificates of Deposit, and 5 percent were in commercial paper.

At June 30, 2022, the City’s OPEB Trust had $17,331,010 invested in the State Treasurer’s Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 159-30.1. The State Treasurer’s OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the City’s OPEB Fund was invested as follows: North Carolina Non-Pension Fixed Income 43 percent and BlackRock’s MSCI ACWI Equity Index Non-Lendable Fund B (EIF) 56.9 percent (the equities were split with 60.68% in domestic securities and 39.32% in international securities).

***Level of the fair value hierarchy*:** Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at $1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2022 of 0.9 years.

Ownership of the BIF is determined monthly at fair value using the same Level 2 inputs as the STIF and is based upon units of participation. Units of participation are calculated monthly based upon inflows outflows as well as allocations of net earnings. On June 30, 2022 the BIF, which does not have a credit rating, was valued at $1 per unit and had an average maturity of 8.75 years at June 30, 2022.

The BlackRock’s MSCI ACWI EQ Index Non-Lendable Class B fund, authorized under G.S. 147-69.2(b)(8), is a common trust fund considered to be commingled in nature. The Fund’s fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2022 the fair value of the funds was $27.230307 per share. Fair value for this Blackrock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

***Valuation technique*:** North Carolina Department of State Treasurer OPEB trust 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 and are considered Level 1 investments.

Note 3. Receivables – Allowances for Doubtful Accounts

Receivables presented on the statement of net position, balance sheet governmental funds, and statement of fund net position proprietary funds at year-end are net of the following allowances:

	Statement of Net Position				Balance Sheet		Fund Net Position	
	Governmental Activities		Business-Type Activities		Governmental Funds		Proprietary/Internal Service Funds	
General fund:								
Receivables:								
Property taxes								
Receivable	$	162,761	$	-	$	162,761	$	-
Accounts receivable		2,822,017		-		2,822,017		-
Notes receivable		45,500		-		45,500		-
Non-major governmental funds:								
Notes receivable		228,125		-		228,125		-
Major funds:								
Water resources		-		1,273,679		-		1,273,679
Mass Transit		-		28,399		-		28,399
Non-major enterprise funds		-		2,115,527		-		2,115,527
Internal services		23,436		-		-		23,436
	$	3,281,839	$	3,417,605	$	3,258,403	$	3,441,041

Note 4. Lease Receivable: The City has recorded ten lessor agreements for various City owned buildings, land, and infrastructure. Under the leases, the City receives annual fixed payments of $867,121 in exchange for use of City facilities. The leases expire in varying terms through July 2035. The total of the deferred inflow of resources and lease receivables at June 30, 2022 was $6,624,068 and $6,690,471, respectively. There are no variable components in the lease agreements. The lease receivable is measured as the present value of the future minimum lease payments expected to be received during the lease term at the discount rate. The discount rate varies from .31% to 1.66% and is equal to the incremental borrowing rate to the lessee.

In fiscal year 2022, the City recognized $867,924 of lease revenue and $70,848 of interest revenue under the lease.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Governmental activities:					
Capital assets, non depreciable:					
Land and improvements	$ 54,816,343	$ 20,613	$ (6,145)	$ 1,501,310	$ 56,332,121
Intangibles	5,126,906	7,420	-	34,823	5,169,149
Construction in progress	76,648,312	22,168,691	(12,951)	(20,275,300)	78,528,752
Total capital asset, non-depreciable	136,591,561	22,196,724	(19,096)	(18,739,167)	140,030,022
Capital assets, depreciable:					
Buildings and improvements	73,994,236	-	-	2,624,340	76,618,576
Improvements other than buildings	18,840,277	-	-	2,746,146	21,586,423
Machinery and equipment	73,763,974	465,981	(2,517,821)	1,939,640	73,651,774
Infrastructure	262,088,401	-	-	11,429,041	273,517,442
Intangibles	569,775	-	-	-	569,775
Other capital assets	105,999	-	-	-	105,999
Total capital asset, depreciable	429,362,662	465,981	(2,517,821)	18,739,167	446,049,990
Less accumulated depreciation for:					
Buildings and improvements	(44,399,652)	(2,484,004)	-	-	(46,883,656)
Improvement other than buildings	(4,364,188)	(1,091,364)	-	-	(5,455,552)
Machinery and equipment	(45,950,141)	(5,583,253)	2,485,253	-	(49,048,141)
Infrastructure	(217,397,745)	(2,162,100)	-	-	(219,559,845)
Intangibles	(569,774)	-	-	-	(569,774)
Other capital assets	(82,959)	(7,840)	-	-	(90,799)
Total accumulated depreciation	(312,764,459)	(11,328,561)	2,485,253	-	(321,607,767)
Total capital assets, depreciable, net	116,598,203	(10,862,580)	(32,568)	18,739,167	124,442,223
Government activities capital assets, net	$ 253,189,764	$ 11,334,144	$ (51,664)	$ -	$ 264,472,245

Note 5. Capital Assets (Continued)

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Business-type activities:					
Capital assets, non-depreciable:					
Land and improvements	$ 16,046,362	$ -	$ -	$ -	$ 16,046,362
Intangibles	25,356,078	5,985,185	-	-	31,341,263
Construction in progress	29,400,404	10,215,481	(1,113,040)	(808,505)	37,694,340
Total capital assets, non-depreciable	70,802,844	16,200,666	(1,113,040)	(808,505)	85,081,965
Capital assets, depreciable:					
Buildings and improvements	114,909,714	78,778	-	-	114,988,492
Improvements other than buildings	4,778,648	-	-	-	4,778,648
Machinery and equipment	48,252,167	454,013	(917,796)	780,580	48,568,964
Infrastructure	262,907,785	855,940	-	27,925	263,791,650
Other capital assets	25,000	-	-	-	25,000
Total capital assets, depreciable	430,873,313	1,388,731	(917,796)	808,505	432,152,753
Less accumulated depreciation for:					
Buildings and improvements	(61,877,966)	(2,082,153)	-	-	(63,960,119)
Improvement other than buildings	(1,098,930)	(217,297)	-	-	(1,316,227)
Machinery and equipment	(34,848,685)	(2,808,534)	917,341	-	(36,739,878)
Infrastructure	(92,976,503)	(4,870,984)	-	-	(97,847,487)
Other capital assets	(6,941)	(1,008)	-	-	(7,949)
Total accumulated depreciation	(190,809,025)	(9,979,976)	917,341	-	(199,871,660)
Total capital assets, depreciable, net	240,064,288	(8,591,245)	(455)	808,505	232,281,093
Business-type activities capital assets, net	$ 310,867,132	$ 7,609,421	$ (1,113,495)	$ -	$ 317,363,058

	Beginning Balances	Additions	Retirements	Transfers (In) Out	Ending Balances
Water Resources Fund:					
Capital assets, non-depreciable:					
Land and imporvements	$ 4,593,315	$ -	$ -	$ -	$ 4,593,315
Intangibles	24,995,189	5,985,185	-	-	30,980,374
Construction in progress	26,430,118	6,844,343	(1,059,027)	(27,925)	32,187,509
Total capital assets, non-depreciable	56,018,622	12,829,528	(1,059,027)	(27,925)	67,761,198
Capital assets, depreciable:					
Buildings and improvements	69,150,196	-	-	-	69,150,196
Improvements other than buildings	396,505	-	-	-	396,505
Machinery and equipment	22,323,002	259,670	(373,512)	-	22,209,160
Infrastructure	244,675,629	855,940	-	27,925	245,559,494
Total capital assets, depreciable	336,545,332	1,115,610	(373,512)	27,925	337,315,355
Less accumulated depreciation for:					
Buildings and improvements	(38,591,325)	(1,101,529)	-	-	(39,692,854)
Improvement other than buildings	(188,686)	(19,531)	-	-	(208,217)
Machinery and equipment	(20,007,550)	(687,763)	373,512	-	(20,321,801)
Infrastructure	(80,188,203)	(4,651,088)	-	-	(84,839,291)
Total accumulated depreciation	(138,975,764)	(6,459,911)	373,512	-	(145,062,163)
Total capital assets, depreciable, net	197,569,568	(5,344,301)	-	27,925	192,253,192
Water activities capital assets, net	$ 253,588,190	$ 7,485,227	$ (1,059,027)	$ -	$ 260,014,390

Note 5. Capital Assets (Continued)

	Beginning Balances	Additions	Retirements	Transfers (In) Out	Ending Balances
Mass Transit Fund:					
Capital assets, non-depreciable:					
Land and imporvements	$ 157,968	$ -	$ -	$ -	$ 157,968
Intangibles	7,544	-	-	-	7,544
Total capital assets, non-depreciable	165,512	-	-	-	165,512
Capital assets, depreciable:					
Buildings and improvements	1,834,513	-	-	-	1,834,513
Improvements other than buildings	447,443	-	-	-	447,443
Machinery and equipment	16,507,772	42,173	(296,089)	-	16,253,856
Total capital assets, depreciable	18,789,728	42,173	(296,089)	-	18,535,812
Less accumulated depreciation for:					
Buildings and improvements	(1,615,711)	(36,811)	-	-	(1,652,522)
Improvement other than buildings	(65,444)	(29,829)	-	-	(95,273)
Machinery and equipment	(8,574,920)	(1,314,614)	295,634	-	(9,593,900)
Total accumulated depreciation	(10,256,075)	(1,381,254)	295,634	-	(11,341,695)
Total capital assets, depreciable, net	8,533,653	(1,339,081)	(455)	-	7,194,117
Mass Transit Fund capital assets, net	$ 8,699,164	$ (1,339,081)	$ (455)	$ -	$ 7,359,628

	Beginning Balances	Additions	Retirements	Transfers (In) Out	Ending Balances
Asheville ABC Board:					
Land	$ 3,640,788	$ -	$ -	$ -	$ 3,640,788
Construction in progress	3,946	63,809	-	-	67,755
Total capital assets, non-depreciable	3,644,734	63,809	-	-	3,708,543
Capital assets, depreciable:					
Buildings	9,149,450	71,993	-	-	9,221,443
Leashold improvements	172,418	-	-	-	172,418
Furniture and equipment	1,637,177	43,035	(5,195)	-	1,675,017
Vehicles	375,350	28,396	-	-	403,746
Total capital assets, depreciable	11,334,395	143,424	(5,195)	-	11,472,624
Less accumulated depreciation for:					
Buildings	(3,412,172)	(293,672)	-	-	(3,705,844)
Leashold improvements	(170,639)	(652)	-	-	(171,291)
Furniture and equipment	(1,108,778)	(130,336)	3,204	-	(1,235,910)
Vehicles	(241,475)	(37,946)	-	-	(279,421)
Total accumulated depreciation	(4,933,064)	(462,606)	3,204	-	(5,392,466)
Total capital assets, depreciable, net	6,401,331	(319,182)	(1,991)	-	6,080,158
Ashevill ABC Board capital assets, net	$ 10,046,065	$ (255,373)	$ (1,991)	$ -	$ 9,788,701

Note 5. Capital Assets (Continued)

During the year, the City recorded capital contributions of $6,197,929, which represents the value of water lines, easements, and rights of way. Capital contributions are a non-cash capital related financing activity for the statement of cash flows.

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

Governmental activities:		
General government	$	2,557,709
Public safety		3,298,333
Transportation		2,146,948
Environmental protection		663,176
Economic Development		77,892
Culture and recreation		2,584,503
Total depreciation, governmental activities	$	11,328,561
Business-type activities:		
Water resources	$	6,459,911
Mass transit		1,314,614
Non-major enterprise funds		2,138,811
Total depreciation, business-type activities	$	9,913,336

The City has numerous construction projects as of June 30, 2022. The amounts the City is contractually committed to spend at June 30, 2022 are the following:

Project	Spent to Date	Remaining Commitments
Governmental:		
Building maintenance	$ 3,741,340	$ 1,843,357
Transportation	8,667,788	11,028,137
Parks and Recreation	227,783	651,627
RADTIP	33,057,940	843,650
Bond Projects	6,179,110	7,020,724
Total governmental	51,873,961	21,387,495
Proprietary:		
Water	18,097,297	32,838,234
North Fork Dam	43,979,042	44,714,768
Stormwater	2,378,627	2,981,390
Harrahs Cherokee Asheville	2,694,828	2,898,239
Parking	535,110	622,474
Total proprietary	67,684,904	84,055,105
Total commitments	$ 119,558,865	$ 105,442,600

Note 6. Right to Use Leased Assets

The City has recorded twenty right to use leased assets. The assets are right to use assets for leased copiers, lighting, tower, transit, and other equipment, building space, and land and improvements. The related leases are discussed in the Leases subsection of the Long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Government Funds for the year ended June 30, 2022 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Governmental funds:				
Right to use assets:				
Leased buildings	$ -	$ 1,236,222	$ -	$ 1,236,222
Leased equipment	-	989,542	-	989,542
Total right to use assets	-	2,225,764	-	2,225,764
Less accumulated amortization for:				
Leased buildings	-	(123,784)	-	(123,784)
Leased equipment	-	(80,701)	-	(80,701)
Total accumulated amortization	-	(204,485)	-	(204,485)
Government funds - right to use assets, net	$ -	$ 2,021,279	$ -	$ 2,021,279

Right to use asset activity for the Proprietary Funds for the year ended June 30, 2022 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Proprietary funds:				
Right to use assets:				
Leased equipment	$ -	$ 994,872	$ -	$ 994,872
Leased land and improvements	-	179,331	-	179,331
Total right to use assets	-	1,174,203	-	1,174,203
Less accumulated amortization for:				
Leased equipment	-	(116,092)	-	(116,092)
Leased land and improvements	-	(36,374)	-	(36,374)
Total accumulated amortization	-	(152,466)	-	(152,466)
Proprietary funds - right to use assets, net	$ -	$ 1,021,737	$ -	$ 1,021,737

Note 7. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2022, is as follows:

Due From Other Funds		Due to General Fund
Non-major governmental funds:		
Community Development Special Revenue Fund	$	671,288
Affordable Home Ownership Special Revenue Fund		664,345
Total due from non-major governmental funds		1,335,633
Major governmental funds:		
General Capital Project Fund		2,979,319
Total due from governmental funds		4,314,952
Total due from other funds	$	4,314,952

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

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

	Transfers In						
	General Fund	General Capital Projects Fund	Grant Programs Special Revenue Fund	Non-major Governmental Funds	Mass Transit Fund	Non-major Enterprise Fund	Transfers Out
General Fund	$ -	$ 3,766,437	$ 357,004	$ 878,539	$ 7,334,562	$ 1,334,120	$13,670,662
General Capital Projects Fund	259,387	-	1,080,000	-	-	-	1,339,387
Grants Program Special Revenue Fund	454,262	-	-	-	-	1,600,000	2,054,262
Non-major Governmental Funds	-	-	72,121	-	-	-	72,121
Total	$ 713,649	$ 3,766,437	$ 1,509,125	$ 878,539	$ 7,334,562	$ 2,934,120	$17,136,432

Note 8. Long-Term Obligations

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

The City has multiple equipment leases including copiers, modular vehicle batteries, street lighting, heavy equipment, and an antenna site lease. The leases have differing expiration dates, the latest of which expires in December 2035. The agreements require various monthly payments from $169 to $8,375. There are no variable payment components of the leases. The lease liability is measured at discount rates between .61% and 2.54%, which is the incremental borrowing rate. The City has recorded several right to use assets with a net book value of $1,787,621 at June 30, 2022. The assets are discussed in more detail in the right to use asset section of this note.

The City has entered into two agreements to lease certain building space. The leases have varying expiration dates and extension options through May 2034. Fixed monthly payments under the agreements range from $4,249 to $6,749. There are no variable payment components of the leases. The lease liability is measured at a discount rate between 1.14% and 1.73%, which is the incremental borrowing rate to the City. The City has recorded two right to use assets with a net book value of $1,112,437 at June 30, 2022. The assets are discussed in more detail in the right to use asset section of this note.

Asheville has entered into two agreements to lease land and land improvements. The leases have expiration dates and extension options through August 2025. Fixed monthly payments under the agreements range from $1,000 to $3,290. There are no variable payment components of the leases. The lease liability is measured at a discount rates ranging from .75% to 1.27%, which is the incremental borrowing rate to the City. As a result of the lease, the City has recorded a right to use asset with a net book value of $142,958 at June 30, 2022. The right to use assets are discussed in more detail in the right to use asset section of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year ending June 30,	Principal	Interest	Total
2023	$ 428,829	$ 47,047	$ 475,876
2024	426,687	41,343	468,030
2025	373,972	35,730	409,702
2026	297,278	31,099	328,377
2027	300,003	26,978	326,981
Thereafter	1,255,284	88,371	1,343,655
	$ 3,082,053	$ 270,568	$ 3,352,621

Note 8. Long-Term Obligations (Continued)

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

Long-term obligations at June 30, 2022, are comprised of the following individual issues:

Table 6.A.1

	Issue Date	Final Maturity	Interest Rate	Original Issue	Principal Balances June 30, 2022	Principal and Unamortized Balances at June 30, 2022	Governmental Activities	Business-Type
1. General obligation bonds:								
2020 Refunding Bonds A (Tax-exempt)	3/25/2020	6/1/2040	2.00%-5.00%	$ 12,625,000	$ 12,625,000	$ 14,245,994	$ 12,625,000	$ -
2020 Refunding Bonds B (Taxable)	3/25/2020	6/1/2028	1.27%-1.80%	8,200,000	6,115,000	6,115,000	6,115,000	-
2020 GO Bond Anticipation Note	6/10/2020	6/1/2023	Variable (1)	25,000,000	14,934,912	14,934,912	14,934,912	-
				45,825,000	33,674,912	35,295,906	33,674,912	-
2. Installment Financing Contracts:								
2010 Installment financing (Parks & Recreation)	7/12/2010	7/12/2025	4.55%	1,100,000	256,667	256,667	256,667	-
2013 Installment financing (Green CIP)	6/13/2013	7/1/2023	1.44%	998,000	149,700	149,700	149,700	-
2017 Installment financing (Equip. and Vehicles)	11/9/2017	10/1/2037	1.62%-1.70%	4,307,060	806,000	806,000	720,000	86,000
2017 Limited Obligation Bonds	11/9/2017	10/1/2037	3.00%-5.00%	25,000,000	22,260,000	24,956,445	17,178,070	5,081,930
2017 Special Obligation Bonds	6/30/2017	6/1/2022	2.50%-5.00%	17,140,000	13,700,000	14,757,124	11,850,500	1,849,500
2018 Installment financing (Equip. and Vehicles)	6/12/2018	6/12/2021	2.65%	6,220,100	1,181,784	1,181,784	1,139,578	42,206
2019 Installment financing (Equip. and Vehicles)	5/31/2019	5/1/2024	2.28%	4,330,000	2,598,000	2,598,000	2,373,000	225,000
2020 Installment financing (Equip. and Vehicles)	6/30/2020	5/1/2025	1.16%	4,650,075	3,664,022	3,664,022	3,497,727	166,295
2021 Limited Obligation Bonds	4/29/2021	4/1/2041	2.00%-3.00%	13,350,000	13,350,000	14,435,568	13,350,000	-
2021 Special Obligation Bonds	4/29/2021	4/1/2033	3.00%-5.00%	17,240,000	15,715,000	19,112,939	15,001,539	713,461
2022 Limited Obligation Bond Anticipation Note	6/25/2022	6/15/2025	Variables (2)	42,000,000	9,970,131	9,970,132	9,524,035	446,096
				136,335,235	83,651,304	91,888,381	75,040,816	8,610,488
3. Revenue bonds:								
2015 water system revenue refunding bonds	6/11/2015	8/1/2032	2.00%-5.00%	50,625,000	32,500,000	36,326,763	-	32,500,000
2021 Water System Revenue Refunding Bonds	9/30/2021	6/1/2051	1.625%-5.0%	38,125,000	38,125,000	40,431,180	-	38,125,000
				88,750,000	70,625,000	76,757,943	-	70,625,000
4. Other long-term indebtedness:								
2001 Metropolitan sewage district	4/22/1985	6/30/2024	5.00%	615,000	34,440	34,440	34,440	-
2011 NC DENR, drinking water revolving loan	6/22/2011	5/1/2031	0.00%	198,194	89,187	89,187	-	89,187
				$ 813,194	123,627	123,627	34,440	89,187
Total general obligations bonds, limited obligation bonds, revenue bonds and other long-term obligations					$ 188,074,843	$ 204,065,857	$ 108,750,168	$ 79,324,675

(1) Interest is variable at SIFMA plus 38 bppa

(2) Interest is variable at SOFR plus 23 bppa

Note 8. Long-Term Obligations (Continued)

The preceding long-term obligations included in the individual issues table are as follows:

	Governmental Activities	Business-type Activities	Total
General obligation bonds	$ 33,674,912	$ -	$ 33,674,912
Installment financing contracts	75,040,816	8,610,488	83,651,304
Revenue bonds	-	70,625,000	70,625,000
Other long-term indebtedness	34,440	89,187	123,627
	$ 108,750,168	$ 79,324,675	$ 188,074,843

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

	Unamortized Premium
General Obligation Bonds:	
2020 General Obligation Refunding Bonds	$ 1,620,994
Installment Financing Contracts:	
Limited obligation bonds, Series 2017	2,696,445
Special obligation bonds, Series 2017	1,057,124
Limited obligation bonds, Series 2021	1,085,567
Special obligation bonds, Series 2021	3,397,939
Revenue Bonds:	
2015 Water System Revenue Refunding Bonds	3,826,763
2021 Water System Revenue Refunding Bonds	2,306,180
	$ 15,991,012

Note 8. Long-Term Obligations (Continued)

Future maturities of long-term obligations: Annual debt service requirements to maturity, including interest, are as follows (excluding compensated absences, unfunded OPEB obligations and leases):

	General Obligation Bonds		Limited Obligation Bonds and Installment Financings		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:								
year(s) ending June 30,								
2023	$ 15,979,912	$ 748,733	$ 6,570,759	$ 2,440,418	$ 26,240	$ 1,722	22,576,911	$ 3,190,873
2024	1,040,000	79,300	6,172,270	2,243,947	8,200	451	7,220,470	2,323,698
2025	1,040,000	64,948	14,699,369	2,026,670	-	-	15,739,369	2,091,618
2026	1,040,000	50,076	3,555,898	2,023,367	-	-	4,595,898	2,073,443
2027	1,040,000	33,748	3,514,906	1,846,579	-	-	4,554,906	1,880,327
2028-2032	5,210,000	1,516,250	18,264,005	4,963,674	-	-	23,474,005	6,479,924
2033-2037	5,205,000	624,100	14,729,034	2,133,994	-	-	19,934,034	2,758,094
2038-2041	3,120,000	124,800	7,534,575	404,081	-	-	10,654,575	528,881
	$ 33,674,912	$ 3,241,955	$ 75,040,816	$ 18,082,730	$ 34,440	$ 2,173	$ 108,750,168	$ 21,326,858

	Revenue Bonds		Limited Obligation Bonds and Installment Financings		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Business-type activities:								
year(s) ending June 30,								
2023	$ 4,685,000	$ 2,423,500	$ 851,931	$ 322,500	$ 9,910	$ -	$ 5,546,841	$ 2,746,000
2024	4,925,000	2,183,250	880,488	289,069	9,910	-	5,815,398	2,472,319
2025	5,165,000	1,931,000	1,218,820	251,742	9,910	-	6,393,730	2,182,742
2026	5,435,000	1,666,000	695,769	208,230	9,910	-	6,140,679	1,874,230
2027	2,815,000	1,459,750	695,094	173,458	9,910	-	3,520,004	1,633,208
2028-2032	16,110,000	5,255,019	3,556,995	555,445	39,637	-	19,706,632	5,810,464
2033-2037	8,630,000	2,809,425	595,966	90,054	-	-	9,225,966	2,899,479
2038-2042	6,810,000	2,150,606	115,425	7,214	-	-	6,925,425	2,157,820
2043-2047	7,575,000	1,387,406	-	-	-	-	7,575,000	1,387,406
2048-2052	8,475,000	485,269	-	-	-	-	8,475,000	485,269
	$ 70,625,000	$ 21,751,225	$ 8,610,488	$ 1,897,712	$ 89,187	$ -	$ 79,324,675	$ 23,648,937

Note 8. Long-Term Obligations (Continued)

Installment financing contracts: In July 2010, the City entered into a direct placement installment-financing contract with BB&T to provide partial funding for the construction of a new Recreation Facility at Livingston Street. The $1,100,000 loan is payable over 15 years with semi-annual payments of principal at an interest rate of 4.55%. The City had direct placement installment debt balance of $256,667 as of June 30, 2022.

In June 2012, the City, through the Asheville Public Financing Corporation, a blended component unit, issued direct placement Limited Obligation Bonds in the amount of $39,160,000 to (1) finance the 2012 Projects (as described below), (2) refinance in advance of their maturities (a) the 1997A and 1997B Certificates of Participation, the proceeds of which were used to finance and refinance improvements to various City facilities, (b) the City's obligations under a 2006 direct placement installment contract, the proceeds of which were used to finance two fire stations, vehicles and equipment, and (c) the City's obligations under a 2011 installment financing contract, the proceeds of which were used to finance the construction of and improvements to a parking facility and (3) finance the costs of the initial execution and delivery of the 2012 Limited Obligation Bonds. The 2012 Projects include (1) the acquisition and construction of and improvements to certain streets, sidewalks, greenways, sewer facilities and other improvements related thereto in the City, (2) the renovation of and improvements to the City Building and the Harrah's Cherokee Center - Asheville and (3) the acquisition and installation of vehicles and equipment for the City's general governmental purposes.

In June 2016, the City entered into an amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation a blended component unit of the City, and the Corporation issued a direct placement limited obligation bond, designated as an Additional Bond under the 2012 Indenture and a First Supplement, purchased by Bank of America, N.A. (the Bank), in an amount not to exceed $45,000,000. The funds will be used to pay the costs of (1) various projects in the City for affordable housing, public safety, transportation, economic development, parks and recreation and repair and renovation to City facilities and (2) the issuance of the 2016 Bond. Under the terms of the contract amendment and the first supplement to the 2012 Indenture, the Bank advances monies to the City from time-to-time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a rate of 70% of the 1-month LIBOR plus 32 bp, capped at 25%. The City does not pay a fee on the unused principal portion of the loan. The Bond had a term of two years and matured on June 21, 2018.

In November 2017, the City entered into a second amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued direct placement limited obligation bonds ("2017 LOBs") in the amount of $25,000,000. The funds were used to refinance a portion of the project costs associated with the 2016 direct placement limited obligation bonds, while the remaining amount of the 2016 project costs were refinanced through the 2017 SOBs. The 2017 direct placement LOBs also refinanced a portion of the project costs associated with the 2012 direct placement limited obligation bonds. The refinancing was accomplished by placing a series of purchased US Treasury Notes in an irrevocable trust account with an escrow agent. The principal and interest generated from the US Treasury Notes now covers the debt service payments related to the 2012 direct placement LOBs with maturity dates from 2022 to 2032. The 2017 direct placement LOBs were underwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated. The bonds have coupon rates ranging from 3.00% to 5.00% and extend out to 2037. The City had direct placement installment debt balance of $22,260,000 as of June 30, 2022,

Note 8. Long-Term Obligations (Continued)

In June 2018, the City entered into a third amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued a direct placement limited obligation bonds (“2018 LOBs”) purchased by the Bank of America, N.A. (the “Bank”), in an amount not to exceed $48,000,000. The funds will be used to pay the costs of (1) various projects in the City for affordable housing, public safety, transportation, economic development, parks and recreation and repair and renovation to City facilities and (2) issuance of the direct placement 2018 LOB. Under the terms of the contract amendment and the third supplement to the 2012 Indenture, the Bank advances monies to the City from time-to-time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of SIFMA (an alternative to LIBOR) plus 38 bps. The City does not pay a fee on the unused principal portion of the loan. In April, 2021, the City paid off the 2018 LOBs through the issuance of direct placement special obligation bonds and limited obligation bonds described below.

In April 2021, the City entered into a fourth amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued direct placement limited obligation bonds (“2021 LOBs”) in the amount of $13,350,000. The funds were used to refinance a portion of the project costs associated with the 2018 direct placement limited obligation bonds. The 2021 LOBs were underwritten by BoA Securities. The bonds have coupon rates ranging from 2.00% to 3.00% and extend out to 2041.

In June 2022 the City entered into a fifth amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued a direct placement limited obligation bonds (“2022 LOBs”) purchased by the Well Fargo Bank, NA (the “Bank”), in an amount not to exceed $42,000,000. The funds will be used to pay the costs of (1) various projects in the City for affordable housing, public safety, transportation, economic development, parks and recreation and repair and renovation to City facilities and (2) issuance of the direct placement 2022 LOB. Under the terms of the contract amendment and the fifth supplement to the 2012 Indenture, the Bank advances monies to the City from time-to-time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of SIFMA (an alternative to LIBOR) plus 23 bps. The City does not pay a fee on the unused principal portion of the loan.

In June 2013, the City entered into a direct placement installment-financing contract with TD Bank to provide funding to improve the energy efficiency of certain capital assets of the City. The $998,000 loan is payable over ten years with semi-annual payments of principal at an interest rate of 1.44 percent. The City had a direct placement installment debt balance of $149,700 as of June 30, 2022.

In June 2017, the City entered into a direct installment-financing contract with Regions Capital Advantage, Inc. to provide funding for the purchase of computers, vehicles and equipment. The $4,307,060 loan is payable over 59 months with semi-annual payments of interest and annual payments of principal at fixed rates of interest of 1.62% for the 48-month component and 1.70% for the 59-month component. The City had installment debt payable of $806,000 outstanding as of June 30, 2022.

In November 2017, the City issued special obligation bonds (“2017 SOBs”) in the amount of $17,140,000. The funds will be used to refinance a portion of the project costs associated with the 2016 limited obligation bonds, specifically those located within the City’s established Municipal Service Districts, or Innovation districts, and meeting the criteria for special obligation debt. The 2017 SOBs were underwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated. The bonds have coupon rates ranging from 3.00% to 5.00% and extend out to 2037. The City had special obligation bond notes payable of $13,700,000 outstanding as of June 30, 2022.

Note 8. Long-Term Obligations (Continued)

In May 2018, the City entered into an Installment Financing Contract with HomeTrust Bank, Inc. to provide funding for the purchase of computers, vehicles and equipment. The $6,220,100 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 2.65 percent. The City had installment debt payable of $1,181,784 outstanding as of June 30, 2022.

In May 2019, the city entered into an Installment Financing Contract with PNC Bank, N/A/ to provide funding for the purchase of vehicles and equipment. The $4,330,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed rate of 2.25 percent. The City had installment debt payable of $2,598,000 outstanding as of June 30, 2022.

In June 2020, the City entered into a direct installment-financing contract with JPMorgan Chase Bank, N.A. to provide funding for the purchase of computers, vehicles and equipment. The $4,650,075 loan is payable over 59 months with semi-annual payments of interest and annual payments of principal at fixed rates of interest of 1.16%. The City had a direct placement installment debt balance of $3,664,022 as of June 30, 2022.

In April 2021, the City issued direct placement special obligation bonds (“2021 SOBs”) in the amount of $17,240,000. The funds will be used to refinance a portion of the project costs associated with the 2018 limited obligation bonds, specifically those located within the City’s established Municipal Service Districts, or Innovation districts, and meeting the criteria for special obligation debt. The 2021 SOBs were unwritten by BoA Securities. The bonds have coupon rates ranging from 3.00% to 5.00% and extend out to 2033. The City had installment debt payable of $15,715,000 outstanding as of June 30, 2022.

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

In June 2018, the City issued a direct placement general obligation bond anticipation note (“2018 GO BAN”) in an amount not to exceed $23,000,000. The note was purchased by Bank of America, N.A. (the “Bank”). The funds will be used to pay the costs of (1) various projects in the City for affordable housing, transportation and parks and recreation and (2) the issuance of the 2018 GO BAN. Under the terms of the bond, the Bank advances monies to the City from time to time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of SIFMA (an alternative to LIBOR) plus 32bps. The City does not pay a fee on the unused principal portion of the loan. The City anticipates that it will issue longer-term fixed rate general obligation bonds to refinance the 2018 GO BAN once the projects are completed and before its maturity date of June 2020. The City refinanced the 2018 GO BAN with Bank of America, N.A. issuing a $12,625,000 general obligation refunding bond Series 2020A and a $8,200,000 taxable general obligation refunding bond Series 2020B.

Note 8. Long-Term Obligations (Continued)

In June 2020, the City issued a direct placement general obligation bond anticipation note (“2020 GO BAN”) in an amount not to exceed $25,000,000. The note was purchased by Bank of America, N.A. (the “Bank”). The funds will be used to pay the costs of (1) various projects in the City for transportation and parks and recreation and (2) the issuance of the 2020 GO BAN. Under the terms of the bond, the Bank advances monies to the City from time to time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of SIFMA (an alternative to LIBOR) plus 58 bps. The City pays a fee of 30bps on the unused principal portion of the loan. The City anticipates that it will issue longer-term fixed rate general obligation bonds to refinance the 2020 GO BAN once the projects are completed and before its maturity date of June 2023. At June 30, 2022, the City has an outstanding note balance of $14,934,912.

At June 30, 2022, the City had bonds authorized but unissued in the amount of $40.3 million.

Water System Revenue Refunding Bonds, Series 2015: In June 2015, the City issued $50,625,000 of Revenue Refunding Bonds to a) advance refund $53,980,000 of the City’s outstanding Water system Revenue Bonds ($25,640,000 of the City’s Water System Revenue Refunding Bonds, Series 2005 (the 2005 Bonds) maturing August 1, 2016 through August 1, 2025 and $28,340,000 of the City’s Water System Revenue Bonds, Series 2007 (the 2007 Bonds) maturing August 1, 2018 through August 1, 2032 (the 2005 Bonds and 2007 Bonds being so refunded are called the Refunded Bonds) and b) pay the fees and expenses incurred in connection with the sale and issuance of the 2015 Bonds. The refunding was accomplished by placing the proceeds of the refunding bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liabilities for the defeased bonds are included in the City’s financial statements. The City had direct placement water revenue anticipation balance of $32,500,000 as of June 30, 2022.

The City has pledged future water customer revenues, net of specified operating expenses, to repay $50,625,000 in Revenue Refunding Bonds, Series 2015. The bonds are payable solely from water customer new revenue and are payable through 2032. At June 30, 2022, the total principal and interest remaining to be paid directly by the City on the bonds is $38,612,219.

Water System Revenue Refunding Bonds, Series 2021: In September 2021, the City issued $38,125,000 of Revenue Refunding Bonds to pay down the 2018 Water System Revenue Bond Anticipation Notes. The 2021 Water Revenue Refunding Bonds were underwritten by BoA Securities. The bonds have coupon rates ranging from 1.625% to 5.00% and extend out to 2051. The City had direct placement water revenue anticipation balance of $38,125,000 as of June 30, 2022.

The City has pledged future water customer revenues, net of specified operating expenses, to repay $38,125,000 in Revenue Refunding Bonds, Series 2021. The bonds are payable solely from water customer new revenue and are payable through 2032. At June 30, 2022, the total principal and interest remaining to be paid directly by the City on the bonds is $53,764,006.

Revenue Bonds

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

Note 8. Long-Term Obligations (Continued)

The water system revenue bonds have been issued pursuant to a General Trust Indenture dated as of December 1, 2005, Series Indenture Number 2, dated as of November 1, 2007 and Series Indenture Number 3, dated as of June 1, 2015 (together the Indentures) between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. The Indentures authorize and secure all outstanding revenue bonds of the City's water system and contain several financial and operating covenants governing such matters as rates, additional bonds, reserve funds, annual budgets, maintenance of the system and insurance. The City was in compliance with all such covenants during the fiscal year ended June 30, 2022 The calculation for the rate covenant for the year ended June 30, 2022, is as follows:

Water revenue and expense information

Revenues	$	36,701,013
Current Expenses		23,537,323
Net Revenue avaialable for Debt Service	$	13,163,690
Senior Debt Coverage:		
Principal & Interest	$	5,730,852
Add 20% of senior debt		1,146,170
Subordinate Debt:		
Principal & Interest		9,910
Total Debt Service + 20%		6,886,932
Rate Coverage Test		1.91

Other Long-Term Indebtedness: In 2001, the City agreed to assume 41 percent of a bond issued by Metropolitan Sewerage District of Buncombe County ("MSD"), Series 1985, for the Enka-Candler annexation in 1989. At June 30, 2022, the City has an outstanding balance of $34,440.

In 2011, the City received a loan of $198,194 from the NCDENR for improvements to the North Fork Water Treatment Plant. The loan bears interest at the rate of zero percent per annum and is payable over 20 years. At June 30, 2022, the outstanding balance is $89,187.

Note 8. Long-Term Obligations (Continued)

Changes in long-term liabilities:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental activities:					
Bonds and notes payable:					
Installment financing contracts	$ 71,271,196	$ 9,614,067	$ 5,844,447	$ 75,040,816	$ 7,290,759
General obligation bonds	28,365,347	6,354,565	1,045,000	33,674,912	1,045,000
Lease liabilities	-	2,225,764	170,298	2,055,466	168,791
Other long-term indebtedness	60,680	-	26,240	34,440	26,240
Unamortized bond premiums	9,328,591	-	540,069	8,788,522	540,069
Total bonds and loans payable, net	109,025,814	18,194,396	7,626,054	119,594,156	9,070,859
Compensated absences payable	6,391,623	3,985,290	2,801,379	7,575,534	3,028,648
Net pension liability – LGERS	29,605,167	-	17,250,763	12,354,404	-
Total pension laibility – LEOSSA	8,195,994	749,146	633,683	8,311,457	-
Net OPEB liability	16,077,901	-	76,494	16,001,407	-
Total governmental activities	$ 169,296,499	$ 22,928,832	$ 28,388,373	$ 163,836,958	$ 12,099,507
Business-type activities:					
Bonds and notes payable:					
Revenue bonds	$ 76,300,000	$ 38,125,000	$ 43,800,000	$ 70,625,000	$ 4,685,000
Installment financing contracts	9,309,016	446,096	1,144,624	8,610,488	937,931
Lease liabilities	-	1,170,607	144,020	1,026,587	162,347
Other long-term indebtedness	99,097	-	9,910	89,187	9,910
Unamortized bond premiums	5,353,464	2,306,180	457,154	7,202,490	457,154
Total bonds and loans payable, net	91,061,577	42,047,883	45,555,708	87,553,752	6,252,342
Compensated absences payable	1,300,399	568,948	498,195	1,371,152	551,203
Net pension liability – LGERS	7,812,891	-	4,552,527	3,260,364	-
Net OPEB liability	4,243,004	-	20,187	4,222,817	-
Total business-type activities	$ 104,417,871	$ 42,616,831	$ 50,626,617	$ 96,408,085	$ 6,803,545

The following table contains debt activity for the Water Revenue Fund. The activity in the Water Revenue Fund is contained within the Business-type activities debt summary (above):

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Water system activities:					
Bonds and notes payable:					
Revenue bonds	$ 76,300,000	$ 38,125,000	$ 43,800,000	$ 70,625,000	$ 4,685,000
Lease liabilities	-	6,036	16	6,020	3,614
Other long-term indebtedness	99,097	-	9,910	89,187	9,910
Unamortized bond premiums	4,191,217	2,306,180	364,436	6,132,961	457,154
Total bonds and loans payable, ne	80,590,314	40,437,216	44,174,362	76,853,168	5,155,678
Compensated absences payable	735,423	470,057	381,297	824,183	316,856
Net pension liability – LGERS	4,733,384	-	2,758,116	1,975,268	-
Net OPEB liability	2,570,595	-	12,230	2,558,365	-
Total w ater system activities	$ 88,629,716	$ 40,907,273	$ 47,326,005	$ 82,210,984	$ 5,472,534

Note 8. Long-Term Obligations (Continued)

Debt margin: The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to 8% of the appraised value of property subject to taxation. At June 30, 2022, such statutory limit for the City was approximately $1,588,565 providing a legal debt margin of approximately $1,416,751. The City does not intend to extend its debt to any amount near the legal debt limit.

Component unit debt: On January 29, 2009, the ABC Board entered into a financing agreement with a commercial bank providing for the advance of $2,750,000 to finance the acquisition and construction of facilities. The agreement has a twenty-year term and requires semi-annual payments including principal and interest of $100,176 beginning July 29, 2009. The loan is secured by real estate, improvements and fixtures at 145 Tunnel Road, 337 New Leicester Highway, 131 Old Charlotte Highway and 3933 Sweeten Creek Road and bears interest at 3.96% per annum.

On October 25, 2017 the Board entered into a financing agreement with a commercial bank providing for the advance of $3,200,000 to finance the acquisition and renovation of facilities for warehousing and administration. This loan requires eighteen monthly payments of interest on the unpaid balance beginning November 25, 2017 using the interest rate of 4.25% and 101 monthly principal and interest payments of $20,946 beginning May 25, 2019, and one principal and interest payment of $2,059,747 on October 25, 2027. The loan was secured by real estate and improvement at 24 Old Brevard Road and 1 Cherry Street. At June 30, 2022, all of the loan commitment for renovations had been drawn.

Future maturities of the component unit debt are as follows:

Year ending June 30,	Principal	Interest
2023	$ 329,240	$ 122,470
2024	342,994	108,716
2025	357,324	94,386
2026	372,253	79,457
2027	387,807	63,903
Thereafter	1,253,825	31,568
	$ 3,043,443	$ 500,500

Note 9. Net Position and Fund Balance

Net position: Net investment in capital assets consists of the following:

	Governmental Activities	Business-type Activities
Capital assets, net of depreciation	$ 264,472,245	$ 317,363,060
Less capital asset-related debt	(117,538,690)	(85,812,168)
Other capital asset-related liabilities	(1,071,043)	(1,107,158)
Add deferred outflows	-	882,158
Net investment in capital assets	$ 145,862,512	$ 231,325,892

Note 9. Net Position and Fund Balance (Continued)

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

Total fund balance, general fund	$ 121,740,633
Less non-spendable items	9,255,609
Less stabilization by state statute	27,744,280
Funds available for appropriation	84,740,744
Less committed	6,426,648
Less assigned	43,726,900
Less fund balance policy	22,262,014
Remaining fund balance	$ 12,325,182

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. As of year-end, the City's outstanding encumbrances were $4,818,648 and $29,324,492 in the General Fund and General Capital Projects Fund, respectively.

Note 10 Risk Management

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

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

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

The City's SIR for liability claims is $600,000 per occurrence. It purchases excess liability insurance with limits of $15 million across all liability lines: general, public officials, law enforcement, employment practices, employee benefits, and automobile. The City also purchases insurance for real and personal property assets in the amount of $385,066,855. Coverage limits include $10 million sub-limits each for flood and earthquake. Additionally, the City purchases dam insurance with limits of $15 million for three structures.

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

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

Note 10. Risk Management (Continued)

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

Revenues and expenses associated with the employee health benefits program are recorded in the Health Fund. The employee health benefits program is funded by both employee and employer contributions. Employee benefits paid through this program include health, dental, life and disability insurance. The City's health benefits are self-insured for claims below a $175,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance.

The health program annually has several cases that exceed specific stop-loss and therefore result in the recovery of excess losses. In fiscal year 2021, there were four claimants with $161,009 in claims.
In fiscal year 2022, there were three claimants with $204,116 in claims.

The following is a summary of changes in estimated claims payable in all self-insurance funds at June 30:

	2022	2021
Beginning balance	$ 3,784,914	$ 4,173,392
Add incurred claims and changes in IBNR	15,659,067	13,803,818
Less claim payments	(15,962,804)	(14,192,296)
Ending balance	$ 3,481,177	$ 3,784,914

The ABC Board 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 ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), the ABC Board bonds each member of their board and the employees designated as the General Manager and Finance Officer in the amount of $100,000, secured by a corporate surety. In addition, the store managers and all other employees who have access to funds are covered under a blanket bond for $100,000.

Note 11. Pension Plan Obligations

North Carolina Local Governmental Employees' Retirement System:

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

Benefits provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City and ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's and ABC Board's contractually required contribution rates for the year ended June 30, 2022, were both 12.04% of compensation for law enforcement officers and 11.35% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were $8,518,795 for the year ended June 30, 2022, and the ABC Boards were $312,936.

Note 11. Pension Plan Obligations (Continued)

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2022, the City and ABC Board reported a liability of $15,614,768 and $483,393, respectively, for their 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, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's and ABC Board's proportions of the net pension liability were based on a projection of the City's and ABC Board's long-term shares of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employer's, actuarially determined. At June 30, 2022, the City's proportion was 1.01818%, which was a decrease of 0.02894% from its proportion measured as of June 30, 2021. The ABC Board's proportion was .02817%, which was an increase of .00018% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the City and ABC Board recognized pension expense of $6,314,035 and $399,524, respectively. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,967,619	$ -
Changes of assumptions	9,810,062	-
Net difference between project and actual earnings on pension plan investments	-	22,308,813
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,289,402
City contributions subsequent to the measurement date	8,518,795	-
Total	$ 23,296,476	$ 23,598,215

The ABC Board reported deferred inflows and deferred outflows of resources as related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 153,784	$ -
Changes of assumptions	303,692	-
Net difference between project and actual earnings on pension plan investments	-	690,618
Changes in proportion and differences between Board contributions and proportionate share of contributions	105,399	-
Board contributions subsequent to the measurement date	312,936	-
Total	$ 875,811	$ 690,618

$8,518,795 and $312,936 reported as deferred outflows of resources related to pensions resulting from the City and ABC Board's contributions subsequent to the measurement date, respectively, will be recognized as a decrease of the net pension liability in the year ending June 30, 2023.

Note 11. Pension Plan Obligations (Continued)

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

	City of Asheville	ABC Board
Years ending June 30:		
2022	$ 966,132	$ 88,864
2023	(938,892)	22,383
2024	(2,021,143)	(27,677)
2025	(6,826,631)	(211,333)
Total	$ (8,820,534)	$ (127,763)

Actuarial assumptions: The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.10 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2020.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Note 11. Pension Plan Obligations (Continued)

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	6.0%	4.0%
Total	100%	

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 2.50%. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	$ 60,615,228	$ 15,614,768	$ (21,417,997)

Sensitivity of the ABC Board's proportionate share of the net pension liability to changes in the discount rate: The following presents the ABC Board's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Board'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 (6.00%) or one percentage point higher (8.00) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	$ 1,876,478	$ 483,389	$ (663,041)

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

Note 11. Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance

Plan description: The City and the ABC Board each administer a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's and the ABC Board's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Separate financial statements are not issued for the Separation Allowance Plan.

All full-time law enforcement officers of the City and the ABC Board are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance membership consisted of:

	City	ABC Board
Retirees receiving benefits	41	1
Active plan members	247	3
Total	288	4

A separate report was not issued for the plan.

Summary of significant accounting policies: The City and the ABC Board have chosen to fund the Separation Allowance on a pay-as-you-go basis. For the City, pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. The financial statements of the ABC Board are prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative expenses are recognized as incurred.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

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

Method used to value investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

Plan contribution: The City and ABC Board are required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and have chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made, in the City's case, in the General Fund operating budget. The City and ABC Board's obligations to contribute to this plan are established and may be amended by the North Carolina General Assembly. There were no contributions made to the plan by employees of the City or the ABC Board. For the current year the City and the ABC Board paid benefits of $633,683 and $7,517, respectively, as benefits came due for the reporting period.

Note 11. Pension Plan Obligations (Continued)

The City's total pension liability for the current year was determined as part of the June 30, 2020 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.64% discount rate per annum compounded annually and (b) projected salary increases of 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 2.5%. The assumptions did not include post-employment benefit increases. The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2022, the City reported a total pension liability of $8,311,457 for their proportionate share of the net pension liabilities. The total pension liability was measured as of December 31, 2021 based on a June 30, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of $927,867.

At June 30, 2022, the ABC Board reported a total pension liability of $52,958 for the Law Enforcement Officers Special Separation Allowance. This amount was deemed immaterial to the financial statements by the ABC Board and accordingly no actuarial valuation was performed.

The City reported deferred outflows of resources and deferred inflows of resources related to the Law Enforcement Special Separation Allowance Plan from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 315,214	$ 285,063
Changes of assumptions and Other Inputs	563,486	92,462
City benefit payments and plan administrative expense made subsequent to the measurement date	293,436	-
Total	$ 1,172,136	$ 377,525

Deferred outflows of resources for the City of $293,436 as related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Adjustment
Years ending June 30:	
2023	$ 233,293
2024	149,425
2025	79,473
2026	28,529
2027	10,455
Total	$ 501,175

Note 11. Pension Plan Obligations (Continued)

Sensitivity of the City's total pension liability to changes in the discount rate: The following presents the City's total pension liability calculated using the discount rate of 2.06%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.06%) or 1-percentage-point higher (3.06%) than the current rate:

	1% Decrease (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
Total pension liability	$ 8,993,238	$ 8,311,457	$ 7,682,246

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	City	ABC Board
Beginning balance	$ 8,195,994	$ 69,815
Service cost	513,563	(9,340)
Interest on the total pension liability	167,038	-
Differences between expected and actual experience in the measurement of the total pension liability	28,124	-
Changes of assumptions or other inputs	40,421	-
Benefit payments	(633,683)	(7,517)
Ending balance	$ 8,311,457	$ 52,958

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

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

Deaths after retirement (Healthy): RP-2014 Total Data Set for Healthy Annuitant Mortality Table projected generationally using MP-2015. Rates are adjusted by 104% for males and females ages 50 and older. The RP-2014 Table Data Set Employee Mortality Table is used for ages less than 50 (with no adjustments).

Deaths before retirement: RP-2014 Total Data Set Employee Mortality Table projected generationally using MP-2015.

Deaths after retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females for all ages.

Note 11. Pension Plan Obligations (Continued)

Supplemental Retirement Income Plan:

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

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

The City contribution for law enforcement officers for the year ended June 30, 2022 was $615,911 and the officers' voluntary contributions were approximately $1,068,654. The City's contribution for non-police personnel was $3,059,516 with employee voluntary contributions of approximately $2,066,486. The ABC Board's required contribution for the year ended June 30, 2022 was $7,517.

Other Post-Employment Benefits ("OPEB"):

Healthcare Benefits Plan Description – The City administers, under the terms of a City resolution, a single-employer defined benefit healthcare benefits ("HCB") plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. The plan provides post-employment healthcare benefits to employees retiring from the City with at least five years of creditable service that are eligible to receive a benefit from the North Carolina Local Governmental Employees Retirement System and do not have other insurance available. The plan has been closed for employees who were hired after June 30, 2021. The plan, which has a June 30, 2022 year-end, does not issue a stand-alone report. Management of the HCB plan is vested with the City of Asheville City Council.

For the ABC Board, the post-employment benefits provided for eligible employees who retire from the Board consist of an allowance for law enforcement officers. Due to the relative insignificance of the liability, the Board elected to accrue the entire obligations of $52,958 and $69,815 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, none of this cost was contributed which resulted in an unfunded net OPEB obligation of $52,958 and $69,815, respectively.

Plan membership of the City's HCB Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

	City HCB Plan Membership
Inactive employees or beneficiaries currently receiving benefits	185
Active employees	438
Total	623

Note 11. Pension Plan Obligations (Continued)

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

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

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

Per a City resolution, the City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. For the current year, the City contributed $1,600,000. The Fund is accounted for as a trust fund.

Investments: The City has elected to partially pre-pay the future overall cost of coverage for these benefits by establishing a trust agreement according to General Statutes 159-30.1(b). Investments of the OPEB Trust funds are made pursuant to a Deposit Agreement with the North Carolina Department of State Treasurer. The State Treasurer has the discretion to invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). At June 30, 2022, the Plan assets totaled $17,331,010 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 147-69.4. The State Treasurer's OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Long Term Investment Fund (LTIF) 43.0 percent and BlackRock's MSCI ACWI Equity Index Non-Lendable Fund B 56.9 percent. The BlackRock MSCI ACWI Equity Index Non-Lendable Fund B is priced at $27.230307 per share at June 30, 2022.

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

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

Rate of return: For the year ended June 30, 2022, the annual money weighted rate of return of investments, net of investment expense was 14.47 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 11. Pension Plan Obligations (Continued)

The components of the net OPEB liability of the City as of June 30, 2022 were as follows:

Total OPEB liability	$	37,555,234
Plan fiduciary net position		17,331,010
City's net OPEB liability	$	20,224,224
Plan fiduciary net position as a percentage of the total OPEB liability		46.15%

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods including the measurement unless otherwise specified:

Inflation	2.5 percent
Payroll Growth Assumption	3.50 to 7.8 percent, including inflation
Expected Long-term Rate of Return of Assets	5.5 percent
Discount rate	5.5 percent
Annual Health Care Trends	7.5 percent decreasing to 4.5 percent in 2026

Mortality rates were based on the RP-2014 Total Data Set Employee Mortality Table projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 115% (male) and 79% (female) for ages 50 - 78 and by 135% (male) and 116% (female) for age 78 and older. For ages less than 50 the RP-2014 is used with no adjustments.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2014 through December 31, 2018.

Discount rate: The discount rate used to measure the total OPEB liability at June 30, 2021 was 5.50 percent. Pursuant to GASB 75, for unfunded plans the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark. That index was 2.16 percent on June 30, 2021. GASB 75 permits partially funded plans to use a blend of the expected long-term rate of return on assets of 5.50 percent and the municipal bond rate described above. Based on the contribution policy adopted by the City, the FNP is projected to be sufficient to cover the promised benefits. Accordingly, the expected long-term rate of return on assets was used as a discount rate.

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

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	$ 23,187,334	$ 20,224,244	$ 17,518,897

Note 11. Pension Plan Obligations (Continued)

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*:** The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-poing higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Net OPEB liability	$ 16,959,887	$ 20,224,244	$ 23,968,558

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, the City reported a net OPEB liability of $20,224,226. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Changes in Total OPEB Liability

	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance as of June 30, 2021	$ 37,112,337	$ 16,791,432	$ 20,320,905
Changes for the year:			
Service Cost a tht end of the year	889,061	-	889,061
Interest on TOL and Cash Flows	1,974,607	-	1,974,607
Difference between expected and actual experience	(170,408)	-	(170,408)
Contributions - Employer	-	5,450,363	(5,450,363)
Net investment income	-	(2,660,422)	2,660,422
Benefit payments	(2,250,363)	(2,250,363)	-
Net changes	442,897	539,578	(96,681)
Balance as of June 30, 2022	$ 37,555,234	$ 17,331,010	$ 20,224,224

Changes in assumptions: There were no changes in assumptions and other inputs since the prior measurement date. Medical claims cost and rates were changed based on the most recent experience and changed to the current schedule. The Excise Table of 40 percent on healthcare plans that are above the thresholds set by the Affordable Care Act are effective in 2022 and has been reflected.

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB: For the year ended June 30, 2022, the City recognized OPEB expenses of $1,660,284. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 11. Pension Plan Obligations (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience and actual experience	$ 1,356,414	$ 142,923
Changes in assumption or other inputs	-	1,715,262
Net difference between projected and actual earnings on plan investments	1,689,600	-
Total	$ 3,046,014	$ 1,858,185

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be amortized over the Average Expected Remaining Services Lives or 6.77 years and recognized in OPEB Expense.as follows:

Measurement Period Ending June 30,	
2023	$ 46,230
2024	83,848
2025	196,715
2026	877,930
2027	(11,396)
Thereafter	(5,498)
	$ 1,187,829

Reconciliation for deferred outflows and deferred inflows for OPEB due to change in fund allocations:

Deferred Outflows Reconciliation-OPEB	Per Actuary	Change in Fund Allocation	Total Deferred Outflows
Governmental activities	$ 2,410,005	$ 88,584	$ 2,498,589
Water resource fund	385,321	-	385,321
Parking services fund	60,616	14,162	74,778
Mass transit fund	10,661	7,286	17,947
Street Cut Utility fund	21,018	2,915	23,933
Stormwater fund	100,214	346	100,560
Harrah's Cherokee Center	58,179	-	58,179
	$ 3,046,014	$ 113,293	$ 3,159,307

Deferred Inflows Reconciliation-OPEB	Per Actuary	Change in Fund Allocation	Total Deferred Inflows
Governmental activities	$ 1,470,197	$ -	$ 1,470,197
Water resource fund	235,060	44,173	279,233
Parking services fund	36,978	29,145	66,123
Mass transit fund	6,504	10,509	17,013
Street Cut Utility fund	12,821	2,519	15,340
Stormwater fund	61,134	-	61,134
Harrah's Cherokee Center	35,491	26,947	62,438
	$ 1,858,185	$ 113,293	$ 1,971,478

Note 11. Pension Plan Obligations (Continued)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to change in fund allocations for OPEB will be recognized in OPEB Expense in the funds as follows:

	Net Deferred Outflows/(Inflows) of Resources							
Years ended June 30:	Governmental Activities	Water Resources	Parking Services	Mass Transit	Street Cut Utility	Stormwater	Harrah's Cherokee Center	Total
2023	$ 49,724	$ (22,800)	$ (411)	$ (5,650)	$ (1,061)	$ 346	$ (20,148)	$ -
2024	38,860	(21,373)	(14,572)	2,427	1,457	-	(6,799)	-
Total	$ 88,584	$ (44,173)	$ (14,983)	$ (3,223)	$ 396	$ 346	$ (26,947)	$ -

Total pension and OPEB-related deferred outflows of resources:

Total Pension-related deferred outflows of resources:

	LGERS	LOESSA	OPEB	Total
Differences between expected and actual experience	$ 4,967,619	$ 315,214	$ 1,356,414	$ 6,639,247
Changes of assumptions	9,810,062	563,486	-	10,373,548
Net difference between project and actual earnings on pension plan investments	-	-	1,689,600	1,689,600
Change in proportionate share between City funds	-	-	113,293	113,293
City contributions subsequent to the measurement date	8,518,795	293,436	-	8,812,231
Total	$ 23,296,476	$ 1,172,136	$ 3,159,307	$ 27,627,919

Total pension and OPEB-related deferred inflows of resources:

Total pension-related deferred inflows of resources:

	LGERS	LOESSA	OPEB	Total
Differences between expected and actual experience	$ -	$ 285,063	$ 142,923	$ 427,986
Changes of assumptions	-	92,462	1,715,262	1,807,724
Net difference between project and actual earnings on pension plan investments	22,308,813	-	-	22,308,813
Change in proportionate share between City funds	-	-	113,293	113,293
Changes in proportion and differences between City contributions and proportionate share of contributions	1,289,402	-	-	1,289,402
Total	$ 23,598,215	$ 377,525	$ 1,971,478	$ 25,947,218

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

Note 11. Pension Plan Obligations (Continued)

The ABC Board 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 the employee's death, but the benefit may not exceed $50,000 or be less than $25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the ABC Board, the ABC Board does not determine the number of eligible participants. The ABC Board has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The ABC Board considers these contributions to be immaterial.

Note 12. Deferred Outflows and Inflows of Resources

The City has several deferred outflows and inflows of resources. The City's deferred outflows at June 30, 2022 comprised of the following:

	Governmental Activities	Business-Type Activities
Contributions to the pension plans subsequent the measurement date	$ 7,033,507	$ 1,778,724
Other Pension and OPEB related deferrals	15,008,816	3,806,872
Deferred charge on refunding	1,101,501	882,159
Total Deferred Outflows	$ 23,143,824	$ 6,467,755

Deferred inflows of resources are comprised of the following:

	Governmental Activities	Business-Type Activities
General fund:		
Prepaid Ad Valorem taxes	$ 53,551	$ -
Taxes receivable, less penalties	177,752	-
Lease Receivable	2,996,266	-
General capital projects fund:		
Grant funds receivable	332,784	-
Grants Program fund:		
Grant funds receivable	308,414	-
Non-major governmental funds:		
Grant funds receivable	124,601	-
Total governmental funds deferred inflows	3,993,368	-
Pension deferral	19,113,864	4,861,876
OPEB deferrals	1,470,197	501,281
Lease Receivable	-	3,627,802
Revenue recognized on the governmental activities	(943,551)	-
Total deferred inflows	$ 23,633,878	$ 8,990,959

Note 13. Unearned Revenue

The balance in unearned revenue at year-end is comprised of the following:

General fund:		
General Revenue	$	3,713
Capital Projects Fund:		
Grants		10,000
Grant Programs Fund:		
Grants		19,337,947
Non-major governmental funds:		
Grants		51,088
Total government activities	$	19,402,748
Water resources fund:		
Prepaid water charges	$	500,272
Non-major business funds:		
Grants		197,213
Mass Transit Fund		
Grants		289,769
Total business-type activities	$	987,254

Note 14. Commitments and Contingent Liabilities

Federal and state assisted programs: The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

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

Note 15. Subsequent Events

The City has evaluated events subsequent to November 9, 2022, to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements.

Note 16. GASB Pronouncements

Pronouncements Implemented in the Current Year

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective for fiscal years that end June 30, 2022. The statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As part of implementing the statement, the City performed a comprehensive review of its leases relationships and applied the criteria within the guidance. As a result beginning net position was not affected.

Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2022, that have effective dates that may affect future financial presentation.

The City has not yet evaluated the effect of implementation of the following GASB pronouncements.

Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

Note 16. GASB Pronouncements (Continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. However, there was no material impact during fiscal year 2022.

Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Required Supplementary Financial Data

(unaudited)

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

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

City of Asheville

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*

	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost at end of year	**$ 889,061**	$ 982,590	$ 931,367	$ 1,329,239	$ 1,387,138	$ 1,484,673
Interest on the total OPEB liability	**1,974,609**	1,928,067	1,887,361	1,477,508	1,357,441	1,193,537
Difference between expected and actual experience	**(170,408)**	862,157	796,290	614,907	229,013	-
Changes of assumptions or other inputs	**-**	(363,344)	-	(2,550,116)	(1,260,476)	(1,834,783)
Benefit payments*	**(2,250,363)**	(2,705,778)	(3,003,716)	(2,549,739)	(1,833,676)	(1,796,639)
Net change in total OPEB liability	**442,899**	703,692	611,302	(1,678,201)	(120,560)	(953,212)
Total OPEB liability – beginning	**37,112,337**	36,408,645	35,797,343	37,475,544	37,596,104	38,549,316
Total OPEB liability – ending (a)	**37,555,236**	37,112,337	36,408,645	35,797,343	37,475,544	37,596,104
Plan fiduciary net position:						
Contributions – employer***	**5,450,363**	2,705,778	4,603,716	3,949,739	1,833,676	2,796,639
Net investment income	**(2,660,422)**	2,832,796	617,425	753,413	1,628,683	647,620
Benefit payments**	**(2,250,363)**	(2,705,778)	(3,003,716)	(2,549,740)	(1,833,676)	(1,796,639)
Administrative expense	**-**	-	-	-	(18,222)	-
Net change in plan fiduciary net position	**539,578**	2,832,796	2,217,425	2,153,412	1,610,461	1,647,620
Plan fiduciary net position – beginning	**16,791,432**	13,958,636	11,741,211	9,587,799	7,977,338	6,329,718
Plan fiduciary net position – ending (b)	**17,331,010**	16,791,432	13,958,636	11,741,211	9,587,799	7,977,338
Net OPEB liability – ending (a) - (b)	**$ 20,224,226**	$ 20,320,905	$ 22,450,009	$ 24,056,132	$ 27,887,745	$ 29,618,766

Notes to Schedule

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

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

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

** Benefit payments are net of participant contributions. Net benefit payments of $2,250,363 paid directly from the employer are also included.

*** Employer contributions include $2,250,363 paid directly from the employer and $3,200,000 contributions made to the OPEB Trust.

City of Asheville

Required Supplementary Information
OPEB Schedule of Employer Contributions
Last Ten Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	**$ 2,088,820**	$ 2,022,369	$ 2,813,919	$ 2,617,180	$ 3,154,334	$ 2,956,218	$ 3,074,210
Contributions in relation to the actuarially determined contribution	**5,450,363**	2,705,778	4,603,716	3,949,739	1,833,676	2,796,639	2,732,062
Annual contribution deficiency (excess)	**$ (3,361,543)**	$ (683,409)	$ (1,789,797)	$ (1,332,559)	$ 1,320,658	$ 159,579	$ 342,148
Covered payroll**	**$ 29,742,583**	$ 29,742,583	$ 31,230,511	$ 31,230,511	$ 51,490,890	$ 51,490,890	$ 51,490,890
Contribution as a percentage of covered-employee payroll	**18.33%**	9.10%	14.74%	12.65%	3.56%	5.43%	5.31%

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

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

City of Asheville

Required Supplementary Information
Schedule of Net OPEB Liability
Last Ten Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability	**$ 37,555,236**	$ 37,112,337	$ 36,408,645	$ 35,797,346	$ 37,475,544	$ 37,596,104	$ 38,549,316
Plan fiduciary net position	**17,331,010**	16,791,432	13,958,636	11,741,211	9,587,799	7,977,338	6,329,717
Net OPEB liability	**$ 20,224,226**	$ 20,320,905	$ 22,450,009	$ 24,056,135	$ 27,887,745	$ 29,618,766	$ 32,219,599
Plan fiduciary net position as a percentage of the total OPEB liability	**46.15%**	45.24%	38.34%	32.80%	25.58%	21.22%	16.42%
Covered payroll**	**$ 29,742,583**	$ 29,742,583	$ 31,230,511	$ 31,230,511	$ 51,490,890	$ 51,490,890	$ 51,490,890
Net OPEB liability as percentage of covered payroll	**68.00%**	68.32%	71.88%	77.03%	54.16%	57.52%	62.57%

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

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

City of Asheville

Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability (Asset) for
Local Government Employees' Retirement System
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) (%)	**1.02%**	1.05%	1.04%	1.03%	0.99%	0.98%	1.02%	0.99%	1.02%
City's proportion of the net pension liability (asset) ($)	**$15,614,768**	$37,418,058	$28,358,986	$24,417,330	$15,266,244	$20,765,576	$ 4,563,170	$ (5,818,381)	$12,314,203
City's covered employee payroll	**$62,678,524**	$64,324,536	$60,642,521	$57,979,959	$55,124,606	$54,033,708	$52,814,551	$47,243,636	$49,979,929
City's proportion of the net pension liability (assets) as a percentage of its covered-employee payroll	**24.91%**	58.17%	46.76%	42.11%	27.69%	38.43%	8.64%	-12.32%	24.64%
Plan fiduciary net position as a percentage of the total pension liability**	**95.51%**	88.61%	91.63%	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 ended June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

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

City of Asheville

Required Supplementary Information
Schedule of Contributions to
Local Government Employees' Retirement System
Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	**$ 8,518,795**	$ 7,013,294	$ 6,182,372	$ 5,147,263	$ 4,714,508	$ 4,317,255	$ 3,725,217	$ 3,792,738	$ 3,568,128
Contribution in relation to the contractually required contribution	**8,518,795**	7,013,294	6,182,372	5,147,263	4,714,508	4,317,255	3,725,217	3,792,738	3,568,128
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	**$ 67,421,102**	$ 62,678,524	$ 64,324,536	$ 60,642,521	$ 57,979,959	$ 55,124,606	$ 54,033,708	$ 52,814,551	$ 47,243,636
Contributions as percentage of covered-employee payroll	**12.64%**	11.19%	9.61%	8.49%	8.13%	7.83%	6.89%	7.18%	7.55%

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

City of Asheville

Required Supplementary Information
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance

	2022	2021	2020	2019	2018	2017
Total pension liability:						
Service cost at end of year	**$ 513,563**	$ 354,936	$ 342,934	$ 341,057	$ 270,136	$ 293,341
Interest	**167,038**	254,233	273,300	225,204	263,231	254,404
Difference between expected and actual experience	**28,124**	(431,249)	74,674	805,349	89,765	-
Changes of assumptions or other inputs	**40,421**	542,125	246,953	(305,018)	408,573	(158,932)
Benefit payments	**(633,683)**	(645,218)	(649,873)	(720,265)	(728,632)	(662,420)
Net change in total pension liability	**115,463**	74,827	287,988	346,327	303,073	(273,607)
Total pension liability – beginning	**8,195,994**	8,121,167	7,833,179	7,486,852	7,183,779	7,457,386
Total pension liability – ending	**$ 8,311,457**	$ 8,195,994	$ 8,121,167	$ 7,833,179	$ 7,486,852	$ 7,183,779
Covered payroll	$ 14,006,091	$ 14,006,091	$ 12,923,253	$ 11,649,921	$ 10,663,986	$ 11,005,974
Total pension liability as a percentage of covered payroll	59.34%	58.52%	62.84%	67.24%	70.21%	65.27%

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

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the plan provide pay related benefits.

December 31, 2021 Measurement Date: The Municipal Bond Index Rate Decreased from 2.12% to 2.06%.
December 31, 2020 Measurement Date: The Municipal Bond Index Rate Decreased from 3.26% to 2.12%.
December 31, 2019 Measurement Date: The Municipal Bond Index Rate Decreased from 3.64% to 3.26%.
December 31, 2018 Measurement Date: The Municipal Bond Index Rate Increased from 3.16% to 3.64%.
December 31, 2017 Measurement Date: The Municipal Bond Index Rate Decreased from 3.86% to 3.16%.
December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%. The assumed inflation was reduced from 3% to 2.5% and assumed wage inflation was increased from .5% to 1%.

APPENDIX C

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

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

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

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

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

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

APPENDIX D

CERTAIN CONSTITUTIONAL, STATUTORY, AND ADMINISTRATIVE PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL GOVERNMENT OF THE STATE OF NORTH CAROLINA

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APPENDIX D

CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL GOVERNMENT OF THE STATE OF NORTH CAROLINA

CONSTITUTIONAL PROVISIONS

The North Carolina Constitution (the "*Constitution*") requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

(a) to fund or refund a valid existing debt;

(b) to supply an unforeseen deficiency in the revenue;

(c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;

(d) to suppress riots or insurrections;

(e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and

(f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit's outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for "public purposes." The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather, it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding $300, any personal property. The General Assembly may also exempt from taxation not exceeding $1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

THE LOCAL GOVERNMENT BOND ACT

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "*Act*") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

"*Net debt*" is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (c) below, (c) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits "balloon installments" in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the

Commission and the Commission may require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

SHORT-TERM OBLIGATIONS

Bond Anticipation Notes – Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

Tax Anticipation Notes – Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

Revenue Anticipation Notes – Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

Grant Anticipation Notes – Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

THE LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the "*Fiscal Control Act*"), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units.

Budget – The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

Fiscal Control – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

MAJOR GENERAL FUND REVENUE SOURCES

Ad Valorem Tax – Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

Tax Base – The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

(1) Tangible household personal property is excluded from the property tax base.

(2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.

(3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.

(4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.

(5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:

   (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).

   (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.

   (c) Certain pollution abatement and resource recovery equipment.

   (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.

   (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.

(f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.

(6) A homestead exemption of the greater of $25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

(7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use.

Appraisal Standard – All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

Frequency of Appraisal – Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

Tax Day – All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

Tax Levy – Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed $1.50 per $100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

Tax Collection – The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

LOCAL GOVERNMENT SALES AND USE TAXES

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

ALCOHOLIC BEVERAGE CONTROL STORE PROFITS

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of $20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and $10 of the $20 is paid to the State's General Fund.

INTRAGOVERNMENTAL SHARED REVENUES

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus $2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

STATE AND LOCAL FISCAL RELATIONS

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

Public Schools and Community Colleges – The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

Court System – The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

Correctional System – The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

Highway System – The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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Parker Poe

February ___, 2023

City of Asheville, North Carolina
Asheville, North Carolina

$22,405,000
City of Asheville, North Carolina
General Obligation Refunding Bonds, Series 2023

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of the $22,405,000 City of Asheville, North Carolina (the "*City*") General Obligation Refunding Bonds, Series 2023 (the "*Bonds*").

The Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times established in a bond resolution adopted by the City Council of the City (the "*City Council*") on December 13, 2022 related to the Bonds (the "*Bond Resolution*") and in the Pricing Certificate (as defined in the Bond Resolution).

In connection with the issuance of the Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

a. Certified copies of the Bond Resolution and the Bond Order (as defined in the Bond Resolution);

b. A specimen Bond; and

c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the "*State*"), including The Local Government Bond Act, Section 159-43 *et seq*., of the General Statutes of North Carolina.

2. The Bonds are legal, valid and binding general obligations of the City.

3. The City has pledged its faith and credit for the payment of the principal of and the interest on the Bonds. The City is authorized to levy on all property taxable by the City such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax, although we observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative

minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds is exempt from State of North Carolina income taxation.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors' rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

Our services as bond counsel in connection with the issuance of the Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax status of interest with respect thereto.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the "*Official Statement*"), or any other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion herein relating thereto (excepting only the matters set forth as our opinion in the Official Statement and the section entitled "TAX TREATMENT") or as to the financial resources of the City or the ability of the City to make the payments required on the Bonds that may have been relied on by anyone in making the decision to purchase the Bonds.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents, opinions and proceedings. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

PARKER POE ADAMS & BERNSTEIN LLP

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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APPENDIX F

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, AND OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

The Depository Trust Company
a subsidiary of The Depository Trust & Clearing Corporation

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. so long as Cede & Co. is the registered owner of the Bonds, as DTC's partnership nominee, reference herein to the owners or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests with respect to the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds arc credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Commission, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE CITY AND THE COMMISSION CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commission and the City. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

10. The Commission or the City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the City believe to be reliable, but the Commission and the City take no responsibility for the accuracy thereof.

THE COMMISSION AND THE CITY HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE BOND RESOLUTION TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL PREPAYMENT OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

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CITY OF ASHEVILLE
NORTH CAROLINA