

City of Asheville, North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



Prepared by the Finance Department



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CITY OF ASHEVILLE

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Introductory Section

(Unaudited)

This section of the City of Asheville's comprehensive annual report presents general information on the City of Asheville's structure, its values, and the environment in which it operates. It also contains the *Certificate of Achievement for Excellence in Financial Reporting* for its comprehensive annual financial report for the previous fiscal year.



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City of Asheville, NC

Finance Department

October 31, 2014

To the Honorable Mayor,
Members of the Governing Council,
and Citizens of the City of Asheville, North Carolina

State law requires that all municipal governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America (GAAS) and generally accepted government auditing standards (GAGAS), if required, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Asheville (the “City”) for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent certified public accounting firm of Cherry Bekaert LLP has audited the City’s financial statements. The objective of the audit was to provide reasonable assurance that the City’s financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on their audit, Cherry Bekaert LLP concluded that the City’s financial statements, for the fiscal year ended June 30, 2014, are presented fairly in accordance with GAAP in all material respects. The report of independent auditor is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the City’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. In addition, the state of North Carolina has a similar requirement for state funds required under the “*State Single*

Audit Implementation Act.” The results of the City’s Single Audit engagement can be found in the compliance section of this report.

Management’s discussion and analysis (“MD&A”) immediately follows the report of independent auditor and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Government

The City, incorporated in 1797, is located in the western part of the state, which is considered to be the top growth area in the state and one of the top growth areas in the country. Asheville currently occupies a land area of approximately 44.2 square miles and serves a population of 88,003. The City is the county seat of Buncombe County, the largest city in Western North Carolina and the tenth largest city in the State. Asheville is nestled between the Blue Ridge and Great Smoky Mountains and located astride the French Broad and Swannanoa Rivers. The City is surrounded by lush mountains, many with elevations above 5,000 feet. Asheville’s natural and architectural beauty, moderate climate, strong job market and outstanding educational and health care facilities make it one of the most attractive locations in the United States. Asheville is consistently ranked high among the best places to live, work, and retire. The City’s long-range planning is directed toward preserving this area’s high quality of life, so that it shall remain one of the “best places.”

The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (“Council”) consisting of the mayor and six other members. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term. The Council is responsible for adopting the budget and appointing the city manager, city attorney and city clerk. The city manager is responsible for implementing council policies, city ordinances, and managing daily operations and appointing department directors.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets, and other infrastructure; solid waste services and water service; and recreational activities and cultural events. The financial reporting entity includes all the funds and account groups of the City of Asheville (primary government), as well as all of its component units. Component units are legally separate entities for which the government is financially accountable. Blended component units, although legally separate entities, are in substance part of the City’s operations and, as such, are included in the reporting entity. The Asheville Public Financing Corporation and the Asheville Claims Corporation are reported as blended component units, and, as such, are not presented in the Basic Financial Statements. The Asheville Alcoholic Control Board is reported as a discretely presented component unit and is presented in a separate column in the Basic

Financial Statements to emphasize that it is legally separate from the primary government and to distinguish its financial position, results of operations and cash flows from that of the primary government.

In government, much more than in private business, the budget is an integral part of a unit's accounting system and daily operations. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The City's budget ordinance, passed by Council, establishes a legal limit on spending authorizations. In general, the City's operating budget remains in effect for one year. However, capital projects funds and grant funds are budgeted, as permitted by statute, for the life of each individual project. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by fund or project total. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each department or project. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. Encumbered amounts lapse at year-end. However, encumbrances are re-appropriated in the following year's budget. Budgetary control is also facilitated by the use of an automated employee position classification system, which requires that every permanent position be budgeted.

Local Economy

The City is the regional center of manufacturing, transportation, health care, banking, professional services and shopping. The economy is diverse, with strong representation in health care, retail trade and tourism. The area's leading industry in terms of employment is trade, transportation and utilities, which currently employs approximately 33,300 people. Other leading industry sectors include education and health services, leisure and hospitality services, and government. Together these four sectors account for slightly over 66% of all jobs in the Metropolitan Statistical Area ("MSA").

The City's setting in the heart of a vast and beautiful recreational area has made tourism an important part of the local economy. The most recent data from the N.C. Department of Commerce indicate that domestic tourism in Buncombe County generated an economic impact of \$901 million in 2013. Buncombe County ranks 5th in travel impact among the state's 100 counties. More than 9,700 jobs in Buncombe County are directly linked to travel and tourism. Hotel/motel sales and airport activity are good indicators of the status of the local tourist economy. Hotel/motel sales grew year over year by 9.6% for the seven months ended July 2014; the total number of airport passengers through the Asheville Regional Airport rose 12.6% for the same period.

In addition to being an important indicator of overall local economic health, Buncombe County taxable sales activity also directly impacts the City's general fund budget through sales tax receipts. Since the end of the Great Recession, sales have rebounded as reflected in year over year changes of 5.9%, 9.8%, and 4.3% for years ending June 30 of 2012, 2013, and 2014, respectively. \$3.8 billion in taxable sales were reported in Buncombe County during FY2014.

The area unemployment rate is another critical indicator of the relative strength in the economy. During the recession, the unemployment rate in Buncombe County peaked at 9.7% in February 2010. As the local labor market continues to improve, that rate has dropped and stood at 5.1% in July 2014. This compares favorably to the 6.3 rate reported for July 2013. Local unemployment rates are below both the statewide rate (6.9%) and the national rate (6.5%).

Long-Term Financial Planning

The Capital Improvement Program (“CIP”) is a five-year financing plan for infrastructure improvements, facility construction and improvement, and equipment acquisition. The City’s emphasis on long-range capital improvement planning focuses attention on current and future needs of the community and on balancing those needs with the City’s fiscal resources.

In order to be included in the CIP, a capital item or construction project must have a useful life of more than one year and an initial cost of at least \$50,000. All capital items not meeting these criteria are included in the annual operating budget as capital outlay. The one exception to this rule is vehicle purchases which, regardless of price, are included in the CIP.

The CIP is updated annually based on guidance from City Council, and input from the public and city staff. The five year FY2014-2019 CIP was influenced by a number of other planning processes, including the City’s long-range Strategic Operating Plan, the Unified Development Ordinance, the River Redevelopment Plan, the East of the Riverway Work Plan, the Parks & Recreation Master Plan, and the Pedestrian Thoroughfare Plan. By their adoption of a 3-cent property tax rate increase, Council expanded the scope of the 2014 CIP and directed those resources into infrastructure improvements that leverage private investment. The five-year plan provides \$132 million, net of external funding sources, in general government capital expenditures. The corresponding financing plan envisions approximately \$84 million in new debt before factoring existing debt maturity.

CIP items and projects in the Water Resources Operating and Capital Improvement Funds are funded with utility revenues generated by the Water Resources Operating Fund and a capital maintenance fee. The five-year capital improvement project budget approved in FY2014 totals \$56.5 million.

Relevant Financial Policies

The Fiscal Management Section of the North Carolina State Treasurer’s Office suggests local governments with taxing authority maintain an available fund balance, in their general fund, equal to (the larger of) eight percent of general fund expenditures or half the population group average. The City’s fund balance policy is to maintain an unassigned fund balance of no less than 15 percent of the General Fund operating budget excluding capital expenditures. The City’s fund balance in the General Fund decreased during the economic recession but has increased in each of the last two fiscal years. At June 30, 2014, the unassigned fund balance is approximately 16 percent of General Fund expenditures.

Insurance Programs

The City maintains various risk management programs for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the City's internal service funds. For its self-insured health benefits program, the City retains the services of third party administrators for the professional management and adjustments of claims. The City's health benefits are self-insured for claims below a \$150,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance. All liability and workers' compensation claims are managed internally by the City's Risk Management staff in consultation with legal and other outside parties on a case-by-case basis. The City is self-insured for liability claims up to \$500,000 per occurrence. The City purchases excess liability insurance with limits of \$15,000,000 across all liability lines – general, public officials, law enforcement, employment practices and automobile. The City also purchases insurance for real and personal property assets, including dams, in the amount of \$237,049,001. Coverage limits include \$10,000,000 sub-limits for flood and earthquake. The City is also self-insured as provided under North Carolina General Statutes for Workers Compensation and Employer Liability. The City retains out-of-pocket costs up to \$600,000 per event for workers' compensation claims. Excess workers' compensation insurance with statutory limits is maintained for any claims exceeding the \$600,000 self-insured retention. 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.

Awards and Acknowledgements

The Governmental Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2013. This was the thirty-fourth time that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2013. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

We recognize the City's responsibility for the contents of this report and would like to express our appreciation for the cooperation and assistance of our independent auditor,

Cherry Bekaert LLP, in its preparation. Also, this report would not have been possible without the efficient and dedicated service of the entire staff of the City's Accounting Division as well as the cooperation of all other departments and divisions of the City. We would also like to thank the members of Council for their interest and support.

As required by North Carolina General Statute 159-34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. In addition, a copy will be sent to the City Clerk to be available for public inspection.

Respectfully submitted,



Gary W. Jackson
City Manager



Barbara Whitehorn
Director of Finance and Management Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

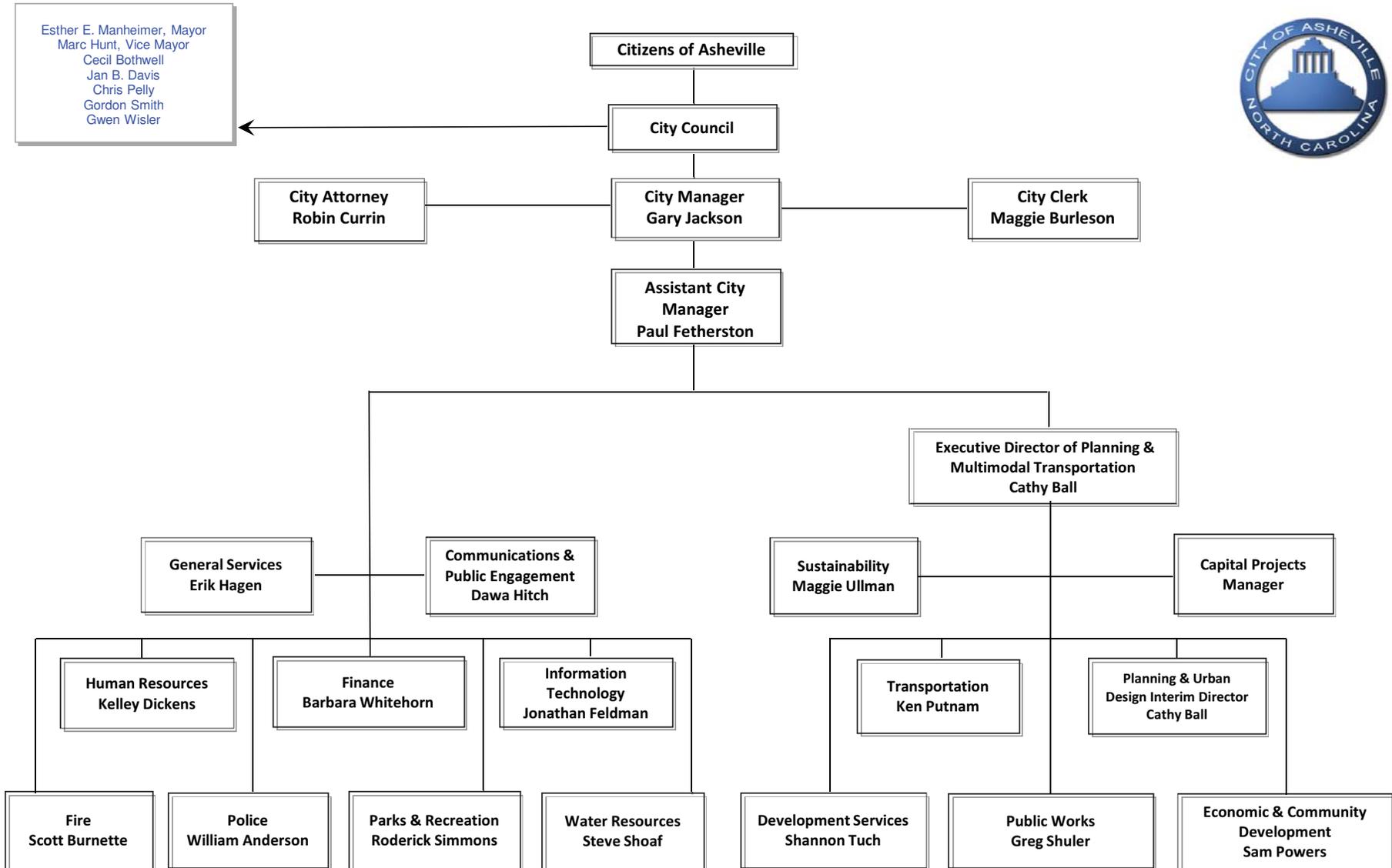
Presented to

**City of Asheville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



The ASHEVILLE way

Continuous Improvement

Asheville employees are trained professionals who improve service delivery by balancing needs, resources and innovation.

Integrity

Asheville employees demonstrate character with courage, honesty and pride.

Diversity

Asheville employees value and respect a diverse community, workforce and ideas.

Safety and Welfare

Asheville employees value the safety and welfare of our employees and the citizens we serve.

Excellent Service

Asheville employees strive to address needs with courtesy, compassion, timeliness, efficiency and commitment.

*Our Quality of Service,
Your Quality of Life*





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Financial Section

This section of the City of Asheville's comprehensive annual report presents the basic financial statements and Required Supplementary Information (including Management's Discussion and Analysis), as well as the report of independent auditor. In addition, the financial section contains combining statements for non-major fund types, individual fund schedules and other supplemental information.



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Report of Independent Auditor

To the Honorable Mayor and
Members of the City Council
City of Asheville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Asheville, North Carolina (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Asheville ABC Board (the "Board"). Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City. The introductory section, major funds schedules, combining and individual fund statements and schedules, other supplementary information, statistical tables, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major funds schedules, combining and individual fund statements and schedules, other supplementary information, other supplementary schedules and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 31, 2014

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of the City of Asheville (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. 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 \$369.3 million (net position). Of this amount, \$80 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 \$369.3 million represents an increase of \$9.4 million over fiscal year 2013's net position of \$359.9 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39.6 million, an increase of \$747,000 in comparison with the prior year's amount of \$38.8 million. The unassigned portion of the General Fund balance is \$15 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 \$24.5 million.
- The City's total long-term liabilities decreased by \$5.4 million during the current fiscal year. This decrease is primarily attributable to the payment of principal on the City's debt in conformance with the applicable maturity schedules net of new installment financing contracts in the amount of \$1.8 million. The City holds the following general obligation bond ratings:

Moody's	Aaa
Standard & Poor's	AA+

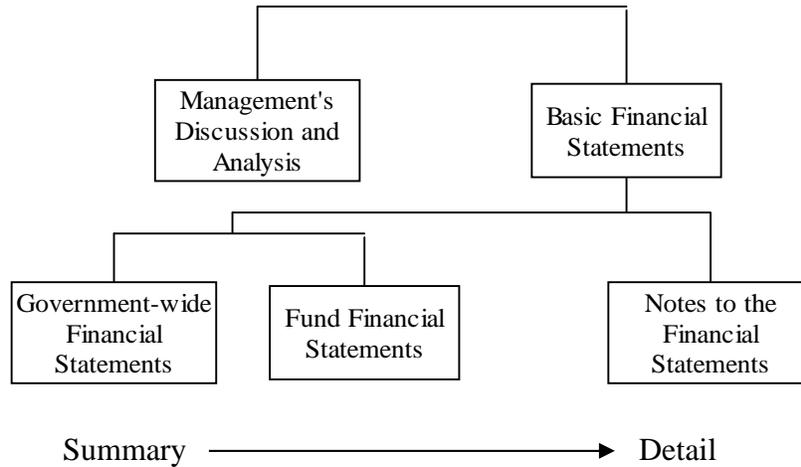
OVERVIEW OF THE FINANCIAL STATEMENTS

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) Circular A-133 and the North Carolina Single Audit Implementation Act (Figure 1).

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, **supplemental 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. The supplemental section also contains funding information about the City's pension plans and postemployment healthcare and dental benefits plans.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, Recreation, Transportation, Community and Economic Development, and General Government. Property taxes, sales tax, and other local taxes finance about 65 percent of the costs of these activities. Business-type activities include Water Utility, Stormwater Management, Parking, Street Cut, U.S. Cellular Center, 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 General Fund as its primary source 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 seven 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 and the General Capital Projects 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, U.S. Cellular Center, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 37-79 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 80-83 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 supplemental 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 exceeded liabilities and deferred inflows by \$369.3 million as of June 30, 2014 (Figure 2).

By far the largest portion of the City's net position (\$272.9 million or 73.9 percent) reflects the City's net 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 -

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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. Restricted net assets, 4.3 percent of the City's net assets, represent resources that are subject to external restrictions. These restrictions consist of state statute, community development activities, and cemetery maintenance. In addition, total unrestricted net assets amounted to 21.8 percent of total net position. Unrestricted net assets may be used to meet the government's ongoing obligation to citizens and creditors.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 66,669	\$ 65,223	\$ 65,192	\$ 59,579	\$ 131,861	\$ 124,802
Capital assets	159,586	162,857	212,105	212,684	371,691	375,541
Deferred outflows of resources	<u>22</u>	<u>28</u>	<u>52</u>	<u>58</u>	<u>74</u>	<u>86</u>
Total assets and deferred outflows of resources	<u>226,277</u>	<u>228,108</u>	<u>277,349</u>	<u>272,321</u>	<u>503,626</u>	<u>500,429</u>
Non-current liabilities	31,032	36,196	74,641	78,342	105,673	114,538
Other liabilities	19,605	15,565	9,037	10,247	28,642	25,812
Deferred inflows of resources	<u>7</u>	<u>143</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>143</u>
Total liabilities and deferred inflows of resources	<u>50,644</u>	<u>51,904</u>	<u>83,678</u>	<u>88,589</u>	<u>134,322</u>	<u>140,493</u>
Net Position:						
Net Investment in capital assets, net of related debt	134,534	139,093	138,358	130,733	272,892	269,826
Restricted	15,968	13,044	-	-	15,968	13,044
Unrestricted	<u>25,131</u>	<u>24,067</u>	<u>55,313</u>	<u>52,999</u>	<u>80,444</u>	<u>77,066</u>
Total net position	<u>\$ 175,633</u>	<u>\$ 176,204</u>	<u>\$ 193,671</u>	<u>\$ 183,732</u>	<u>\$ 369,304</u>	<u>\$ 359,936</u>

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 18,286	\$ 16,371	\$ 46,769	\$ 45,823	\$ 65,055	\$ 62,194
Operating grants and contributions	6,092	7,275	2,504	2,840	8,596	10,115
Capital grants and contributions	3,240	4,474	4,973	6,199	8,213	10,673
General revenues:						
Property taxes	52,053	46,836	-	-	52,053	46,836
Other taxes	18,140	17,310	-	-	18,140	17,310
Grants and contributions not restricted to specific programs	8,682	10,415	-	-	8,682	10,415
Investment earnings	190	95	194	83	384	178
Miscellaneous	1,147	680	104	171	1,251	851
Total revenues	<u>107,830</u>	<u>103,456</u>	<u>54,544</u>	<u>55,116</u>	<u>162,374</u>	<u>158,572</u>
Expenses:						
General government	17,909	15,049	-	-	17,909	15,049
Public safety	45,206	49,988	-	-	45,206	49,988
Environmental services	6,083	9,869	-	-	6,083	9,869
Community development	8,682	5,389	-	-	8,682	5,389
Transportation	17,456	14,693	-	-	17,456	14,693
Culture and recreation	9,923	10,665	-	-	9,923	10,665
Interest on long-term debt	856	662	-	-	856	662
Water resources	-	-	28,107	31,539	28,107	31,539
Parking services	-	-	3,121	2,446	3,121	2,446
Street Cut Utility	-	-	1,417	1,337	1,417	1,337
Stormwater	-	-	3,318	2,596	3,318	2,596
U.S. Cellular Center	-	-	3,635	3,137	3,635	3,137
Mass transit	-	-	7,293	7,654	7,293	7,654
Golf course	-	-	-	2,081	-	2,081
Total expenses	<u>106,115</u>	<u>106,315</u>	<u>46,891</u>	<u>50,790</u>	<u>153,006</u>	<u>157,105</u>
Increase (decrease) in net position before transfers	1,715	(2,859)	7,653	4,326	9,368	1,467
Transfers	(2,286)	(2,434)	2,286	2,434	-	-
Increase (decrease) in net position	<u>(571)</u>	<u>(5,293)</u>	<u>9,939</u>	<u>6,760</u>	<u>9,368</u>	<u>1,467</u>
Net position, beginning of year	176,204	181,497	183,732	176,972	359,936	358,469
Net position, end of year	<u>\$ 175,633</u>	<u>\$ 176,204</u>	<u>\$ 193,671</u>	<u>\$ 183,732</u>	<u>\$ 369,304</u>	<u>\$ 359,936</u>

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Governmental activities – In fiscal year 2014, the net position for the governmental activities declined by approximately \$571,000 (Figure 3). Key elements of this decrease are as follows:

- Current and other assets, consisting mainly of cash and investments, increased by \$1.4 million year-over-year. The majority of the increase is attributable to an increase in receivables due from other governments, to include sales taxes and federal and state grants, and an increase in interfund receivables from the Mass Transit Fund.
- Depreciation expenses exceeded capital additions by approximately \$2.3 million as well as \$900,000 in capital asset retirements.
- Governmental liabilities decreased by \$1.3 million with the majority of the decrease attributable to a \$1.2 million decrease in long term liabilities, which is attributable to the net effect of retirement and acquisition of debt.

Total governmental assets and deferred outflows decreased by approximately \$1.8 million and liabilities and deferred inflows decreased by approximately \$1.3 million. Net investments in capital assets, net of related debt, reflected a decrease of \$4.6 million. This decrease is due to a \$3.3 million decline in the value of capital assets, net of depreciation as well as a \$1.3 million decline in unexpended debt proceeds, net of debt retirement.

Total revenues reported (Figure 4) in the governmental activities for fiscal year 2014 were \$107.8 million as compared to fiscal year 2013's \$103.5 million, an increase of \$4.3 million or 4.2 percent. Charges for services revenue increased by \$1.9 million; this is primarily as a result of increased revenue from building permits and fee changes in the City's solid waste program.

Property and other taxes improved by approximately \$6.0 million, year-over-year. Property tax revenue increased by approximately \$5.2 million due to the three-cent tax rate increase that City Council approved in June 2013 for capital improvements and overall growth in the tax base. Other taxes principally comprised of sales taxes, increased year-over-year by approximately \$830,000, representing an improvement in economic activity and retail sales.

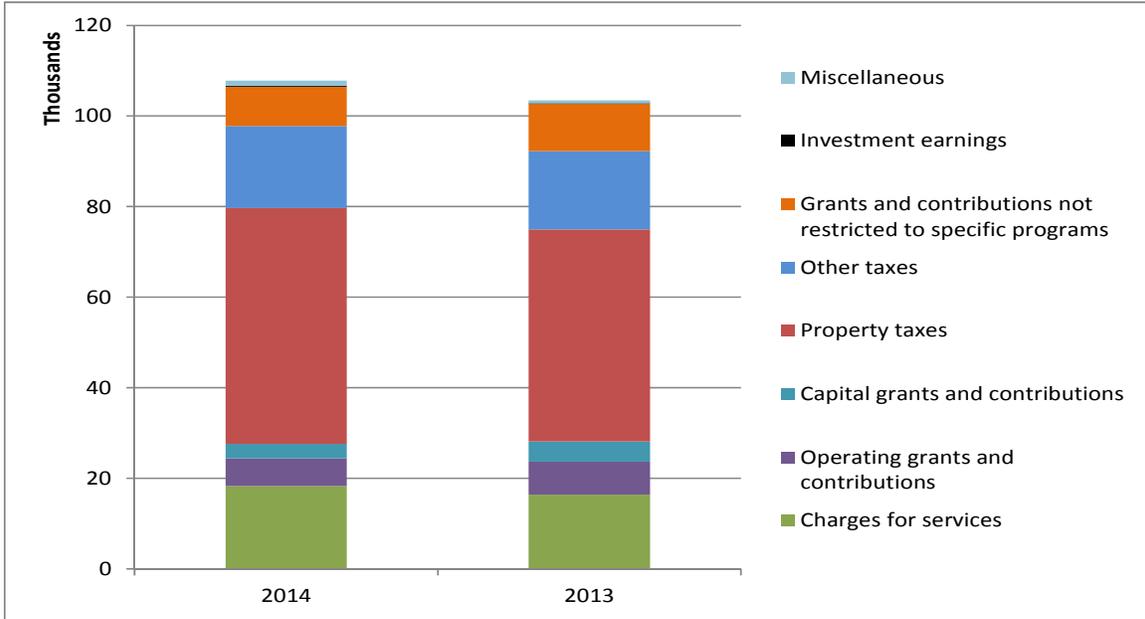
Total expenses reported (Figure 5) in the governmental activities for fiscal year 2014 were \$106.1 million as compared to fiscal year 2013's \$106.3 million, essentially remaining flat year-over-year. The year-over-year changes in General Government and Public Safety expenses were primarily due to organizational restructuring that moved certain city functions out of the public safety service area and into the general government service area. Community Development expenses reflected an increase of \$3.3 million over the prior period with the majority of the increase attributable to capital spending associated with the City's new Community and Economic Development CIP program. Specific project expenses included demolition of City property downtown, payments to the Eagle-Market Place development, and grant-funded design work for the East of the Riverway project. Year-over-year changes in transportation and environmental expenses were mainly due to the reclassification of Powell Bill expenses between the two service areas.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Analysis

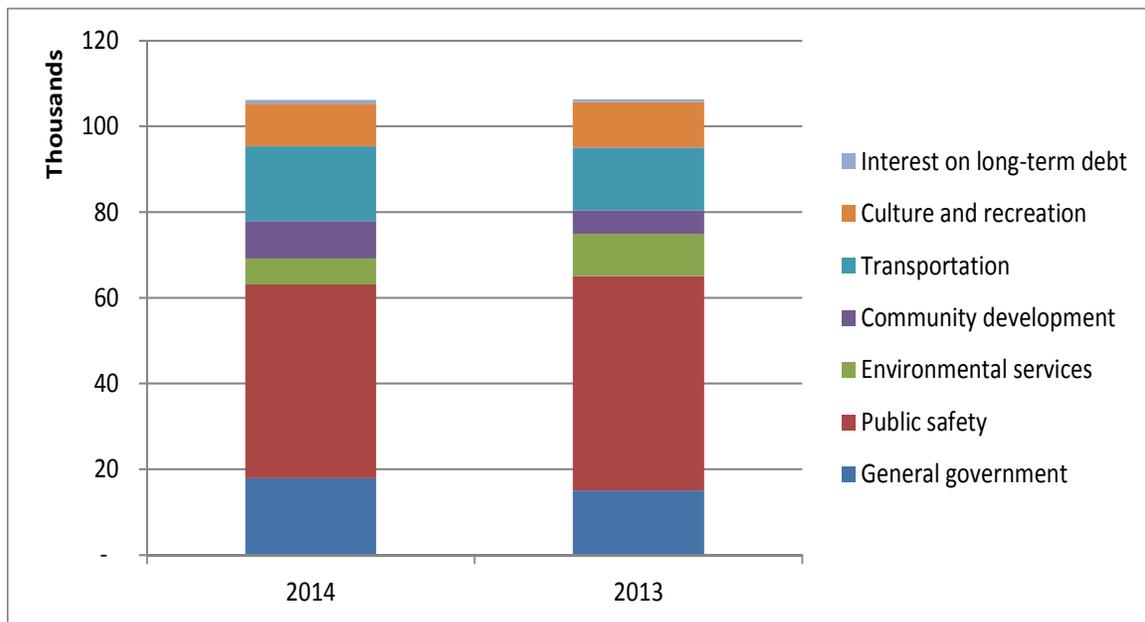
Governmental Activities Revenues

Figure 4



Governmental Activities Expenses

Figure 5



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

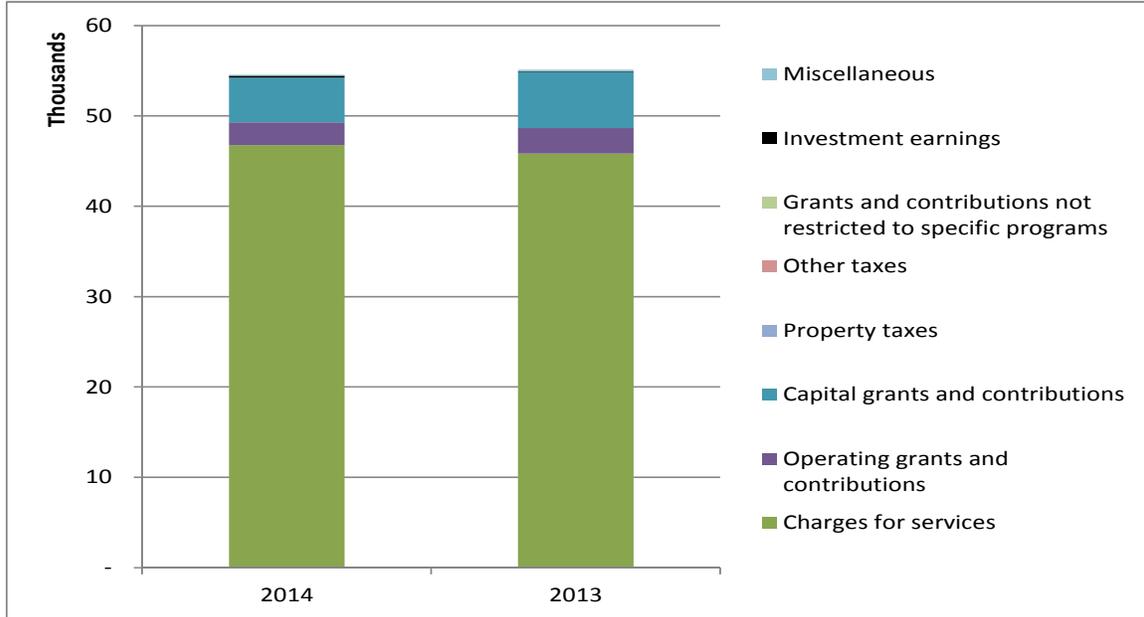
Business-type activities – The City's Net Position for business-type activities increased approximately \$9.9 million with \$6.8 million occurring in the Water Resources Fund and \$3.1 million occurring in the other enterprise funds. This increase is primarily attributable to favorable operational results (revenues generated from operations were greater than operational expenses) for overall business-type activities.

Revenues for all business-type activities, year-over-year, increased by \$572,000 (Figure 6). Expenses were down by \$3.9 million and transfers decreased by \$148,000 (Figure 7). Key elements of these changes are as follows:

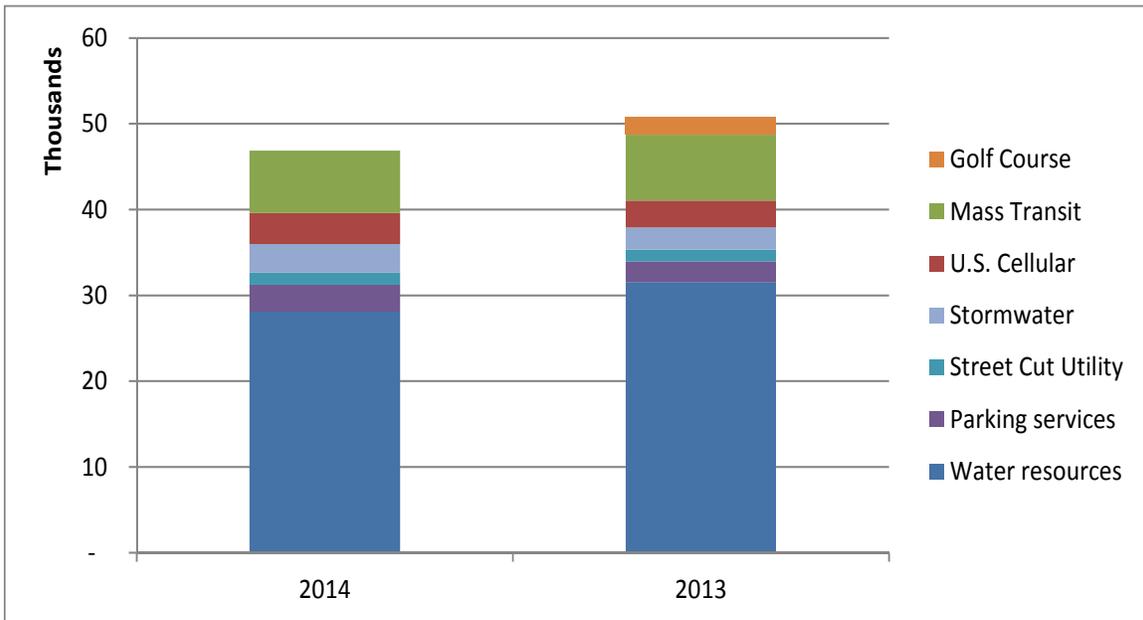
- Charges for services increased by \$946,000 from fiscal year 2013 to fiscal year 2014 with the majority of the increase occurring in the Water Resources and Parking Services funds as a result of Council-approved fee increases.
- Operating grants and contributions decreased by \$336,000 primarily due to a decrease in grant funding for Mass Transit.
- Capital grants and contributions decreased year-over-year by \$1.2 million, which is attributable to grant funding for bus purchases in Mass Transit that were received in fiscal year 2013.
- Revenues and expenses in business-type activities in fiscal year 2014 were both impacted by the City's decision to contract out the operation of its municipal golf course after the start of fiscal year 2013. As a result, fiscal year 2014 is the first fiscal year in which the golf course is not reflected in the City's financial statements.
- Expenses in Water Resources decreased by \$3.4 million year-over-year mainly as a result of decreases in capital spending. This decrease is partly due to the completion of the automated meter installation project.

**CITY OF ASHEVILLE
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Business-type Activities Revenues
Figure 6



Business-type Activities Expenses
Figure 7



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 \$15.0 million, while total fund balance reached \$32 million. The Governing Body of the City has determined that the City should maintain an available fund balance of 15 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 16.8 percent of general fund expenditures, while total fund balance represents 35.7 percent of the same amount.

Capital Asset and Debt Administration

Capital assets – The City’s investment in capital assets (Figure 8) for the governmental and business-type activities as of June 30, 2014, totals \$371.7 million (net of accumulated depreciation). These assets include land, buildings, improvements other than buildings, infrastructure, such as streets, sidewalks, and water lines, machinery and equipment, intangibles (right of way and easements) and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 35,675	\$ 34,490	\$ 15,801	\$ 15,695	\$ 51,476	\$ 50,185
Buildings and Improvements	30,029	31,433	54,134	56,725	84,163	88,158
Improvements Other than Buildings	2,513	1,774	637	662	3,150	2,436
Machinery and Equipment	14,156	12,956	16,664	18,360	30,820	31,316
Infrastructure	65,989	75,130	114,286	116,262	180,275	191,392
Construction in Progress	7,247	3,454	9,756	4,832	17,003	8,286
Intangibles	3,961	3,620	810	148	4,771	3,768
Other Capital Assets	15	-	17	-	32	-
Net Capital Assets	\$ 159,585	\$ 162,857	\$ 212,105	\$ 212,684	\$ 371,690	\$ 375,541

Major capital expenditures in fiscal year 2014 included:

- Purchase of replacement buses and vehicles for various departments
- Improvements to the City’s streets and sidewalks, in addition to newly constructed sidewalks
- The construction of Azalea Road improvements
- The design of the Craven Street improvements
- The City Hall renovations
- Replacement and maintenance of water-lines
- Continuation of renovations of the U.S. Cellular Center in conjunction with the hosting of the Southern Conference Men’s and Women’s Basketball Champions

**CITY OF ASHEVILLE
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Additional information regarding the City's capital assets is found in Note IV on Pages 54 through 58 of this report.

Long-term Debt – As of June 30, 2014, the City had total debt outstanding of \$102.1 million (Figure 9). Of this total indebtedness, \$670,000 is backed by the full faith and credit of the City. The remainder of the City's debt, totaling \$101.4 million, represents bonds secured solely by specified revenue sources (revenue bonds) or contracts collateralized by the financed project – often real or personal property (installment financing contracts). In June 2014, the City entered into an installment financing contract, in the amount of \$1.81 million, to provide funding for the purchase of certain capital assets including vehicles, computers, and equipment.

The City's total net debt at June 30, 2014, decreased by approximately \$5.8 million when compared to 2013 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 no bonds authorized and unissued at June 30, 2014.

The City maintains an "AA+" rating from Standard & Poor's and an "Aaa" rating from Moody's for general obligation debt.

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 \$858.7 million which is significantly in excess of the City's outstanding general obligation debt. Additional information regarding the City's long-term debt can be found in Note VI on Pages 60-67 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 670	\$ 770	\$ -	\$ -	\$ 670	\$ 770
Installment financing contracts	25,309	27,070	12,064	12,575	37,373	39,645
Revenue bonds	-	-	62,685	65,570	62,685	65,570
Other long-term indebtedness	783	847	618	1,085	1,401	1,932
Total bonds	\$ 26,762	\$ 28,687	\$ 75,367	\$ 79,230	\$ 102,129	\$ 107,917

**CITY OF ASHEVILLE
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General Fund Budgetary Highlights

During fiscal year 2014, there was a \$3.4 million net increase in appropriations between the original and final amended General Fund budget. The largest component of this budget increase was for the prior year's encumbrances in the amount of \$2.78 million. Other items contributing to this increase include: 1) \$300,453 (that was held in contingency at the end of fiscal year 2013) appropriated from unassigned fund balance for building maintenance and traffic safety projects, 2) \$150,000 appropriated from unassigned fund balance to increase the storm control budget due to a harsher than anticipated winter season.

Actual General Fund revenues exceeded final budget estimates by approximately \$1.86 million or two percent. Ad valorem tax revenues, the City's largest General Fund revenue source, finished the year at 100.4 percent of budget. Fiscal year 2014 revenue from ad valorem taxes was approximately \$5.2 million higher than fiscal year 2013 revenue partly due to the three-cent tax rate increase that City Council approved in June 2013 for capital improvements. Other (sales) taxes, the second largest General Fund revenue, finished the year at 99 percent of budget. Other tax revenue in fiscal year 2014 increased \$830,000 or 4.8 percent over fiscal year 2013 revenue. Intergovernmental revenue finished the year at 98.4 percent of budget. Revenue from licenses and permits exceeded final budget estimates by \$1.0 million due to a substantial increase in building permit activity. In the miscellaneous category, the City's share of local ABC Board profits exceeded budget estimates by \$273,000. General Fund revenues for fiscal year 2014 totaled \$97.4 million compared to fiscal year 2013 revenues of \$89.2 million, an increase of \$8.2 million or 9.2 percent.

General Fund expenditures were under budget by \$9.4 million. Favorable expenditure budget variances occurred in every category of expenditure. Approximately \$3.0 million in contracts and purchase orders were encumbered against the fiscal year 2014 budget but not spent during the year, which contributed to the favorable expenditure budget variance. The largest of these unspent contracts was in the transportation category where \$1.6 million from the annual paving contract was not spent and thus rolled forward to fiscal year 2015. In addition, the City committed \$2.6 million in expenditure savings as part of its multi-year capital improvement financial model. The City also assigned \$2 million in expenditure budget savings for future expenses, including: 1) \$503,000 for the sustainability program, 2) \$227,000 for building maintenance, and 3) \$200,000 to update the City's comprehensive plan. Finally, the favorable budget variance in Community Development is due to unspent loan funds, for which a substantial portion of the favorable variance was reflected as assigned General Fund balance at June 30, 2014.

Actual revenues exceeded expenditures by \$10.9 million in fiscal year 2014. The comparable figure in fiscal year 2013 was \$4.0 million.

Total other financing sources and uses for the period ended June 30, 2014 was \$2.9 million. The other financing sources and uses category contains transfers to other funds totaling \$3.2 million for fiscal year 2014. This total includes transfers to the Transit Services and U.S. Cellular Center

**CITY OF ASHEVILLE
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enterprise funds as well as to the General Capital Projects Fund. The other financing sources and uses category also includes appropriated fund balance, with a final budget of \$3.4 million. The original budget adopted by City Council did not contain an appropriation of fund balance. As noted above, the largest portion of the \$3.4 million appropriation relates to prior year's encumbrances. While the financial plan contemplated the use of approximately \$3.4 million, the actual financial performance in the General Fund reflected an increase of \$8.1 million in total fund balance.

Economic Factors

- The local labor market continues to improve. As of August 2014, Buncombe County's unadjusted unemployment rate stood at 5.4 percent, as compared to a 6.2 percent rate one year earlier. Local unemployment rates are below both the statewide rate (seven percent) and the national rate (5.7 percent).
- The estimated population as of July 2013 totaled 88,003, which represents a 5.5 percent over the 2010 Census amount.
- Fiscal year 2014 retail sales in Buncombe County totaled \$3.8 billion, an increase of 5.6 percent compared to fiscal year 2013.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2015.

The City's adopted General Fund budget for fiscal year 2015 totaled \$99,547,954, which represents a 3.8 percent increase compared to the fiscal year 2014 original budget. The adopted fiscal year 2015 budget was balanced with a \$2.0 million appropriation from fund balance. The adopted fiscal year 2015 budget includes funding for a three percent cost of living increase for all employees. Personnel costs in the General Fund were also impacted by mid-year fiscal year 2014 staffing additions in the Development Services Department to meet increased workload levels, as well as the full cost budgeting of several positions that were frozen in fiscal year 2014. Operating costs show a net decrease of \$1.6 million. Most of this decrease is due to a technical change in which the City's annual resurfacing contract was removed from the Public Works Department's operating budget and moved to the City's General Capital Projects Fund. The General Fund transfer to the Transit Services Fund is budgeted to increase by \$543,000 due to several factors: including service enhancements, a slight reduction in transit grant funding, and overall cost inflation. In accordance with the City's multi-year debt service and capital improvement financial model, the General Fund debt service budget is maintained at \$5.3 million. The fiscal year 2015 capital outlay budget includes the transfer of \$3.3 million from the fiscal year 2014 ad valorem tax rate increase into the City's debt service and capital improvement funds, along with additional pay-go capital maintenance funding.

**CITY OF ASHEVILLE
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Business-type Activities – The fiscal year 2015 Water Resources Fund adopted budget contains the following rate changes: Single Family, Multi-Family, Small Commercial/Manufacturer: 1.5 percent increase; Large Commercial/Manufacturer (>1,000 CCF/month): 3.5 percent increase; Wholesale & Irrigation: four percent increase; Capital Improvement Fee: 1.5 percent increase for each meter size. These rate adjustments are expected to generate approximately \$458,000 in additional revenue. The fiscal year 2015 adopted Water Resources Fund budget includes funding to add one GIS Technician position. Personnel and operating budgets reflect a continuation of existing programs and services. The Water Resources capital outlay budget includes \$10.1 million in pay-as-you-go funding for water capital improvement projects. The Fund's debt service obligations in fiscal year 2015 total \$6.1 million, which represents 18 percent of the overall Water Resources Fund budget.

In the Transit Services Fund, the adopted fiscal year 2015 budget includes funding to implement limited Sunday service and make changes to route C to address inefficiencies with that route. Both of these changes will be implemented on January 1, 2015. In addition to these service enhancements, overall operating costs for the transit system are budgeted to increase approximately \$300,000 in fiscal year 2015. The fiscal year 2015 adopted budgets for all other business-type activities reflect a continuation of existing programs and services.

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.

Basic Financial Statements

The basic financial statements for the City of Asheville consist of both government-wide and fund financial statements.



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CITY OF ASHEVILLE
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
ASSETS				
Current assets:				
Cash and investments	\$ 41,966,725	\$ 53,572,706	\$ 95,539,431	\$ 3,372,638
Cash and investments - restricted	4,040,478	4,916,040	8,956,518	-
Receivables (net of allowance for uncollectibles):				
Property taxes	785,820	-	785,820	-
Due from other governments	5,957,573	1,280,574	7,238,147	-
Accounts receivable	1,096,687	5,143,623	6,240,310	3,607
Other receivables	190,952	-	190,952	-
Internal balances	479,646	(479,646)	-	-
Inventories and prepaids	473,196	758,203	1,231,399	1,871,031
Assets held for resale	427,807	-	427,807	-
Notes receivable (net of allowance for uncollectibles)	11,250,436	-	11,250,436	-
Total Current assets	<u>66,669,320</u>	<u>65,191,500</u>	<u>131,860,820</u>	<u>5,247,276</u>
Non-current assets:				
Capital assets, net:				
Assets not being depreciated	46,712,547	26,366,683	73,079,230	3,300,912
Assets being depreciated, net	112,872,960	185,738,258	298,611,218	4,230,737
Total noncurrent assets	<u>159,585,507</u>	<u>212,104,941</u>	<u>371,690,448</u>	<u>7,531,649</u>
Total assets	<u>226,254,827</u>	<u>277,296,441</u>	<u>503,551,268</u>	<u>12,778,925</u>
DEFERRED OUTFLOWS OF RESOURCES				
Charge on refunding	21,569	52,507	74,076	-
Total deferred outflows of resources	<u>21,569</u>	<u>52,507</u>	<u>74,076</u>	<u>-</u>
LIABILITIES				
Accounts payable	4,826,726	1,785,675	6,612,401	1,648,410
Due to other governments	6,435	-	6,435	390,448
Other accrued liabilities	1,567,095	251,908	1,819,003	297,601
Customer deposits	72,479	696,980	769,459	-
Accrued interest payable	282,032	1,380,500	1,662,532	-
Unearned revenue	1,474,738	195,659	1,670,397	-
Estimated claims payable:				
Due in more than one year	3,918,166	-	3,918,166	-
Non-current liabilities:				
Due within one year	7,457,142	4,726,232	12,183,374	213,829
Due in more than one year	31,032,428	74,640,802	105,673,230	2,409,261
Total liabilities	<u>50,637,241</u>	<u>83,677,756</u>	<u>134,314,997</u>	<u>4,959,549</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	6,774	-	6,774	-
Total deferred inflows of resources	<u>6,774</u>	<u>-</u>	<u>6,774</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	134,533,845	138,358,333	272,892,178	4,893,233
Restricted for:				
Nonspendable:				
Perpetual maintenance	317,452	-	317,452	-
Stabilization by State Statute	14,973,310	-	14,973,310	-
Community development	676,862	-	676,862	-
Other functions	-	-	-	1,808
Working capital	-	-	-	746,597
Capital improvements	-	-	-	610,470
Unrestricted	25,130,912	55,312,859	80,443,771	1,567,268
Total net position	<u>\$ 175,632,381</u>	<u>\$ 193,671,192</u>	<u>\$ 369,303,573</u>	<u>\$ 7,819,376</u>

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

**CITY OF ASHEVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 17,908,964	\$ 8,262,495	\$ 100,410	\$ -
Public safety	45,205,621	1,622,188	854,384	119,762
Environmental services	6,083,114	2,650,813	10,923	-
Community development	8,681,656	3,682,070	2,441,293	722,554
Transportation	17,456,259	260,847	2,507,198	2,324,739
Culture and recreation	9,922,764	1,807,360	177,933	72,999
Interest on long-term debt	856,155	-	-	-
Total governmental activities	<u>106,114,533</u>	<u>18,285,773</u>	<u>6,092,141</u>	<u>3,240,054</u>
Business-type activities:				
Water resources	28,107,230	34,186,067	-	572,095
Parking services	3,121,035	4,384,986	-	110,161
Street Cut Utility	1,417,066	1,349,821	15,111	-
Stormwater	3,318,189	3,149,099	-	1,122,451
U.S. Cellular Center	3,635,378	2,418,127	-	1,964,941
Mass Transit	7,292,959	1,281,160	2,488,812	1,203,406
Total business-type activities	<u>46,891,857</u>	<u>46,769,260</u>	<u>2,503,923</u>	<u>4,973,054</u>
Total primary government	<u>\$ 153,006,390</u>	<u>\$ 65,055,033</u>	<u>\$ 8,596,064</u>	<u>\$ 8,213,108</u>
Component unit:				
ABC Board	<u>\$ 18,988,815</u>	<u>\$ 19,448,310</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Grants and contributions not restricted to specific programs				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Changes in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			Component Unit City of Asheville ABC Board
Primary Government		Total	
Governmental Activities	Business-Type Activities		
\$ (9,546,059)	\$ -	\$ (9,546,059)	\$ -
(42,609,287)	-	(42,609,287)	-
(3,421,378)	-	(3,421,378)	-
(1,835,739)	-	(1,835,739)	-
(12,363,475)	-	(12,363,475)	-
(7,864,472)	-	(7,864,472)	-
(856,155)	-	(856,155)	-
<u>(78,496,565)</u>	<u>-</u>	<u>(78,496,565)</u>	<u>-</u>
-	6,650,932	6,650,932	-
-	1,374,112	1,374,112	-
-	(52,134)	(52,134)	-
-	953,361	953,361	-
-	747,690	747,690	-
<u>-</u>	<u>(2,319,581)</u>	<u>(2,319,581)</u>	<u>-</u>
<u>-</u>	<u>7,354,380</u>	<u>7,354,380</u>	<u>-</u>
<u>(78,496,565)</u>	<u>7,354,380</u>	<u>(71,142,185)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>459,495</u>
52,052,585	-	52,052,585	-
17,249,801	-	17,249,801	-
889,815	-	889,815	-
8,681,914	-	8,681,914	-
190,445	194,040	384,485	630
1,146,944	104,270	1,251,214	(90,980)
<u>(2,286,129)</u>	<u>2,286,129</u>	<u>-</u>	<u>-</u>
<u>77,925,375</u>	<u>2,584,439</u>	<u>80,509,814</u>	<u>(90,350)</u>
(571,190)	9,938,819	9,367,629	369,145
<u>176,203,571</u>	<u>183,732,373</u>	<u>359,935,944</u>	<u>7,450,231</u>
<u>\$ 175,632,381</u>	<u>\$ 193,671,192</u>	<u>\$ 369,303,573</u>	<u>\$ 7,819,376</u>

**CITY OF ASHEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	
ASSETS				
Cash and investments	\$ 29,005,254	\$ 4,790,787	\$ 1,083,831	\$ 34,879,872
Cash and investments - restricted	79,979	3,951,945	8,554	4,040,478
Receivables (net of allowance for uncollectibles):				
Property taxes	785,820	-	-	785,820
Due from other governments	4,984,195	283,517	689,861	5,957,573
Accounts receivable	259,307	-	1,695	261,002
Other receivables	189,258	-	-	189,258
Inventories and prepaids	469,044	-	-	469,044
Due from other funds	579,878	-	-	579,878
Notes receivable (net of allowance for uncollectibles)	6,782,927	-	4,467,509	11,250,436
Total assets	<u>\$ 43,135,662</u>	<u>\$ 9,026,249</u>	<u>\$ 6,251,450</u>	<u>\$ 58,413,361</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,295,456	\$ 2,077,131	\$ 120,575	\$ 3,493,162
Other accrued liabilities	1,484,357	-	6,188	1,490,545
Due to other funds	-	-	100,233	100,233
Deposits	72,479	-	-	72,479
Unearned revenue	1,144,800	240,474	89,464	1,474,738
Total liabilities	<u>3,997,092</u>	<u>2,317,605</u>	<u>316,460</u>	<u>6,631,157</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes	252,220	-	-	252,220
Notes receivable	6,782,927	-	4,467,509	11,250,436
Advances from other governments	-	246,024	473,167	719,191
Total deferred inflows of resources	<u>7,035,147</u>	<u>246,024</u>	<u>4,940,676</u>	<u>12,221,847</u>
Fund balances:				
Non-spendable:				
Inventories and prepaids	469,044	-	-	469,044
Perpetual maintenance	-	-	317,452	317,452
Restricted:				
Stabilization by State Statute	9,425,790	5,547,520	-	14,973,310
Grant programs	-	-	676,862	676,862
Committed:				
Community and economic development	622,992	-	-	622,992
Assigned:				
Appropriated for subsequent year's budget	2,000,000	-	-	2,000,000
Capital improvements	2,635,115	915,100	-	3,550,215
Various projects	1,909,583	-	-	1,909,583
Unassigned	15,040,899	-	-	15,040,899
Total fund balances	<u>32,103,423</u>	<u>6,462,620</u>	<u>994,314</u>	<u>39,560,357</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,135,662</u>	<u>\$ 9,026,249</u>	<u>\$ 6,251,450</u>	<u>\$ 58,413,361</u>

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

**CITY OF ASHEVILLE
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	\$	39,560,357
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		159,585,507
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Notes receivable		12,215,073
Bond refunding charges		21,569
Certain assets held for resale are not available to pay for current period expenditures and, therefore, not reported in the funds.		427,807
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements:		
General obligation bonds		(670,000)
Installment financing contracts		(27,544,962)
Other long-term indebtedness		(783,130)
Compensated absences payable		(5,182,413)
Net pension obligation		(1,121,304)
Net OPEB obligation		(3,187,761)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:		
Interest payable		(282,032)
The internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		<u>2,593,670</u>
Net position of governmental activities (Exhibit A)	\$	<u><u>175,632,381</u></u>

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

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	
REVENUES				
Taxes:				
Ad valorem taxes	\$ 52,052,585	\$ -	\$ -	\$ 52,052,585
Other taxes	18,139,616	-	-	18,139,616
Intergovernmental	11,068,144	550,244	3,078,782	14,697,170
Licenses and permits	5,418,682	166,713	-	5,585,395
Charges for services	8,935,165	71,986	48,287	9,055,438
Investment earnings	158,368	9,432	5,000	172,800
Miscellaneous	1,651,814	28,171	336,704	2,016,689
Total revenues	<u>97,424,374</u>	<u>826,546</u>	<u>3,468,773</u>	<u>101,719,693</u>
EXPENDITURES				
Current:				
General government	13,051,223	2,613,702	106,657	15,771,582
Public safety	45,087,375	1,387,353	345,587	46,820,315
Environmental services	5,324,972	1,216,465	139	6,541,576
Community development	2,263,541	936,096	3,223,014	6,422,651
Transportation	7,376,077	3,107,349	100,856	10,584,282
Culture and recreation	8,710,768	1,144,155	9,901	9,864,824
Debt service:				
Principal	3,476,388	-	40,000	3,516,388
Interest and other charges	1,171,223	-	30,077	1,201,300
Total expenditures	<u>86,461,567</u>	<u>10,405,120</u>	<u>3,856,231</u>	<u>100,722,918</u>
Revenues over (under) expenditures	<u>10,962,807</u>	<u>(9,578,574)</u>	<u>(387,458)</u>	<u>996,775</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	84,376	915,128	152,501	1,152,005
Transfers to other funds	(3,236,350)	(90,587)	(16,951)	(3,343,888)
Proceeds from sale of capital assets	248,015	-	103,060	351,075
Installment purchase obligations issued	-	1,591,407	-	1,591,407
Total other financing sources (uses)	<u>(2,903,959)</u>	<u>2,415,948</u>	<u>238,610</u>	<u>(249,401)</u>
Net change in fund balances	8,058,848	(7,162,626)	(148,848)	747,374
Fund balances - beginning	<u>24,044,575</u>	<u>13,625,246</u>	<u>1,143,162</u>	<u>38,812,983</u>
Fund balances - ending	<u>\$ 32,103,423</u>	<u>\$ 6,462,620</u>	<u>\$ 994,314</u>	<u>\$ 39,560,357</u>

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

CITY OF ASHEVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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

Net change in fund balances--total governmental funds (Exhibit E)	\$ 747,374
Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(14,920,974)
Capital asset additions are a use of current financial resources and therefore, are not reported as expenditures in the Statement of Activities.	9,836,832
Contribution of capital assets is not a current financial resource and therefore, is not reported in the governmental fund statements.	1,812,310
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.	23,568
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	189,741
Change in unavailable revenues for grants	533,101
Change in unavailable revenues for notes payable	275,326
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	3,516,388
Long-term debt issued	(1,591,407)
Amortization of refunding loss	(6,162)
Amortization of premium/discount	325,660
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 payable	(29,705)
Net pension obligation	62,242
Net OPEB obligation	(782,625)
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.	(562,859)
Change in net assets of governmental activities (Exhibit B)	\$ (571,190)

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

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
Taxes:				
Ad valorem taxes	\$ 51,867,389	\$ 51,606,975	\$ 52,052,585	\$ 445,610
Other taxes	18,314,277	18,314,277	18,139,616	(174,661)
Intergovernmental	11,250,660	11,229,228	11,068,144	(161,084)
Licenses and permits	4,390,690	4,390,690	5,418,682	1,027,992
Charges for services	8,477,605	8,740,219	8,935,165	194,946
Investment earnings	150,000	150,000	158,368	8,368
Miscellaneous	971,363	1,135,443	1,651,814	516,371
Total revenues	<u>95,421,984</u>	<u>95,566,832</u>	<u>97,424,374</u>	<u>1,857,542</u>
EXPENDITURES				
Current:				
General government	14,782,993	16,063,210	13,051,223	3,011,987
Public safety	45,054,904	46,202,081	45,087,375	1,114,706
Environmental services	5,868,043	5,580,903	5,324,972	255,931
Community development	1,782,465	2,934,780	2,263,541	671,239
Transportation	8,222,780	10,270,935	7,376,077	2,894,858
Culture and recreation	9,376,097	9,441,296	8,710,768	730,528
Debt service:				
Principal	5,387,021	4,205,947	3,476,388	729,559
Interest and other charges	-	1,181,074	1,171,223	9,851
Total expenditures	<u>90,474,303</u>	<u>95,880,226</u>	<u>86,461,567</u>	<u>9,418,659</u>
Revenues over expenditures	<u>4,947,681</u>	<u>(313,394)</u>	<u>10,962,807</u>	<u>11,276,201</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	-	3,379,477	-	(3,379,477)
Transfers from other funds	29,780	110,280	84,376	(25,904)
Transfers to other funds	(5,387,461)	(3,236,363)	(3,236,350)	13
Installment purchase obligations issued	350,000	-	-	-
Proceeds from sale of capital assets	60,000	60,000	248,015	188,015
Total other financing sources (uses)	<u>(4,947,681)</u>	<u>313,394</u>	<u>(2,903,959)</u>	<u>(3,217,353)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>8,058,848</u>	<u>\$ 8,058,848</u>
Fund balance - beginning			<u>24,044,575</u>	
Fund balance - ending			<u>\$ 32,103,423</u>	

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

CITY OF ASHEVILLE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Parking Services	Mass Transit		Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 48,496,483	\$ 1,184,976	\$ -	\$ 3,891,247	\$ 53,572,706	\$ 7,086,853
Cash and investments - restricted	4,696,947	500	-	218,593	4,916,040	-
Accounts receivable (net of allowance for uncollectibles)	4,045,503	629,840	150,000	318,280	5,143,623	837,380
Due from other governments	-	-	1,015,215	265,359	1,280,574	-
Inventories and prepaids	525,537	5,250	173,657	53,759	758,203	4,152
Due from other funds	185,182	-	-	-	185,182	-
Total current assets	<u>57,949,652</u>	<u>1,820,566</u>	<u>1,338,872</u>	<u>4,747,238</u>	<u>65,856,328</u>	<u>7,928,385</u>
Capital assets:						
Assets not being depreciated	9,699,681	10,681,418	174,698	5,810,886	26,366,683	-
Assets being depreciated, net	153,417,811	12,845,003	6,897,848	12,577,596	185,738,258	-
Net capital assets	<u>163,117,492</u>	<u>23,526,421</u>	<u>7,072,546</u>	<u>18,388,482</u>	<u>212,104,941</u>	<u>-</u>
Total assets	<u>221,067,144</u>	<u>25,346,987</u>	<u>8,411,418</u>	<u>23,135,720</u>	<u>277,961,269</u>	<u>7,928,385</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	-	52,507	-	-	52,507	-
Total deferred outflows of resources	<u>-</u>	<u>52,507</u>	<u>-</u>	<u>-</u>	<u>52,507</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,142,226	58,366	248,427	336,656	1,785,675	1,333,564
Customer deposits	696,480	500	-	-	696,980	-
Interest payable	1,248,375	97,081	-	35,044	1,380,500	-
Other accrued liabilities	162,940	17,449	4,742	66,777	251,908	82,985
Due to other funds	-	-	479,646	185,182	664,828	-
Unearned revenue	168,639	-	-	27,020	195,659	-
Current portion of long-term debt	3,646,966	574,039	15,725	489,502	4,726,232	-
Total current liabilities	<u>7,065,626</u>	<u>747,435</u>	<u>748,540</u>	<u>1,140,181</u>	<u>9,701,782</u>	<u>1,416,549</u>
Non-current liabilities:						
Estimated claims payable	-	-	-	-	-	3,918,166
Long-term liabilities, less current portion	61,848,308	9,150,087	18,729	3,623,678	74,640,802	-
Total liabilities	<u>68,913,934</u>	<u>9,897,522</u>	<u>767,269</u>	<u>4,763,859</u>	<u>84,342,584</u>	<u>5,334,715</u>
NET POSITION						
Net investment in capital assets	102,517,756	13,843,062	7,072,546	14,924,969	138,358,333	-
Unrestricted	49,635,454	1,658,910	571,603	3,446,892	55,312,859	2,593,670
Total net position	<u>\$ 152,153,210</u>	<u>\$ 15,501,972</u>	<u>\$ 7,644,149</u>	<u>\$ 18,371,861</u>	<u>\$ 193,671,192</u>	<u>\$ 2,593,670</u>

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

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Parking Services	Mass Transit		Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 33,981,871	\$ 3,906,307	\$ 855,396	\$ 4,799,169	\$ 43,542,743	\$ 13,982,593
Rents	-	25,335	-	713,794	739,129	-
Concessions	-	-	-	1,265,791	1,265,791	-
Other operating revenue	204,196	453,344	425,508	138,293	1,221,341	991,017
Total operating revenues	34,186,067	4,384,986	1,280,904	6,917,047	46,769,004	14,973,610
OPERATING EXPENSES						
Administration	1,041,580	-	402,253	2,180,806	3,624,639	1,114,585
Operations	15,879,865	2,291,107	5,438,469	4,619,326	28,228,767	14,349,439
Other operating expenses	873,086	19,456	521,215	354,528	1,768,285	-
Depreciation	7,386,136	452,911	928,991	1,091,524	9,859,562	-
Total operating expenses	25,180,667	2,763,474	7,290,928	8,246,184	43,481,253	15,464,024
Operating income (loss)	9,005,400	1,621,512	(6,010,024)	(1,329,137)	3,287,751	(490,414)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental	-	-	2,488,812	15,111	2,503,923	-
Interest earned	176,918	3,594	132	13,396	194,040	21,801
Interest and other charges	(2,926,562)	(357,559)	(2,032)	(124,450)	(3,410,603)	-
Miscellaneous revenue (expense)	-	-	255	-	255	-
Gain (loss) on disposal of capital assets	30,922	679	54,441	18,228	104,270	-
Total non-operating revenues (expenses)	(2,718,722)	(353,286)	2,541,608	(77,715)	(608,115)	21,801
Income (loss) before transfers and capital grants and contributions	6,286,678	1,268,226	(3,468,416)	(1,406,852)	2,679,636	(468,613)
Transfers:						
Transfers from other funds	14,534	-	1,902,543	985,927	2,903,004	-
Transfers to other funds	-	(616,875)	-	-	(616,875)	(94,246)
Capital grants and contributions	572,095	110,161	1,203,406	3,087,392	4,973,054	-
Changes in net position	6,873,307	761,512	(362,467)	2,666,467	9,938,819	(562,859)
Total net position - beginning	145,279,903	14,740,460	8,006,616	15,705,394	183,732,373	3,156,529
Total net position - ending	\$ 152,153,210	\$ 15,501,972	\$ 7,644,149	\$ 18,371,861	\$ 193,671,192	\$ 2,593,670

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

CITY OF ASHEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Parking Services	Mass Transit		Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers, users and others	\$ 34,295,432	\$ 4,410,736	\$ 1,275,456	\$ 7,036,470	\$ 47,018,094	\$ 14,504,608
Cash paid for goods and services	(9,322,918)	(1,512,277)	(6,031,082)	(3,407,340)	(20,273,617)	(14,117,729)
Cash paid to employees	(8,159,389)	(815,898)	(203,186)	(3,782,859)	(12,961,332)	(317,725)
Net cash provided by (used for) operating activities	<u>16,813,125</u>	<u>2,082,561</u>	<u>(4,958,812)</u>	<u>(153,729)</u>	<u>13,783,145</u>	<u>69,154</u>
Cash flows from non-capital financing activities:						
Receipts from operating grants	-	-	2,488,812	15,111	2,503,923	-
Transfers from other funds	14,534	-	1,902,543	985,927	2,903,004	-
Transfers to other funds	-	(616,875)	-	-	(616,875)	(94,247)
Advances received from other funds	105,432	-	479,646	-	585,078	-
Advances paid to other funds	-	-	-	(105,432)	(105,432)	-
Net cash provided by (used for) non-capital financing activities	<u>119,966</u>	<u>(616,875)</u>	<u>4,871,001</u>	<u>895,606</u>	<u>5,269,698</u>	<u>(94,247)</u>
Cash flows from capital and related financing activities:						
Receipts from capital grants or contributions	-	-	1,195,862	2,564,451	3,760,313	-
Proceeds from disposal of capital assets	61,634	679	54,441	18,228	134,982	-
Acquisition and construction of capital assets	(4,831,815)	(118,510)	(1,333,856)	(3,209,267)	(9,493,448)	-
Other receipts	-	-	-	2,663	2,663	-
Proceeds from long-term debt issued	-	-	-	218,593	218,593	-
Premiums on long-term debt issued	(98,977)	(45,318)	-	(24,509)	(168,804)	-
Principal paid on debt	(3,044,910)	(485,000)	-	(245,000)	(3,774,910)	-
Interest other charges paid on debt	(2,975,503)	(362,407)	(2,032)	(126,894)	(3,466,836)	-
Net cash used for capital and related financing activities	<u>(10,889,571)</u>	<u>(1,010,556)</u>	<u>(85,585)</u>	<u>(801,735)</u>	<u>(12,787,447)</u>	<u>-</u>
Cash flows from investing activities:						
Interest earned	176,918	3,594	132	13,396	194,040	21,801
Net increase (decrease) in cash and cash equivalents	6,220,438	458,724	(173,264)	(46,462)	6,459,436	(3,292)
Cash and cash equivalents:						
Beginning of year, July 1	46,972,992	726,752	173,264	4,156,302	52,029,310	7,090,145
End of year, June 30	<u>\$ 53,193,430</u>	<u>\$ 1,185,476</u>	<u>\$ -</u>	<u>\$ 4,109,840</u>	<u>\$ 58,488,746</u>	<u>\$ 7,086,853</u>

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

**CITY OF ASHEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Major Funds</u>			<u>Non-major Enterprise Funds</u>	<u>Totals</u>	
	<u>Water Resources</u>	<u>Parking Services</u>	<u>Mass Transit</u>		<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 9,005,400	\$ 1,621,512	\$ (6,010,024)	\$ (1,329,137)	\$ 3,287,751	\$ (490,413)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	7,386,136	452,911	928,991	1,091,524	9,859,562	-
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	89,094	25,790	-	110,642	225,526	(469,002)
Decrease (increase) in inventories and prepaids	30,263	(5,250)	(22,729)	(22,803)	(20,519)	59,189
Increase (decrease) in accounts payable	228,495	(29,242)	139,578	35,966	374,797	290,073
Increase (decrease) in other accrued expenses	(47,708)	(1,857)	4,742	(16,151)	(60,974)	81,551
Increase (decrease) in unearned revenue	25,912	(40)	(146)	8,781	34,507	(1,345)
Increase (decrease) in customer deposits	(5,641)	-	(5,302)	-	(10,943)	-
Increase in estimated claims payable	-	-	-	-	-	599,101
Increase (decrease) in compensated absences	17,748	7,436	2,172	(28,549)	(1,193)	-
Increase (decrease) in OPEB obligation	83,426	11,301	3,906	(4,002)	94,631	-
Net cash provided by (used for) operating activities	<u>\$ 16,813,125</u>	<u>\$ 2,082,561</u>	<u>\$ (4,958,812)</u>	<u>\$ (153,729)</u>	<u>\$ 13,783,145</u>	<u>\$ 69,154</u>
Reconciliation of cash and cash equivalents:						
Cash and investments:						
Unrestricted	\$ 48,496,483	\$ 1,184,976	\$ -	\$ 3,891,247	\$ 53,572,706	\$ 7,086,853
Restricted	4,696,947	500	-	218,593	4,916,040	-
Total cash and cash equivalents	<u>\$ 53,193,430</u>	<u>\$ 1,185,476</u>	<u>\$ -</u>	<u>\$ 4,109,840</u>	<u>\$ 58,488,746</u>	<u>\$ 7,086,853</u>
Non-cash investing, capital, and financing activities:						
Donated capital assets	<u>\$ 572,095</u>	<u>\$ 110,161</u>	<u>\$ 7,544</u>	<u>\$ 300,183</u>	<u>\$ 989,983</u>	<u>\$ -</u>

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

**CITY OF ASHEVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY TRUST AND AGENCY FUNDS
June 30, 2014**

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ -	\$ 932,143
Cash and investments held by fiscal agent:		
Cash and equivalents	44	-
Long-Term OPEB Fund	2,244,337	-
OPEB Equity Funds	2,343,539	-
Due from customers	-	1,404,311
Total assets	4,587,920	\$ 2,336,454
LIABILITIES		
Due to others	-	\$ 265,102
Due to other governments	-	2,071,352
Total liabilities	-	\$ 2,336,454
NET POSITION		
Assets held in trust for OPEB benefits	\$ 4,587,920	

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

**CITY OF ASHEVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 2,557,886
Insurance recovery	73,907
Investment earnings	605,542
Total additions	3,237,335
 DEDUCTIONS	
Benefits	2,236,950
Change in net position	1,000,385
Total net position - beginning	3,587,535
Total net position - ending	\$ 4,587,920

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

CITY OF ASHEVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

I. 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 Asheville Board of Alcoholic Control 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, N.C. 28814.

Asheville Public Financing Corporation (the “APFC”)

The Asheville Public Financing Corporation is a non-profit corporation chartered in 1991 with the specific purpose of assisting the City in various types of financing arrangements. The Corporation 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 Corporation 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 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.

Asheville Claims Corporation (the "ACC")

The Asheville Claims Corporation is a non-profit corporation chartered in 1993. Under the provisions of a claims administration contract between the ACC and the City dated January 23, 2006, the ACC was established to administer liability losses, including auto liability, general liability, and tort claims against the City that are not covered by commercial insurance or a risk financing pool. The ACC 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 members. The ACC has no assets, liabilities, revenues or expenses. The financial transactions of the ACC are included within the internal service fund in the City's financial statements. The ACC is currently inactive, and the City has assumed all responsibility for claims, losses, and settlements. Although the ACC still exists as of the current fiscal year-end, the entity no longer has any financial transactions.

Related Organizations

Housing Authority of the City of Asheville ("Housing Authority")

The Mayor appoints the five-member Board of the Housing Authority of the City. 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 Asheville City 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 Authority, from a joint governmental agency, comprised of the City 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 new board, with the seventh member to be appointed by the other six. The City will no longer have any fiscal responsibility for the Airport Authority, other than the transfer of real property on which the airport is located to the new authority, which is subject to approval and recognition of the new authority by the Federal Aviation Administration (FAA).

As of the report date, the FAA has yet to recognize the new authority and approve the transfer of real property; therefore, no provision for this transaction has been reflected in the City's financial statements.

B. 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. 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. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

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).

The City reports the following non-major governmental funds:

Special Revenue Fund – 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: Grant Programs, Community Development, Section 108 Rehabilitation and Affordable Home Ownership.

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 – The Water Resources Fund is an enterprise fund used to account for operations and maintenance of the City's water system that includes 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 acquisition and/or construction of major utility capital facilities and infrastructure, which are accounted for in the Water Capital Projects Fund, which is combined with the Water Resources Fund (the operating fund) for financial statement purposes.

Parking Services – The Parking Services Fund is an enterprise fund used to account for the operations and maintenance of the City's public parking system that includes operation of three parking decks as well as the debt service for the payment of parking long-term debt principal, interest, and related costs. This fund also covers acquisition and/or construction of major parking capital facilities and infrastructure, which are accounted for in the Parking Capital Projects Fund, which is combined with the Parking Services Fund (the operating fund) for financial statement purposes.

Mass Transit – The Mass Transit Fund is an enterprise fund used to account for the operation and maintenance of the City’s transit services which include 15 bus routes throughout the city and one to the Town of Black Mountain. This fund also covers acquisition of buses and/or maintenance of transit facilities, which are accounted for in the Mass Transit Capital Projects Fund. The Mass Transit Capital Projects Fund is combined with the Mass Transit Fund (the operating Fund) for financial statement purposes.

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, Stormwater, U.S. Cellular Center, Mass Transit and Golf Course.

Additionally the City reports the following fund types:

Internal Service Fund – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis. The City has four internal service funds, the General Insurance Fund, the Health Fund (which includes dental and life benefits), 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 insurance for employee and family medical and dental claims. The Workers’ Compensation Fund accounts for the costs associated with workers’ compensation 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.

Other Post-Employment Benefit Trust Fund – 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.

Agency Fund – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains two agency funds, Metropolitan Sewer District Agency Fund, which accounts for the collection of various sewer fees charged to City water customers, and the U.S. Cellular Center Agency Fund, which accounts for the segregation of the U.S. Cellular Center box office activities for various promoters.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds 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, liabilities, 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 demonstration compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. In accordance with North Carolina Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund (excluding agency funds) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, while agency fund (fiduciary fund) financial statements are reported using accrual basis accounting but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

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

Governmental Fund Financial Statements

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

The City considers all revenues available if they are collected within 60 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. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Grant revenues received, which are unearned at year-end, are recorded as unearned revenues. Under the terms of the grant agreements, the City funds certain programs in combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net positions 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.

D. 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 department 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.

E. 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.

G.S. 159-30(c) authorizes the City and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of the interest and principal of such obligations is fully guaranteed 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 reported at fair value as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT’s share price. The NCCMT – Term Portfolio’s securities are valued at fair value.

For the majority of investments, the City both intends and has the ability to hold all securities to maturity; however, due to economic conditions and when it is beneficial to the City, the City may elect to sell investments prior to maturity on the secondary market.

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.

The City pools moneys from all funds, except unspent bond proceeds and OPEB trust funds, to facilitate disbursement and investment and maximize investment income. The City 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 long-term investment fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B authorized under G.S 147-69.2(b)(8).

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 LTIF is also valued at \$1 per share. The Global Ex-US Alpha Tilts Fund B is priced at \$22.196 per share and the Russell 3000 Alpha Tilts Fund B is priced at \$48.352 per share at June 30, 2014. The weighted average maturity of the STIF is 1.3 years and the weighted average maturity of the LTIF is 16.3 years.

Ad Valorem Taxes Receivables

According to the North Carolina General Statutes [G.S. 105-347 and G.S. 159-13(a)], ad valorem taxes, other than motor vehicles, levied on July 1 beginning of the fiscal year, are due September 1 (lien date), but interest and penalties do not accrue until the following January 6. Property taxes on certain registered motor vehicles are assessed and collected throughout the year. These taxes are based on the assessed values as of January 1, 2013. 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.

Inventories and Prepaid Items

Inventories are maintained on both a perpetual and periodic basis and valued at cost using the weighted average and first-in, first-out method 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 or deferred outflows in both government-wide and fund financial statements and are expended/expensed as balances are used.

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.

Notes Receivable

Notes receivable are recorded in governmental funds net of an allowance for uncollectible accounts. The balance of the notes is not considered available and is deferred in the fund financial statements.

Capital Assets

Capital assets reported in the applicable governmental or business-type activities columns in the government-wide financial statements, include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and intangibles. Land is capitalized regardless of any threshold and has an indefinite useful life. Buildings, improvements other than buildings, and infrastructure have a capitalization threshold of \$50,000. To be capitalized, machinery and equipment must have a useful life in excess of two years and an initial, individual cost of \$5,000. There are two sub-categories of intangibles: 1) right of ways/easements that have an indefinite useful life and must meet a \$1,000 threshold to be capitalized and 2) software, which has a definite useful life and has a threshold of \$100,000. Internally-generated software has a threshold of \$1 million. Purchased or constructed assets are recorded at their historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value at the date of the donation.

Costs incurred in repairing or maintaining an asset that does 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 any part of the project 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.

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
Buildings	20 – 50
Improvements Other than Buildings	10 – 20
Machinery and Equipment	5 – 20
Specialized Equipment	15 – 30
Infrastructure	20 – 50
Software (intangible)	5
Asheville Board of Alcoholic Control	
Category of Capital Asset	Useful Life in Years
Buildings	20 – 30
Leasehold Improvements	10 – 20
Furniture and Equipment	5 – 10
Motor Vehicles	5

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.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 two items that meet this criterion, an unamortized loss on a bond defeasance, in the General and Parking Funds. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has multiple items that meet the criterion for this category - prepaid Ad Valorem taxes, taxes receivable (less penalties), notes receivable, and advances from other governments.

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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are 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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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 and Prepaid Balances: Portion of fund balance that is not available for appropriation because it represents the year-end balance of inventories and prepaid balances, which are not expendable available resources.

Perpetual Maintenance: Portion of fund balance that is required to be retained in perpetuity for maintenance of the City's cemetery.

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

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

Grant Programs: Portion of fund balance restricted for various grant programs reported in Non-major governmental funds.

Committed Fund Balance – This classification includes amounts that can only be spent for specific purposes that have been approved by the highest level of formal action (adoption of the budget ordinance and budget amendments) by City Council and does not lapse at year-end. Any changes or removal of specific purposes require the same formal action by City Council. The amounts are committed for community and economic development.

Assigned Fund Balance – This classification includes the amounts of any fund balances the City intends to use for a specific purpose that can be assigned either by any action of the governing body or by designees with authority to assign; amounts can be unassigned by the same process. Assignment calculations may be made after the end of the fiscal year during the process of preparation of the financial statements. The City may delegate to the City Manager (or his designee) the authority to assign amounts of a fund balance to promote sound financial operations of the City or to meet future obligations for various projects. The majority of the amounts are to be used for facility and infrastructure improvements.

Unassigned Fund Balance – This classification includes amounts of fund balance that are spendable and have not been restricted, committed, or assigned to specific purposes or other funds. Unassigned fund balance represents amounts of fund balance that can be appropriated.

The City has a revenue spending practice that provides guidance for programs with multiple revenue sources. The finance and management services director 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 Finance and Management Services Director has the authority to deviate from this policy 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 at least equal to 15 percent of General Fund operating expenditure budget. Any portion of the fund balance in excess of 15 percent of the General Fund operating budget may be appropriated by City Council through an amendment to the subsequent year's budget ordinance.

II. Deposits and Investments

A. 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.

At June 30, 2014, the City's deposits had a carrying amount of \$23,529,694 and a bank balance of \$24,491,877. Of the bank balance, \$23,983,323 was covered by collateral held under the Pooling Method and \$508,554 was covered by federal depository insurance. The City also had \$38,553 in petty cash at year-end. The carrying amount for the ABC Board was \$2,688,005 and a

bank balance of \$2,727,564. Of the bank balance, \$2,477,564 was covered by collateral held under the Pooling Method, and \$250,000 was covered by federal depository insurance. The Board also had \$11,200 in petty cash at year-end. Certificates of Deposit are purchased for investment purposes and are included in the detail schedule below. All certificates held are covered by federal depository insurance and collateral held under the pooling method.

B. 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 increase in fair value during 2014 for the City was \$85,118. This amount takes into account all changes in fair value (including purchases, sales and maturities) that occurred during the year. The unrealized gain on investments held at year-end was \$54,809.

As of June 30, 2014 the City had the following investments and maturities:

	Fair Value	0-6 Months	6-12 Months	1-3 Years	3+ Years
U.S. Government Securities	\$ 297,353	\$ 15,000	\$ 15,035	\$ 104,458	\$162,860
U.S. Government Agencies	53,113,512	3,304,187	10,312,737	39,496,588	-
Commercial Paper	14,493,307	13,496,110	997,197	-	-
NCCMT - Cash Portfolio	1,187,930	1,187,930	-	-	-
NCCMT - Term Portfolio	267,743	267,743	5,000,000	3,000,000	-
Certificates of Deposit	12,500,000	4,500,000	-	-	-
Total	\$ 81,859,845	\$ 22,770,970	\$ 16,324,969	\$ 42,601,046	\$162,860

As of June 30, 2014, the ABC Board had investments of \$673,433.

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

Credit Risk – State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014. The City's investments in US Agencies (Federal Home Loan Bank, 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, 2014.

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 limits the amount of investment in any one issuer to 25 percent by security type and institution. At June 30, 2014, approximately 19 percent of the City's total investments are in Federal Home Loan Bank securities, about 15 percent in Federal National Mortgage Association securities, about 20 percent in Federal Home Loan Mortgage Corporation securities, and about 11 percent in Federal Farm Credit Bank securities. At June 30, 2014, the City OPEB Plan had \$4,587,920 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) 49 percent and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 51 percent (the equities were split with 75 percent in domestic securities and 25 percent in international securities). The BlackRock Global Ex-US Alpha Tilts Fund B is priced at \$22.196 per share and the BlackRock Russell 3000 Alpha Tilts Fund B is priced at \$48.3524 per share at June 30, 2014.

III. Allowance for Uncollectible Accounts

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

	Statement of Net Position		Balance Sheet Governmental Funds	Fund Net Position Proprietary/Internal Service Funds
	Governmental Activities	Business-type Activities		
General Fund:				
Receivables:				
Property Taxes Receivable	\$ 419,087	\$ -	\$ 419,087	\$ -
Due from Other Governments	1,871,995	-	1,871,995	-
Accounts Receivable	215,967	-	215,967	-
Notes Receivable	45,500	-	45,500	-
Non-major Governmental Funds:				
Notes Receivable	28,547	-	28,547	-
Major Funds:				
Water Resources	-	761,846	-	761,846
Parking Services	-	534,132	-	534,132
Non-Major Enterprise Funds	-	517,560	-	517,560
Internal Services	20,909	-	-	20,909
	<u>\$ 2,602,005</u>	<u>\$ 1,813,538</u>	<u>\$ 2,581,096</u>	<u>\$ 1,834,447</u>

The amount due from other organizations represents the amount of private donations promised to be raised by the Pack Square Conservancy for the Pack Square Project.

IV. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Governmental Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 34,489,615	\$ 1,510,090	\$ (324,250)	\$ -	35,675,455
Intangibles	3,334,967	455,455	-	-	3,790,422
Construction in Progress	3,453,983	4,461,365	(668,678)	-	7,246,670
Total Capital Assets, Non-depr	41,278,565	6,426,910	(992,928)	-	46,712,547
Capital Assets, Depreciable:					
Buildings and Improvements	58,256,215	327,984	-	24,638	58,608,837
Improvements other than Buildings	2,544,511	488,289	-	-	3,032,800
Machinery and Equipment	42,192,820	3,700,421	(1,781,557)	(139,819)	43,971,865
Infrastructure	231,733,852	1,687,405	-	-	233,421,257
Intangibles	569,775	-	-	-	569,775
Other Capital Assets	-	16,000	-	-	16,000
Total Capital Assets, Depreciable	335,297,173	6,220,099	(1,781,557)	(115,181)	339,620,534
Less Accumulated Depreciation for:					
Buildings and Improvements	(26,822,813)	(1,755,075)	-	(2,156)	(28,580,044)
Improvements other than Buildings	(770,680)	(155,470)	-	406,060	(520,090)
Machinery and Equipment	(29,236,197)	(2,473,560)	1,781,557	112,397	(29,815,803)
Infrastructure	(156,603,822)	(10,422,434)	-	(406,060)	(167,432,316)
Intangibles	(284,886)	(113,955)	-	-	(398,841)
Other Capital Assets	-	(480)	-	-	(480)
Total Accumulated Depreciation	(213,718,398)	(14,920,974)	1,781,557	110,241	(226,747,574)
Total Capital Assets, Depreciable, Net	121,578,775	(8,700,875)	-	(4,940)	112,872,960
Governmental Activities Capital Assets, Net	\$ 162,857,340	\$ (2,273,965)	\$ (992,928)	\$ (4,940)	\$ 159,585,507

	Beginning Balance	Additions	Retirements	Transfers In (Out)	Ending Balances
Business-type Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 15,695,118	\$ 110,161	\$ (3,870)	\$ -	\$ 15,801,409
Intangibles	148,180	661,407	-	-	809,587
Construction in Progress	4,832,114	6,590,230	(1,666,657)	-	9,755,687
Total Capital Assets, Non-depr	20,675,412	7,361,798	(1,670,527)	-	26,366,683
Capital Assets, Depreciable:					
Buildings and Improvements	98,481,441	4,318	(55,745)	(24,638)	98,405,376
Improvements Other Than Buildings	705,403	-	-	-	705,403
Machinery and Equipment	39,853,595	1,455,972	(2,326,096)	139,819	39,123,290
Infrastructure	176,471,641	2,120,657	-	-	178,592,298
Other Capital Assets	-	16,667	-	-	16,667
Total Capital Assets, Depreciable	315,512,080	3,597,614	(2,381,841)	115,181	316,843,034
Less Accumulated Depreciation for:					
Buildings and Improvements	(41,756,157)	(2,572,063)	54,786	2,156	(44,271,278)
Improvements Other Than Buildings	(42,734)	(25,709)	-	-	(68,443)
Machinery and Equipment	(21,494,966)	(3,165,600)	2,314,065	(112,397)	(22,458,898)
Infrastructure	(60,209,967)	(4,096,134)	-	-	(64,306,101)
Other Capital Assets	-	(56)	-	-	(56)
Total Accumulated Depreciation	(123,503,824)	(9,859,562)	2,368,851	(110,241)	(131,104,776)
Total Capital Assets, Depreciable, Net	192,008,256	(6,261,948)	(12,990)	4,940	185,738,258
Business-type Activities Capital Assets, net	\$ 212,683,668	\$ 1,099,850	\$ (1,683,517)	\$ 4,940	\$ 212,104,941

	Beginning Balance	Additions	Retirements	Transfers In (Out)	Ending Balance
Water Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 4,348,362	\$ -	\$ -	\$ -	\$ 4,348,362
Intangibles	148,180	353,680	-	-	501,860
Construction in Progress	2,427,667	4,041,729	(1,619,937)	-	4,849,459
Total Capital Assets, Non-depr	6,924,209	4,395,409	(1,619,937)	-	9,699,681
Capital Assets, Depreciable:					
Buildings and Improvements	61,236,245	-	(19,700)	-	61,216,545
Improvements other than Buildings	396,505	-	-	-	396,505
Machinery and Equipment	22,481,047	199,433	(199,582)	(23,406)	22,457,492
Infrastructure	163,626,031	2,030,451	-	-	165,656,482
Other Capital Assets	-	-	-	-	-
Total Capital Assets, Depreciable	247,739,828	2,229,884	(219,282)	(23,406)	249,727,024
Less Accumulated Depreciation for:					
Buildings and Improvements	(25,631,456)	(1,655,424)	18,741	-	(27,268,139)
Improvements other than Buildings	(32,437)	(19,531)	-	-	(51,968)
Machinery and Equipment	(13,050,497)	(1,807,120)	187,551	23,406	(14,646,660)
Infrastructure	(50,438,385)	(3,904,061)	-	-	(54,342,446)
Intangibles	-	-	-	-	-
Other Capital Assets	-	-	-	-	-
Total Accumulated Depreciation	(89,152,775)	(7,386,136)	206,292	23,406	(96,309,213)
Total Capital Assets, Depreciable, Net	158,587,053	(5,156,252)	(12,990)	-	153,417,811
Water Activities Capital Assets, Net	\$ 165,511,262	\$ (760,843)	\$ (1,632,927)	\$ -	\$ 163,117,492

	Beginning Balance	Additions	Deductions	Ending Balance
Asheville ABC Board				
Capital Assets, Non-depreciable:				
Land	\$ 3,004,629	\$ -	\$ -	\$ 3,004,629
Construction in Progress	2,336	293,947	-	296,283
Total Capital Assets, Non-Depreciable	3,006,965	293,947	-	3,300,912
Capital Assets, being Depreciated:				
Buildings	5,102,026	1,429	(16,974)	5,086,481
Leasehold Improvements	230,449	6,470	(4,350)	232,569
Furniture and Equipment	1,182,860	565,012	(354,839)	1,393,033
Vehicles	234,238	18,500	(21,468)	231,270
Total Capital Assets, Depreciable	6,749,573	591,411	(397,631)	6,943,353
Less Accumulated Depreciation for:				
Buildings	(1,657,705)	(170,444)	2,345	(1,825,804)
Leasehold Improvements	(172,507)	(3,242)	1,567	(174,182)
Furniture and Equipment	(628,612)	(161,710)	274,088	(516,234)
Vehicles	(195,707)	(22,157)	21,468	(196,396)
Total Accumulated Depreciation	(2,654,531)	(357,553)	299,468	(2,712,616)
Total Capital Assets, Depreciable, Net	4,095,042	233,858	(98,163)	4,230,737
Capital Assets, Net	\$ 7,102,007	\$ 527,805	\$ (98,163)	\$ 7,531,649

During the year, the City recorded capital contributions for \$2,802,293 which represents the value of water line and bus stop easements, Red Bridge on Riverside Drive, and right of ways. Capital contributions are a non-cash capital related financing activity for the statement of cash flows.

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

Governmental Activities	
General Government	\$ 737,752
Public Safety	2,138,268
Transportation	10,182,085
Environmental Protection	312,683
Economic Development	7,483
Culture & Recreation	1,542,703
Total Depreciation - Governmental Activities	<u>\$ 14,920,974</u>

Business-Type Activities	
Water Resources	\$ 7,386,136
Parking Services	452,911
Mass Transit	928,991
Non-Major Enterprise Funds	<u>1,091,524</u>
Total Depreciation - Business Type Activities	<u><u>\$ 9,859,562</u></u>

The City has numerous construction projects as of June 30, 2014. The amounts the City is contractually committed to spend at June 30, 2014 are the following:

Project	Spent to Date	Remaining Commitments
City Hall Renovations	\$ 3,360,645	\$ 483,712
Handy Park	380,861	33,117
Streets and Sidewalks	345,705	2,289,741
Parks and Recreations	161,034	4,036
Sanitation	35,836	1,710
Lake Craig/Azalea Rd	<u>313,897</u>	<u>1,869,955</u>
Total Governmental	<u>4,597,978</u>	<u>4,682,271</u>
Water-lines	1,378,692	314,720
Street Cut	287,431	126,891
U.S. Cellular Center Renovations	3,010,588	111,284
Transit Roof	152,873	52
Lake Craig/Azalea Rd	<u>317,850</u>	<u>1,045,410</u>
Total Proprietary	<u>5,147,434</u>	<u>1,598,357</u>
Total Commitments	<u><u>\$ 9,745,412</u></u>	<u><u>\$ 6,280,628</u></u>

Capitalized interest for Enterprise Funds for the year ended June 30, 2014 was comprised of:

Water Fund	\$ 198,092
Parking Fund	1,314
Stormwater	10,238
U.S. Cellular Center	<u>119,342</u>
Total Capitalized Interest	<u><u>\$ 328,986</u></u>

V. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2014 is as follows:

Due From Other Funds	Due to General Fund	Due to Water Fund
Non-Major Governmental Funds:		
Grant Programs Special Revenue Fund	\$ 76,705	\$ -
Community Development Special Revenue Fund	9,523	-
Section 108 Rehabilitation Special Revenue Fund	736	-
Affordable Home Ownership Revenue Fund	13,269	-
Total Due From Non-Major Governmental Funds	100,233	-
Major Proprietary Funds:		
Mass Transit Fund	479,646	-
Non-Major Proprietary Funds:		
Street Cut Utility Fund	-	185,182
Total Due From Proprietary Funds	479,646	185,182
Total Due From Other Funds	\$ 579,879	\$ 185,182

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							Transfers Out
	General Fund	General Capital Projects Fund	Non-Major Governmental Funds	Water Resources	Mass Transit	Non-Major Proprietary Funds		
General Fund	\$ -	\$ 901,382	\$ 151,448	\$ -	\$1,197,593	\$ 985,927	\$3,236,350	
General Capital Projects Fund	-	-	1,053	14,534	75,000	-	90,587	
Non-Major Governmental Funds	3,876	-	-	-	13,075	-	16,951	
Major Funds								
Parking Services	-	-	-	-	616,875	-	616,875	
Mass Transit	-	-	-	-	-	-	-	
Non-Major Proprietary Funds	80,500	13,746	-	-	-	-	94,246	
Total	\$84,376	\$ 915,128	\$ 152,501	\$ 14,534	\$1,902,543	\$ 985,927	\$4,055,009	

VI. Long-term Obligations**A. 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), and 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 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 and LOBs require the City to follow customary covenants including providing insurance certificates, budget data, and financial information on an annual basis. Other long-term indebtedness is further described in Note 6.F.

Long-term obligations at June 30, 2014 are comprised of the following individual issues:

Table 6.A.1

	Issue Date	Final Maturity	Interest Rate	Original Issue	Principal and Unamortized Balances at		GO	Business
					June 30, 2014	June 30, 2014		
General Obligation Bonds:								
2000 Sewer lines and fire fighting equipment	12/01/2000	12/01/2020	5.00%	\$ 1,970,000	\$ 670,000	\$ 670,000	\$ 670,000	\$ -
				1,970,000	670,000	670,000	670,000	-
Installment Financing Contracts and information technology):								
2010 Installment financing (Fire trucks)	05/07/2010	05/01/2015	3.58%	1,300,000	260,000	260,000	260,000	-
2010 Installment financing (Parks & Recreation)	07/12/2010	07/12/2025	4.55%	1,100,000	843,333	843,333	843,333	-
2012 Limited Obligation Bonds	06/27/2012	04/01/2032	3.00% - 5.00%	39,160,000	32,485,000	35,970,863	20,640,000	11,845,000
2013 Installment financing (Green CIP)	06/13/2013	07/1/2023	1.44%	998,000	948,100	948,100	948,100	-
2013 Installment financing (Equipment and Veh)	06/13/2013	05/1/2018	0.92%	1,150,000	1,025,625	1,025,625	1,025,625	-
2014 Installment financing (Equipment and Veh)	06/30/2014	06/01/2019	1.22%	1,810,000	1,810,000	1,810,000	1,591,407	218,593
				45,518,000	37,372,058	40,857,921	25,308,465	12,063,593
Revenue Bonds:								
2005 Water System Refunding Revenue Bonds	12/06/2005	08/01/2025	4.0% - 5.0%	41,800,000	29,430,000	30,416,480	-	29,430,000
2007 Water System Revenue Bonds	11/14/2007	08/01/2032	4.0% - 5.0%	39,025,000	33,255,000	33,565,257	-	33,255,000
				80,825,000	62,685,000	63,981,737	-	62,685,000
Other Long-term Indebtedness:								
1996 NC DENR, Water Quality Revolving Fund	11/01/1996	05/01/2017	3.43%	3,000,000	450,000	450,000	-	450,000
2001 Metropolitan Sewerage District	04/22/1985	06/30/2024	5.00%	615,000	243,130	243,130	243,130	-
2003 Section 108 Loan	08/07/2003	08/01/2022	4.66% - 5.64%	800,000	540,000	540,000	540,000	-
2011 NC DENR, Drinking Water Revolving Loan	06/22/2011	05/01/2031	0.00%	198,194	168,465	168,465	-	168,465
				4,613,194	1,401,595	1,401,595	783,130	618,465
Total General Obligation Bonds, Limited Obligation Bonds, Revenue Bonds and Other Long-Term Obligations				\$ 132,926,194	\$ 102,128,653	\$ 106,911,253	\$26,761,595	\$75,367,058

The preceding long-term obligations included in Table 6.A.1 are as follows:

Table 6.A.2

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 670,000	\$ -	\$ 670,000
Installment Financing Contracts	25,308,465	12,063,593	37,372,058
Revenue Bonds	-	62,685,000	62,685,000
Other Long-term Indebtedness	783,130	618,465	1,401,595
	<u>\$ 26,761,595</u>	<u>\$ 75,367,058</u>	<u>\$ 102,128,653</u>

The table in Table 6.A.1 differs from the long-term obligations in Table 6.A.2 due to the following:

	Unamortized Premium (Discount)
Limited Obligation Bonds, Series 2012	\$ 3,485,863
Revenue Bonds	
2005 Water System Revenue Refunding Bonds	986,480
2007 Water System Revenue Bonds	310,257
	<u>\$ 4,782,600</u>

B. Future Maturities of Long-Term Obligations

Annual debt service requirements to maturity, including interest, are as follows (excluding compensated absences and unfunded OPEB obligations):

	General Obligation Bonds		Limited Obligation Bonds and Installment Financings		Other Long-Term Obligations (See Note 6.F)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2015	\$ 100,000	\$ 31,000	\$ 3,741,124	\$ 1,015,796	\$ 65,010	\$ 40,364	\$ 3,906,134	\$ 1,087,160
2016	100,000	26,000	3,700,365	863,863	71,240	36,904	3,871,605	926,767
2017	100,000	21,000	3,645,365	735,071	76,240	33,154	3,821,605	789,225
2018	100,000	16,000	3,355,990	579,867	81,240	29,089	3,537,230	624,956
2019	100,000	11,000	1,566,115	440,478	86,240	24,709	1,752,355	476,187
2020-2024	170,000	7,750	4,806,173	1,474,313	403,160	48,942	5,379,333	1,531,005
2025-2029	-	-	2,808,333	714,087	-	-	2,808,333	714,087
2030-2033	-	-	1,685,000	149,380	-	-	1,685,000	149,380
	<u>\$ 670,000</u>	<u>\$ 112,750</u>	<u>\$ 25,308,465</u>	<u>\$ 5,972,855</u>	<u>\$ 783,130</u>	<u>\$ 213,161</u>	<u>\$ 26,761,595</u>	<u>\$ 6,298,766</u>

	Revenue Bonds		Limited Obligation Bonds and Installment Financings		Other Long-Term Obligations (See Note 6.F)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Business-type Activities								
2015	\$ 3,005,000	\$ 2,920,575	\$ 746,859	\$ 529,808	\$ 159,910	\$ 15,435	\$ 3,911,769	\$ 3,465,818
2016	3,145,000	2,778,625	773,719	494,492	159,910	10,290	4,078,629	3,283,407
2017	3,290,000	2,630,025	768,719	464,758	159,910	5,145	4,218,629	3,099,928
2018	3,445,000	2,474,425	688,719	427,975	9,910	-	4,143,629	2,902,400
2019	3,605,000	2,311,475	693,719	395,192	9,910	-	4,308,629	2,706,667
2020-2024	20,745,000	8,787,394	3,246,858	1,578,537	49,549	-	24,041,407	10,365,931
2025-2029	15,840,000	3,906,069	3,225,000	843,125	49,549	-	19,114,549	4,749,194
2030-2033	9,610,000	991,000	1,920,000	176,000	19,819	-	11,549,819	1,167,000
	<u>\$ 62,685,000</u>	<u>\$ 26,799,587</u>	<u>\$ 12,063,593</u>	<u>\$ 4,909,887</u>	<u>\$ 618,465</u>	<u>\$ 30,870</u>	<u>\$ 75,367,058</u>	<u>\$ 31,740,344</u>

C. Installment Financing Contracts

1. In May 2010, the City entered into an Installment Financing Contract with RBC Bank to finance the purchase of two fire trucks. The \$1.3 million loan is payable over five years with semi-annual payments of principal and interest at an interest rate of 3.58 percent.
2. In July 2010, the City entered into an Installment Financing Contract with BB&T to provide partial funding for the construction of a new Recreation Facility at Livingston Street. The \$1.1 million loan is payable over 15 years with semi-annual payments of principal at an interest rate of 4.55 percent.
3. In June 2012, the City, through the Asheville Public Financing Corporation, a blended component unit, issued Limited Obligation Bonds in the amount of \$39.16 million 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 installment financing 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 U.S. Cellular Center and (3) the acquisition and installation of vehicles and equipment for the City's general governmental purposes.

At June 30, 2014, \$2,884,622 in unspent debt proceeds remain available for the 2012 Projects.

4. In June 2013, the City entered into an 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. At June 30, 2014 \$40,010 in unspent debt proceeds remain available for these projects.
5. In June 2013, the City entered into a second Installment Financing Contract with TD Bank to provide partial funding for the purchase of computers, vehicles and equipment. The \$1.15 million loan is payable over 59 months with semi-annual payments of principal at an interest rate of 0.92 percent.
6. In June 2014, the City entered into an Installment Financing Contract with Wells Fargo Bank to provide funding for the purchase of computers, vehicles and equipment. The \$1.81 million loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 1.22 percent. At June 30, 2014, \$1,253,342 in unspent debt proceeds remain available for these projects.

D. 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.

At June 30, 2014, the City had no authorized unissued bonds.

E. Revenue Bonds

In 2005, the City advance refunded \$42,960,000 in Water Revenue Bonds, Series 1996 and 2001, by placing the proceeds of the refunding bonds in an irrevocable trust 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. In August 2006, a payment of \$30,801,533 effectively retired the Series 1996 debt. As of June 30, 2011, the outstanding balance of the defeased 2001 issue was \$10,077,128. On August 1, 2011, these bonds were called and paid in full.

The City has pledged future water customer revenues, net of specified operating expenses, to repay the \$41.8 million in Series 2005 Revenue Bonds. The bonds are payable solely from water customer new revenue and are payable through 2026. At June 30, 2014, the total principal and interest remaining to be paid on the bonds is \$39,110,250.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$39.025 million in Water System Revenue Bonds issued in December 2007. Proceeds from the bonds provided financing for the replacement of an antiquated pipe system. The bonds are payable solely from water customer new revenue and are payable through 2032. At June 30, 2014, the total principal and interest remaining to be paid on the bonds is \$50,374,337.

The City issued water system revenue bonds for water system improvements pursuant to a General Trust Indenture dated as of December 1, 2005 and Series Indenture Number 2, dated as of November 1, 2007 (together the "Indentures") between the City and The Bank of New York 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, 2014. The City has covenanted that it will establish or maintain various rates and charges sufficient to pay the current expenses and debt service of the water system.

The calculation for the rate covenant for the year ended June 30, 2014 is as follows:

Revenues	\$34,186,067
Current Expenses	17,794,531
Net Revenues Available for Debt Service	<u>\$16,391,536</u>
Senior Debt Service Coverage	
Debt service, Principal and Interest Paid	\$ 5,932,625
Add: 20 percent of Senior Debt Service	1,186,525
Subordinate Debt Service:	
Debt Service, Principal and Interest Paid	491,919
Total Debt Service (Plus 20 percent)	<u>\$ 7,611,069</u>
Rate Coverage Test	2.15

F. Other Long-Term Indebtedness

1. In 1996, the City received a \$3 million loan from the NC Department of Environment and Natural Resources ('NCDENR') for capital construction to the water system. The loan bears interest at 3.43 percent and is payable in equal annual amounts of \$150,000 over the next 20 years. At June 30, 2014, the outstanding balance is \$450,000.

2. 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, 2014, the City has an outstanding balance of \$243,130.
3. In 2003, the City borrowed \$800,000 as a Section 108 Loan. This is a loan guarantee provision of the Community Development Block Grant (‘CDBG’) Program through the US Department of Housing and Urban Development. These loan proceeds were used to fund the City’s CDBG Program for economic development for Eagle Market Street, a historically minority business district in the central business area. The loan is payable over 19 years with annual principal payments and semi-annual interest payments. At June 30, 2014, the City has an outstanding balance of \$540,000.
4. In 2005, the City entered into an Agreement with NC Department of Transportation for improvements to NC 146 (Long Shoals Road) from west of SR 3501 (Clayton Road) to east of I-26 in Asheville. The City received \$918,851 with scheduled repayments of \$306,284 from June 2012 through June 2014. This loan bears interest at the rate of zero percent per annum. This loan was paid in full in June 2014.
5. In 2011, the City received a loan of \$198,194 from the NCDENR for improvements to the North Fork Water Treatment Plant. The loan bears interest at the rate of zero percent per annum and is payable over twenty years. At June 30, 2014, the outstanding balance is \$168,465.

G. Changes in Long Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental Activities					
Bonds and Notes Payable:					
Installment financing contracts	\$ 27,069,667	\$ 1,591,407	\$ 3,352,609	\$ 25,308,465	\$ 3,741,124
General obligation bonds	770,000	-	100,000	670,000	100,000
Other long-term indebtedness	846,910	-	63,780	783,130	65,010
Unamortized bond premiums	2,562,160	-	325,663	2,236,497	325,660
Total Bonds and Loans Payable, net	31,248,737	1,591,407	3,842,052	28,998,092	4,231,794
Compensated absences payable	5,152,708	3,220,843	3,191,138	5,182,413	3,225,348
Net pension obligation	1,183,546	515,413	577,655	1,121,304	-
Net OPEB obligation	2,405,136	2,670,208	1,887,583	3,187,761	-
Total Governmental Activities	\$39,990,127	\$ 7,997,871	\$ 9,498,428	\$ 38,489,570	\$ 7,457,142
Business-type Activities					
Bonds and Notes Payable:					
Revenue bonds	\$ 65,570,000	\$ -	\$ 2,885,000	\$ 62,685,000	\$ 3,005,000
Installment financing contracts	12,575,000	218,593	730,000	12,063,593	746,859
Unamortized bond premiums	2,720,749	-	174,646	2,546,103	174,646
Other long-term indebtedness	1,084,659	-	466,194	618,465	159,910
Total Bonds and Loans Payable, net	81,950,408	218,593	4,255,840	77,913,161	4,086,415
Compensated absences payable	889,711	569,587	551,304	907,994	639,817
Net OPEB obligation	415,291	453,821	323,233	545,879	-
Total Business-type Activities	\$ 83,255,410	\$ 1,242,001	\$ 5,130,377	\$ 79,367,034	\$ 4,726,232

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	Current Portion Of Balance
Water System Activities					
Bonds and Notes Payable					
Revenue Bonds	\$ 65,570,000	\$ -	\$ 2,885,000	\$ 62,685,000	\$ 3,005,000
Unamortized Bond Premiums	1,395,716	-	98,977	1,296,739	98,977
Other Long-term Indebtedness	1,084,659	-	466,194	618,465	159,910
Total Bonds and Loans Payable, Net	68,050,375	-	3,450,171	64,600,204	3,263,887
Compensated Absences Payable	541,255	347,830	330,083	559,002	383,079
Net OPEB Obligation	252,642	282,423	198,997	336,068	-
	793,897	630,253	529,080	895,070	383,079
Total Water System Activities	\$ 68,844,272	\$ 630,253	\$ 3,979,251	\$ 65,495,274	\$ 3,646,966

H. 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 eight percent of the appraised value of property subject to taxation. At June 30, 2014, such statutory limit for the City was approximately \$897,467,000 providing a legal debt margin of approximately \$858,641,000.

I. Component Unit Debt

The ABC Board has a \$500,000 line of credit with a bank for working capital bearing interest at the rate of prime minus 0.50 percent. There have been no draws on this line.

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 percent.

Future maturities of the debt are as follows:

2015	\$	213,828
2016		218,085
2017		219,030
2018		199,515
2019		131,444
Thereafter		1,641,188
	\$	<u>2,623,090</u>

VII. Net Assets and Fund Balance**A. Net Assets**

The portion of net assets invested in capital assets, net of related debt, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital Assets, Net of Depreciation	\$ 159,585,507	\$ 212,104,941
Less: Capital Asset-related Debt	(28,998,092)	(77,913,161)
Less: Deferred Outflows	(21,569)	(52,507)
Add: Unspent Bond Proceeds	3,967,999	4,219,060
Invested in Capital Assets, Net of Related Debt	<u>\$ 134,533,845</u>	<u>\$ 138,358,333</u>

B. Fund Balance - General Fund

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

Total fund balance - General Fund	\$32,103,423
Less: Inventories and Prepaid Items	469,044
Less: Stabilization by State Statute	9,425,790
Funds Available for Appropriation	<u>22,208,589</u>
Less: Committed	622,992
Less: Assigned	6,544,698
Less: Fund Balance Policy	15,040,899
Remaining Fund Balance	<u><u>\$ -</u></u>

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 \$3,052,578 and \$5,510,027 in the General Fund and General Capital Projects Fund, respectively.

VIII. 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 \$500,000 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 \$237,049,001. 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.

Because 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, 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 worker’s 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.

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 \$150,000 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 recovers excess losses. In fiscal year 2014 and 2013, four and three cases, respectively, exceeded the \$150,000 self-insured retention level. In fiscal year 2014, recoveries totaling \$540,595 for healthcare claims paid over the specific stop-loss of \$150,000 were credited to the health program within the Health Fund.

The following is a summary of changes in estimated claims payable at June 30:

	2014	2013
Beginning Balance	\$ 3,319,065	\$ 3,171,256
Add: Incurred Claims and Changes in IBNR	11,566,666	11,351,953
Less: Claim Payments	<u>(10,967,565)</u>	<u>(11,204,144)</u>
Ending balance	<u>\$ 3,918,166</u>	<u>\$ 3,319,065</u>

In accordance with G.S. 159-29, the City’s employees that have or gain access to \$100 or more at any given time of the City’s funds are covered by a crime insurance policy with a \$150,000 limit per occurrence. The policy provides \$150,000 in coverage for employee dishonesty/forgery as well as computer and electronic funds transfer fraud coverage and \$25,000 in theft coverage. The Deputy Finance Director and the Fiscal Services Manager are individually bonded for \$250,000 each.

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.

IX. Pension Plan Obligations

A. North Carolina Local Governmental Employees' Retirement System

Plan Description - The City and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state's CAFR 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, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07 percent and 7.41 percent, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement is 6.74 percent and 6.77 percent, respectively, of annual covered payroll.

The contribution requirements of members and of the City and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$3,568,128, \$3,364,633 and \$3,476,866, respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$133,385, \$111,625 and \$123,859, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

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 feature of two time's annual salary in the event of death by a covered member.

B. Law Enforcement Officers Special Separation Allowance

Plan Description - The City and the ABC Board 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 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 2013, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees Receiving Benefits	34	1
Active Plan Members	206	1
Total	<u>240</u>	<u>2</u>

Basis of Accounting – 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 are recognized as expenses when due and payable in accordance with the terms of the plan. Administrative expenses are recognized as incurred.

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

Plan Contribution – The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City and ABC Board's obligation to contribute to this plan is 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. The ABC Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to pay benefits and administration costs on a pay-as-you-go basis. For the current year the ABC Board paid \$11,275 for benefits due to current retirees entitled to receive benefits. The ABC Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) five percent investment rate of return (net of administrative expenses); (b) projected salary increases of 4.25 to 7.85 percent per year; and (c) level percent of pay on a closed basis amortization method with amortization period of 17 years remaining. Both (a) and (b) included an inflation component of three percent. The assumptions did not include post-employment benefit increases.

Annual Pension Cost and Net Pension Obligation – The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual Required Contribution	\$ 550,015
Interest on Net Pension Obligation	54,972
Adjustment to Annual Required Contribution	(89,574)
Annual Pension Cost	515,413
Contributions Made	(577,655)
Decrease in Net Pension Obligation	(62,242)
Net Pension Obligation Beginning of Year	1,183,546
Net Pension Obligation End of Year	\$ 1,121,304

Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 481,045	91.16%	\$ 1,235,585
June 30, 2013	494,022	109.76%	1,183,546
June 30, 2014	515,413	111.22%	1,121,304

Funded Status and Funding Progress – As of December 31, 2013, the most recent actuarial valuation date, the plan was not fully funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$5,354,192. The covered payroll (annual payroll of active employees covered by the plan) was \$9,733,915, and the ratio of the UAAL to the covered payroll was 55.01 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. 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 agreed to extend this benefit to all regular full-time and regular part-time non-law enforcement 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 percent of each officer’s base salary and all amounts contributed are vested immediately. In addition to the required contribution for law enforcement officers, the City makes a monthly contribution equal to five percent of non-police employees’ base salary. Also, law enforcement officers and non-police employees of the City may make voluntary contributions to the Plan.

The City contribution for law enforcement officers for the year ended June 30, 2014 was \$507,930 and the officers’ voluntary contributions were approximately \$218,410. The City’s contribution for non-police personnel was \$1,999,630 with the voluntary contributions of approximately \$1,202,039. The ABC Board’s required contribution for the years ended June 30, 2014 and 2013 were \$7,378, and \$5,584 respectively.

D. Firefighters Governmental Money Purchase Plan

401(a) Defined Contribution Plan – The City contributes to the Firefighters Governmental Money Purchase Plan (GMPP), a section 401(a) defined contribution pension plan administered by ICMA-RC. The GMPP provides retirement benefits to full-time employees engaged in fire protection services who collectively have chosen to not participate in benefits defined by Title II of the Social Security Act.

Funding Policy – Eligible employees who voluntarily participate in the GMPP contribute amounts equal to two percent of eligible payroll. The employer’s contribution rate to the GMPP is two percent of participating employees’ eligible payroll. Employees who have completed five years of service are fully vested.

The City contribution for fire protection employees for the year ended June 30, 2014 was \$236,156 and the employees’ voluntary contributions were \$236,156.

E. 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 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 are hired after June 30, 2012. The benefits provided by the City include healthcare, prescription drugs and vision benefits. The cost of the program is shared between plan members and the City, which pays about 90 percent of the cost of coverage, with less 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 ceases to have coverage or dies, dependent coverage will terminate.

Retirees hired on or before December 31, 2006 without access to other insurance and 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 spouses employment, the City contributes towards the total cost of each plan based on the number of years of service with the City as follows:

<u>Years of Service with the City</u>	<u>Percent of Subsidy Paid by the City</u>
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

For those who were hired on or before December 31, 2006 with access to other insurance through subsequent employment, Medicare, Medicaid, VA, Federal, State retiree benefits, etc., the retiree is eligible to enroll in retiree insurance by paying 100 percent of the premiums with no subsidy contributed by the City. For those who were hired between January 1, 2007 and June 30, 2012 with access to other insurance and five or more years of service, the retiree is eligible to enroll in retiree insurance by paying 100 percent of the premiums with no subsidy contributed by the City.

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, 2014, the Plan assets totaled \$4,587,920. At year-end, the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Long Term Investment Fund (LTIF) 49 percent and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 51 percent (the equities were split with 75 percent in domestic securities and 25 percent in international securities). A separate report was not issued for the Plan.

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 \$72,761 and \$59,393 for the years ended June 30, 2014 and 2013. As of June 30, 2014 and 2013, none of this

cost was contributed which resulted in a net OPEB obligation of \$72,761 and \$59,393, respectively.

Membership of the City's HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement/Fire
Retirees and Dependents Receiving Benefits	175	-
Active Plan Members	545	398
Total	720	398

Funding Policy – The City and the ABC Board have chosen to fund the healthcare benefits on a pay-as-you-go basis, with additional amounts contributed to prefund benefits, determined annually by management and City Council. Upon reaching 65, coverage for all retirees who are eligible for Medicare will be transferred to a Medicare plan after qualifying for Medicare.

The current ARC rate is 7.22 percent of annual covered payroll. For the current year, the City contributed \$2,210,816 or 5.04 percent of annual covered payroll toward actual benefit payments and deposits in the OPEB Trust. There was \$347,070 of contributions made by retirees. The City's obligation to contribute to the Plan is established and may be amended by the City Council during the budget process. Determination of the amounts contributed by the City and retirees is made by the Human Resources Department, annually, upon review of current costs and trends.

Summary of Significant Accounting Policies – Post-employment expenditures are made from the Health Fund, which is maintained on the full accrual basis of accounting. These expenditures are paid as they become due. Short-term money market instruments and deposits are reported at cost or amortized cost, which approximates fair value as of June 30, 2014. Certain longer term securities are valued at estimated market value, as determined by the State Treasurer. Administration costs of the OPEB Investment Fund are determined by inter-agency agreement with the North Carolina Department of State Treasurer.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year. The amount actually contributed to the plan and changes in the City's net obligation for the healthcare benefits is:

Annual Required Contribution	\$ 3,170,891
Interest on Net OPEB Obligation	112,817
Adjustment to Annual Required Contribution	(159,679)
Annual OPEB Cost	<u>3,124,029</u>
Contributions Made	<u>(2,210,816)</u>
Increase in Net OPEB Obligation	913,213
Net OPEB Obligation Beginning of Year	<u>2,820,427</u>
Net OPEB Obligation End of Year	<u><u>\$ 3,733,640</u></u>

The City's net OPEB obligation is comprised of \$3,187,761 and \$545,879 for governmental activities and business-type activities, respectively.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012-2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 3,124,908	137.60%	\$1,849,524
June 30, 2013	3,243,919	70.10%	2,820,427
June 30, 2014	3,124,029	70.77%	3,733,640

Funded Status and Funding Progress – As of December 31, 2013, the most recent actuarial valuation date, the plan was not fully funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were \$35,908,288 and \$31,985,632, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$43,903,456, and the ratio of the UAAL to the covered payroll was 72.9 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern

of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included four percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a three percent inflation rate. The medical cost trend rate varied between 7.75 and five percent. The actuarial value of assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2013 was 28 years.

X. Deferred Outflows and Inflows of Resources

Deferred outflows of resources as presented in the government-wide financial statements for governmental and business-type activities are the deferred amounts of loss on defeasance of debt for the 2012 Limited Obligation Bonds.

Deferred inflows of resources at year-end are comprised of the following:

	Unavailable Revenue	Unearned Revenue
	<hr/>	<hr/>
General Fund		
Prepaid Ad Valorem Taxes	\$ -	\$ 6,774
Taxes Receivable (General Fund), less penalties	245,446	-
Notes Receivable	6,782,927	-
General Capital Projects		
Advances from Other Governments	246,024	-
Non-major Governmental Funds		
Notes Receivable	4,467,509	-
Advances from Other Governments	473,167	-
Total	<hr/> \$ 12,215,073 <hr/>	<hr/> \$ 6,774 <hr/>

XI. Unearned Revenues

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

	<u>Unearned Revenue</u>
General Fund	
Prepaid Privilege Licenses	\$ 849,762
BC 911 Communications	295,038
General Capital Projects	
Azalea Soccer	176,358
Other	64,116
Non-major Governmental Funds	
Grants	89,464
Total Governmental Activities	<u>\$ 1,474,738</u>
Water Fund	
Prepaid Water Charges	\$ 168,639
Non-Major Enterprise Funds	
Prepaid Stormwater Charges	27,020
Total Business-type Activities	<u>\$ 195,659</u>

XII. Commitments and Contingent Liabilities**A. Grant Revenues**

The City receives amounts from federal, state, and local government agencies in the form of grants. The disbursement of funds under these programs is subject to audit in accordance with the Office of Management and Budget Circular A-133 *Audit of States, Local Governments, and Non-profit Organizations and the State Single Audit Implementation Act*. The City expects the amount, if any, of expenditures that may be disallowed by the granting agencies as a result of these audits to be immaterial.

B. 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.

XIII. Stewardship, Compliance, and Accountability

Deficit Fund Balances and Net Assets – Liabilities exceeded assets in the Grant Program Special Revenue Fund (non-major governmental fund) by \$98,998. Intergovernmental revenue and program revenue are expected to be collected to eliminate the deficit in FY 2015.

XIV. Subsequent Events

On October 14, 2014, the City Council authorized the creation of three Municipal Service Districts (MSD's) to include the River Arts District MSD, the South Slope Extension MSD, and the Charlotte Street Corridor MSD in accordance with Article 23 of Chapter 160A of the N.C. General Statutes.

On June 9, 2014, Judge Manning issued a Memorandum of Decision and Order RE: Summary Judgment. In the Decision, Judge Manning ruled that HB 488 violates Article II, Section 24 of the North Carolina Constitution (prohibiting local acts relating to health and sanitation), Article I, Section 19 of the N.C. Constitution (prohibiting the taking of a proprietary asset with no rational basis), and Article I, Sections 19 and 35 of the N.C. Constitution (because the taking results in no change in use and is not a valid exercise of the legislative power to condemn). Judge Manning ruled further, if it were determined that HB 488 was a valid exercise of the sovereign power of the State of North Carolina, then the City would be entitled to just compensation for its water system. The State of North Carolina filed Notice of Appeal from Judge Manning's Memorandum of Decision and Order re: Summary Judgment to the North Carolina Court of Appeals on July 8, 2014. Allowing time for preparation of the Record on Appeal and briefing of the issues, it is anticipated the North Carolina Court of Appeals may issue a decision in the case in the first half of 2015.



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Required Supplementary Information

This section consists of the following additional information required by Accounting Principles Generally Accepted in the United States of America:

- Schedule of Funding Progress for Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Required Contributions for Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for other post-employment benefits
- Schedule of Employer Required Contributions for other post-employment benefits

CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2014

<u>Calendar Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Projected Unit Credit</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2004	\$ -	3,150,445	- %	\$ 3,150,445	\$ 6,977,643	45.15 %
2005	-	3,213,921	-	3,213,921	7,097,123	45.28
2006	-	3,500,082	-	3,500,082	8,097,773	43.22
2007	-	3,897,517	-	3,897,517	9,360,211	41.64
2008	-	4,236,980	-	4,236,980	10,144,346	41.77
2009	-	5,494,756	-	5,494,756	10,225,237	53.74
2010	-	4,845,081	-	4,845,081	9,349,412	51.82
2011	-	4,943,409	-	4,943,409	9,721,143	50.85
2012	-	5,327,272	-	5,327,272	10,152,159	52.47
2013	-	5,354,192	-	5,354,192	9,733,915	55.01

CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
JUNE 30, 2014

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2005	\$ 291,233	\$ 202,534	69.54 %
2006	330,544	249,148	75.38
2007	324,789	253,747	78.13
2008	351,948	295,051	83.83
2009	393,335	339,459	86.30
2010	434,291	424,186	97.67
2011	529,664	435,945	82.31
2012	481,045	438,501	91.16
2013	494,022	542,263	109.76
2014	515,413	573,232	111.22

NOTES TO THE ABOVE SCHEDULE:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the dates actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

**CITY OF ASHEVILLE
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2014**

Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Percentage Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a % of Covered Payroll
12/31/2005	\$ -	\$ 28,379,372	- %	\$ 28,379,372	\$ 35,060,422	80.9 %
12/31/2006	-	31,094,852	-	31,094,852	38,836,633	80.1
12/31/2009	-	33,846,854	-	33,846,854	50,164,033	67.5
12/31/2011	3,025,866	30,839,032	9.8	27,813,166	48,532,503	57.3
12/31/2012	3,271,564	31,909,734	10.3	28,638,170	46,139,737	62.1
12/31/2013	3,922,656	35,908,288	10.9	31,985,632	43,903,456	72.9

**CITY OF ASHEVILLE
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
JUNE 30, 2014**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2009	\$ 2,839,721	\$ 1,300,677	45.80 %
2010	2,995,947	2,209,348	73.74
2011	2,995,947	2,316,990	77.34
2012	3,108,295	4,301,250	138.38
2013	3,272,783	2,273,016	69.45
2014	3,170,891	2,210,816	69.72

NOTES TO THE ABOVE SCHEDULE:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level Dollar Amount, closed
Remaining amortization period	28 Years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	5.00% - 7.75%
Year of ultimate trend rate	2019
*Includes inflation at	3.00%



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Major Funds

Capital Project Funds are used to account for the acquisition and construction of capital assets other than those recorded and used by proprietary funds and trust funds.

Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services.

Governmental Fund Type:

- **General Capital Projects Fund** – This 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 major capital facilities and other capital assets.

Proprietary Fund Type:

- **Water Resources Fund** – This fund accounts for the revenues and expenses related to the operations and maintenance of the City's water system.
- **Parking Services Fund** – This fund accounts for the revenues and expenses related to the City's public parking system.
- **Mass Transit** – This fund accounts for the revenues and expenses related to the City's mass transportation system.

**CITY OF ASHEVILLE
GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue	\$ 7,268,248	\$ 1,696,991	\$ 550,244	\$ (829,709)	\$ 1,417,526	\$ (5,850,722)
Licenses and permits	484,668	588,621	166,713	-	755,334	270,666
Charges for services	604,566	733,786	71,986	-	805,772	201,206
Investment earnings	182,360	197,627	9,432	-	207,059	24,699
Miscellaneous	93,738	1,337,390	28,171	(783,996)	581,565	487,827
Total revenues	<u>8,633,580</u>	<u>4,554,415</u>	<u>826,546</u>	<u>(1,613,705)</u>	<u>3,767,256</u>	<u>(4,866,324)</u>
EXPENDITURES						
General government						
General Government	8,924,999	5,170,008	2,613,702	(1,957,065)	5,826,645	3,098,354
Public Safety	8,928,285	1,286,282	1,387,353	(673,074)	2,000,561	6,927,724
Environmental Services	3,317,085	2,576,905	1,216,465	(1,138,315)	2,655,055	662,030
Community Development	2,663,478	-	936,096	-	936,096	1,727,382
Transportation	20,081,398	5,016,340	3,107,349	(1,800,149)	6,323,540	13,757,858
Culture and Recreation	11,138,321	6,150,748	1,144,155	(2,987,840)	4,307,063	6,831,258
Total expenditures	<u>55,053,566</u>	<u>20,200,283</u>	<u>10,405,120</u>	<u>(8,556,443)</u>	<u>22,048,960</u>	<u>33,004,606</u>
Revenues over (under) expenditures	<u>(46,419,986)</u>	<u>(15,645,868)</u>	<u>(9,578,574)</u>	<u>6,942,738</u>	<u>(18,281,704)</u>	<u>28,138,282</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	10,678,611	12,662,422	915,128	(2,945,725)	10,631,825	(46,786)
Transfers to other funds	(75,455)	(886,921)	(90,587)	902,053	(75,455)	-
Installment purchase obligations issued	34,823,527	16,309,770	1,591,407	(4,706,523)	13,194,654	(21,628,873)
Premiums on long-term debt issued	993,303	1,185,843	-	(192,543)	993,300	(3)
Total other financing sources (uses)	<u>46,419,986</u>	<u>29,271,114</u>	<u>2,415,948</u>	<u>(6,942,738)</u>	<u>24,744,324</u>	<u>(21,675,662)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 13,625,246</u>	<u>(7,162,626)</u>	<u>\$ -</u>	<u>\$ 6,462,620</u>	<u>\$ 6,462,620</u>
Fund balance - beginning			<u>13,625,246</u>			
Fund balance - ending			<u>\$ 6,462,620</u>			

**CITY OF ASHEVILLE
WATER RESOURCES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 33,764,987	\$ 34,016,523	\$ 251,536
Other operating revenue	-	73,484	73,484
Interest earned	150,677	176,918	26,241
Total revenues	<u>33,915,664</u>	<u>34,266,925</u>	<u>351,261</u>
EXPENDITURES			
Administration	1,255,947	1,041,591	214,356
Operations	17,515,096	15,759,085	1,756,011
Capital outlay	264,751	199,433	65,318
Debt service:			
Principal	3,073,456	3,044,910	28,546
Interest and other charges	3,079,063	3,074,480	4,583
Total expenditures	<u>25,188,313</u>	<u>23,119,499</u>	<u>2,068,814</u>
Revenue over expenditures	<u>8,727,351</u>	<u>11,147,426</u>	<u>2,420,075</u>
OTHER FINANCING SOURCES (USES)			
Transfers to Water Capital Projects Fund	(17,564,488)	(17,564,488)	-
Proceeds from disposal of capital assets	46,295	61,634	15,339
Appropriated fund balance	8,790,842	-	(8,790,842)
Total other financing sources (uses)	<u>(8,727,351)</u>	<u>(17,502,854)</u>	<u>(8,775,503)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	<u>\$ (6,355,428)</u>	<u>\$ (6,355,428)</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues and other sources over (under) expenditures and other uses			
Water Resources Fund		\$ (6,355,428)	
Water Capital Projects Fund		12,602,824	
Total		<u>6,247,396</u>	
Reconciling items:			
Unbilled revenue adjustment		(34,652)	
Change in allowance for uncollectible accounts		(19,599)	
Reduction of principal on long-term debt		3,044,910	
Premium on long-term debt issued		98,977	
Capitalized assets		199,433	
Capitalized assets - Water Capital Project Fund		4,035,510	
Capitalized interest		198,319	
Depreciation		(7,386,136)	
Donated Assets		572,095	
Book value of capital assets disposed		(30,713)	
Change in interest payable		48,941	
Change in compensated absences		(17,748)	
Change in OPEB obligation		(83,426)	
Change in net position		<u>\$ 6,873,307</u>	

**CITY OF ASHEVILLE
WATER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 71,314	\$ -	\$ -	\$ -	\$ -	\$ (71,314)
Interest earned	-	78,724	-	-	78,724	78,724
Other revenue	-	512,693	130,713	-	643,406	643,406
Total revenues	<u>71,314</u>	<u>591,417</u>	<u>130,713</u>	<u>-</u>	<u>722,130</u>	<u>650,816</u>
EXPENDITURES						
Administrative Projects	350,000	344,608	-	-	344,608	5,392
Distribution System Projects	14,698,697	10,469,919	644,017	-	11,113,936	3,584,761
NC Department of Transportation Projects	6,189,928	3,369,167	-	-	3,369,167	2,820,761
Neighborhood Water Line Replacement Projects	13,566,792	2,020,111	3,575,455	-	5,595,566	7,971,226
Water Production Projects	13,147,990	991,923	774,843	-	1,766,766	11,381,224
Water System Master Plan Project	3,044,962	6,761	76,371	-	83,132	2,961,830
Craven Street Improvements	416,175	-	-	-	-	416,175
Azalea Road Improvements	371,127	12,118	36,225	-	48,343	322,784
Total expenditures	<u>51,785,671</u>	<u>17,214,607</u>	<u>5,106,911</u>	<u>-</u>	<u>22,321,518</u>	<u>29,464,153</u>
Revenues under expenditures	<u>(51,714,357)</u>	<u>(16,623,190)</u>	<u>(4,976,198)</u>	<u>-</u>	<u>(21,599,388)</u>	<u>30,114,969</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	51,248,357	35,290,556	17,564,488	-	52,855,044	1,606,687
Transfers to other funds	-	-	14,534	-	14,534	14,534
Proceeds from State loan	466,000	(158,090)	-	-	(158,090)	(624,090)
Total other financing sources (uses)	<u>51,714,357</u>	<u>35,132,466</u>	<u>17,579,022</u>	<u>-</u>	<u>52,711,488</u>	<u>997,131</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 18,509,276</u>	<u>\$ 12,602,824</u>	<u>\$ -</u>	<u>\$ 31,112,100</u>	<u>\$ 31,112,100</u>

**CITY OF ASHEVILLE
PARKING SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 3,159,500	\$ 3,906,307	\$ 746,807
Rents	23,000	25,335	2,335
Other operating revenue	657,200	453,344	(203,856)
Interest earned	16,000	3,594	(12,406)
Total revenues	<u>3,855,700</u>	<u>4,388,580</u>	<u>532,880</u>
EXPENDITURES			
Operations	2,303,947	2,074,961	228,986
Capital outlay	69,958	55,470	14,488
Debt service:			
Principal	485,000	485,000	-
Interest and other charges	407,725	407,725	-
Total expenditures	<u>3,266,630</u>	<u>3,023,156</u>	<u>243,474</u>
Revenues over (under) expenditures	<u>589,070</u>	<u>1,365,424</u>	<u>776,354</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Parking Services Capital Project Fund	(117,759)	(57,732)	60,027
Transfers to other funds	(616,875)	(616,875)	-
Proceeds from disposal of capital assets	-	679	679
Appropriated fund balance	145,564	-	(145,564)
Total other financing sources (uses)	<u>(589,070)</u>	<u>(673,928)</u>	<u>(84,858)</u>
Revenues under expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 691,496</u>	<u>\$ 691,496</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues under expenditures and other financing sources (uses):			
Parking Services Fund		\$ 691,496	
Parking Services Capital Projects Fund		(5,228)	
Total		<u>686,268</u>	
Reconciling items:			
Change in allowance for uncollectible accounts		(197,410)	
Reduction of principal on long-term debt		485,000	
Premium on long-term debt		45,318	
Capitalized assets		55,470	
Capitalized assets - Parking Services Capital Projects Fund		42,191	
Capitalized interest		1,313	
Depreciation		(452,911)	
Donated assets		110,161	
Change in interest payable		4,850	
Change in compensated absences		(7,437)	
Change in OPEB obligation		(11,301)	
Change in net position		<u>\$ 761,512</u>	

CITY OF ASHEVILLE
PARKING SERVICES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Charges for services	\$ -	\$ 44,046	\$ -	\$ -	\$ 44,046	\$ 44,046
Interest earned	59	1,304	-	-	1,304	1,245
Capital grants and contributions	<u>85,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,503)</u>
Total revenues	<u>85,562</u>	<u>45,350</u>	<u>-</u>	<u>-</u>	<u>45,350</u>	<u>(40,212)</u>
EXPENDITURES						
Craven Street	564,748	22,386	25,524	-	47,910	516,838
French Broad River W. Greenway	-	-	-	-	-	-
Battery Park Parking Deck	20,900,000	4,046,632	-	-	4,046,632	16,853,368
General Parking Reserve	60	2,030	-	-	2,030	(1,970)
Biltmore Avenue Garage	13,884,206	13,718,762	37,436	-	13,756,198	128,008
Streetline Parking	201,260	-	-	-	-	201,260
Debt Service Interest	<u>215,794</u>	<u>215,794</u>	<u>-</u>	<u>-</u>	<u>215,794</u>	<u>-</u>
Total expenditures	<u>35,766,068</u>	<u>18,005,604</u>	<u>62,960</u>	<u>-</u>	<u>18,068,564</u>	<u>17,697,504</u>
Revenues under expenditures	<u>(35,680,506)</u>	<u>(17,960,254)</u>	<u>(62,960)</u>	<u>-</u>	<u>(18,023,214)</u>	<u>17,657,292</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt	32,000,000	10,600,000	-	-	10,600,000	(21,400,000)
Transfers from other funds	3,680,506	3,656,873	57,732	-	3,714,605	34,099
Transfers to Parking Services Fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>35,680,506</u>	<u>14,256,873</u>	<u>57,732</u>	<u>-</u>	<u>14,314,605</u>	<u>(21,365,901)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (3,703,381)</u>	<u>\$ (5,228)</u>	<u>\$ -</u>	<u>\$ (3,708,609)</u>	<u>\$ (3,708,609)</u>

**CITY OF ASHEVILLE
MASS TRANSIT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 830,000	\$ 855,396	\$ 25,396
Other operating revenue	320,000	425,763	105,763
Interest earned	-	132	132
Intergovernmental revenue	2,848,495	2,488,812	(359,683)
Total revenues	3,998,495	3,770,103	(228,392)
OPERATING EXPENDITURES			-
Administration	419,069	396,383	22,686
Operations	5,451,495	5,447,446	4,049
Interest and other charges	1,462	2,032	(570)
Total expenditures	5,872,026	5,845,861	26,165
Revenues under expenditures	(1,873,531)	(2,075,758)	(202,227)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	1,849,377	1,849,377	-
Transfer to Transit Capital Projects Fund	(5,787)	(5,737)	50
Proceeds from the sale of capital assets	-	54,441	54,441
Appropriated fund balance	29,941	-	(29,941)
Total other financing sources (uses)	1,873,531	1,898,081	24,550
Revenues and other sources under expenditures and other uses	\$ -	\$ (177,677)	\$ (177,677)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues and other sources under expenditures and other uses:			
Mass Transit Fund		\$ (177,677)	
Mass Transit Capital Projects Fund		(89,085)	
Total		(266,762)	
Reconciling items:			
Capitalized assets - Mass Transit Capital Projects Fund		835,690	
Depreciation		(928,991)	
Donated assets		7,544	
Loss on Disposal of Capital Asset		(3,870)	
Change in compensated absences		(2,172)	
Change in OPEB obligation		(3,906)	
Change in net assets		\$ (362,467)	

CITY OF ASHEVILLE
MASS TRANSIT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 4,638,675	\$ 3,165,746	\$ 1,195,863	\$ (793,110)	\$ 3,568,499	\$ (1,070,176)
Other revenue	-	13,000	-	(13,000)	-	-
Total revenues	<u>4,638,675</u>	<u>3,178,746</u>	<u>1,195,863</u>	<u>(806,110)</u>	<u>3,568,499</u>	<u>(1,070,176)</u>
EXPENDITURES						
ARRA - FTA Bus Purchases	2,604,966	2,542,248	35,086	-	2,577,334	27,632
RIDE New Freedom Grant	208,512	13,649	10,031	-	23,680	184,832
Transit Garage Project	177,000	158,097	4,318	-	162,415	14,585
Transit Security Cameras	150,000	74,167	-	-	74,167	75,833
Transit AVL System	450,000	-	431,495	-	431,495	18,505
Transit Shelters and Signage	40,000	19,012	537	-	19,549	20,451
Transit Center Maintenance	250,000	-	-	-	-	250,000
JARC Mountain Mobility	220,246	-	65,611	-	65,611	154,635
New Freedom	259,116	-	-	-	-	259,116
Bus Purchase FY13	400,000	-	391,849	-	391,849	8,151
Bus Replacement	-	-	391,849	(391,849)	-	-
Henderson Van Purchase	53,928	-	-	-	-	53,928
Transit Master Plan	-	150,000	-	(150,000)	-	-
Bus Purchase - 2 CNG For HC	-	321,352	-	(321,352)	-	-
Street Furniture Improvements 2	-	44,219	13,075	(57,294)	-	-
Total expenditures	<u>4,813,768</u>	<u>3,322,744</u>	<u>1,343,851</u>	<u>(920,495)</u>	<u>3,746,100</u>	<u>1,067,668</u>
Revenues over (under) expenditures	<u>(175,093)</u>	<u>(143,998)</u>	<u>(147,988)</u>	<u>114,385</u>	<u>(177,601)</u>	<u>(2,508)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	287,000	348,439	53,166	(97,385)	304,220	17,220
Transfers from Transit funds	42,040	72,371	5,737	(17,000)	61,108	19,068
Transfers to other funds	(153,947)	(83,511)	-	-	(83,511)	70,436
Total other financing sources (uses)	<u>175,093</u>	<u>337,299</u>	<u>58,903</u>	<u>(114,385)</u>	<u>281,817</u>	<u>106,724</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 193,301</u>	<u>\$ (89,085)</u>	<u>\$ -</u>	<u>\$ 104,216</u>	<u>\$ 104,216</u>

Non-Major Governmental Funds Combining Statements and Schedules

Non-major governmental funds are combined and presented in the aggregate as “non-major governmental funds” in the basic financial statements. The City’s non-major governmental funds are as follows:

Special Revenue Funds:

- **Grant Programs** – This fund is used to account for grant revenues and related expenditures of various federal, state and local grants.
- **Community Development Fund** – This fund is used to account for the City’s Community Development Block Grant (CDBG) received from the U.S. Department of Housing and Urban Development.
- **Affordable Home Ownership** – This fund is used to account for HOME grant expenditures and the related revenue received from the U.S. Department of Housing and Urban Development.
- **Section 108 Rehabilitation** – This fund is used to account for revenues, expenditures and revolving loans by grants from the U.S. Department of Housing and Urban Development.

Permanent Fund:

- **Permanent Fund** – This fund is used to account for funds received for the perpetual care of the City’s cemetery.

CITY OF ASHEVILLE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds				Permanent Fund	Total Non-major Governmental Funds
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation		
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ 776,628	\$ 307,203	\$ 1,083,831
Cash and investments - restricted	-	-	-	-	8,554	8,554
Receivables:						
Due from other governments	651,566	17,302	20,993	-	-	689,861
Accounts receivable	-	-	-	-	1,695	1,695
Notes receivable	-	1,938,199	1,412,734	1,116,576	-	4,467,509
Total assets	<u>\$ 651,566</u>	<u>\$ 1,955,501</u>	<u>\$ 1,433,727</u>	<u>\$ 1,893,204</u>	<u>\$ 317,452</u>	<u>\$ 6,251,450</u>
LIABILITIES						
Accounts payable	119,844	531	168	32	-	120,575
Other accrued liabilities	525	4,128	1,535	-	-	6,188
Due to other funds	76,705	9,523	13,269	736	-	100,233
Unearned revenue	80,323	3,120	6,021	-	-	89,464
Total liabilities	<u>277,397</u>	<u>17,302</u>	<u>20,993</u>	<u>768</u>	<u>-</u>	<u>316,460</u>
DEFERRED INFLOWS OF RESOURCES						
Notes receivable	-	1,938,199	1,412,734	1,116,576	-	4,467,509
Advances from other governments	473,167	-	-	-	-	473,167
Total deferred inflows of resources	<u>473,167</u>	<u>1,938,199</u>	<u>1,412,734</u>	<u>1,116,576</u>	<u>-</u>	<u>4,940,676</u>
FUND BALANCES						
Restricted:						
Grant programs	(98,998)	-	-	775,860	-	676,862
Perpetual maintenance	-	-	-	-	317,452	317,452
Total fund balances	<u>(98,998)</u>	<u>-</u>	<u>-</u>	<u>775,860</u>	<u>317,452</u>	<u>994,314</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 651,566</u>	<u>\$ 1,955,501</u>	<u>\$ 1,433,727</u>	<u>\$ 1,893,204</u>	<u>\$ 317,452</u>	<u>\$ 6,251,450</u>

**CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds				Permanent Fund	Total Non-major Governmental Funds
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation		
REVENUES						
Intergovernmental revenue	\$ 967,527	\$ 822,141	\$ 1,289,114	\$ -	\$ -	\$ 3,078,782
Charges for services	433	47,854	-	-	-	48,287
Investment earnings	281	-	-	-	4,719	5,000
Miscellaneous	90,989	64,040	116,986	64,689	-	336,704
Total revenues	<u>1,059,230</u>	<u>934,035</u>	<u>1,406,100</u>	<u>64,689</u>	<u>4,719</u>	<u>3,468,773</u>
EXPENDITURES						
Current:						
General government	106,657	-	-	-	-	106,657
Public safety	345,587	-	-	-	-	345,587
Environmental services	139	-	-	-	-	139
Community development	792,542	1,024,020	1,406,100	352	-	3,223,014
Transportation	100,856	-	-	-	-	100,856
Culture and recreation	9,058	-	-	-	843	9,901
Debt service:						
Principal	-	-	-	40,000	-	40,000
Interest and other charges	-	-	-	30,077	-	30,077
Total expenditures	<u>1,354,839</u>	<u>1,024,020</u>	<u>1,406,100</u>	<u>70,429</u>	<u>843</u>	<u>3,856,231</u>
Revenues over (under) expenditures	<u>(295,609)</u>	<u>(89,985)</u>	<u>-</u>	<u>(5,740)</u>	<u>3,876</u>	<u>(387,458)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	152,501	-	-	-	-	152,501
Transfers to other funds	-	(13,075)	-	-	(3,876)	(16,951)
Long-term debt issued	-	-	-	-	-	-
Proceeds from sale of capital assets	-	103,060	-	-	-	103,060
Total other financing sources (uses)	<u>152,501</u>	<u>89,985</u>	<u>-</u>	<u>-</u>	<u>(3,876)</u>	<u>238,610</u>
Net change in fund balances	(143,108)	-	-	(5,740)	-	(148,848)
Fund balances - beginning	44,110	-	-	781,600	317,452	1,143,162
Fund balances - ending	<u>\$ (98,998)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,860</u>	<u>\$ 317,452</u>	<u>\$ 994,314</u>

CITY OF ASHEVILLE
GRANT PROGRAMS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Restricted intergovernmental	\$ 4,011,009	\$ 9,228,014	\$ 967,527	\$ (7,556,986)	\$2,638,555	\$ (1,372,454)
Charges for services	128,008	125,543	433	-	125,976	(2,032)
Investment earnings	62,757	64,128	281	-	64,409	1,652
Private donations	821,709	2,574,354	90,989	(2,011,323)	654,020	(167,689)
Total revenues	<u>5,023,483</u>	<u>11,992,039</u>	<u>1,059,230</u>	<u>(9,568,309)</u>	<u>3,482,960</u>	<u>(1,540,523)</u>
EXPENDITURES						
General government	135,460	155,500	106,657	(135,000)	127,157	8,303
Public safety	2,261,507	1,502,919	345,587	(196,371)	1,652,135	609,372
Environmental services	138	3,169,362	139	(3,169,362)	139	(1)
Community development	1,888,591	727,817	792,542	(54,834)	1,465,525	423,066
Transportation	432,175	42,545	100,856	(42,545)	100,856	331,319
Culture and recreation	161,934	8,403,452	9,058	(8,300,705)	111,805	50,129
Total expenditures	<u>4,879,805</u>	<u>14,001,595</u>	<u>1,354,839</u>	<u>(11,898,817)</u>	<u>3,457,617</u>	<u>1,422,188</u>
Revenues over (under) expenditures	<u>143,678</u>	<u>(2,009,556)</u>	<u>(295,609)</u>	<u>2,330,508</u>	<u>25,343</u>	<u>(118,335)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	175,211	2,481,356	152,501	(2,374,755)	259,102	83,891
Transfers to other funds	(318,889)	(427,690)	-	44,247	(383,443)	(64,554)
Total other financing sources (uses)	<u>(143,678)</u>	<u>2,053,666</u>	<u>152,501</u>	<u>(2,330,508)</u>	<u>(124,341)</u>	<u>19,337</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 44,110</u>	<u>(143,108)</u>	<u>\$ -</u>	<u>\$ (98,998)</u>	<u>\$ (98,998)</u>
Fund balance - beginning			<u>44,110</u>			
Fund balance - ending			<u>\$ (98,998)</u>			

**CITY OF ASHEVILLE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue	\$ 12,651,004	\$ 11,314,922	\$ 822,141	\$ -	\$ 12,137,063	\$ (513,941)
Miscellaneous	2,493,672	1,811,978	64,040	-	1,876,018	(617,654)
Charges for services	-	101,273	47,854	-	149,127	149,127
Total revenues	<u>15,144,676</u>	<u>13,228,173</u>	<u>934,035</u>	<u>-</u>	<u>14,162,208</u>	<u>(982,468)</u>
EXPENDITURES						
Community development	14,345,647	12,868,209	1,024,020	-	13,892,229	453,418
Total expenditures	<u>14,345,647</u>	<u>12,868,209</u>	<u>1,024,020</u>	<u>-</u>	<u>13,892,229</u>	<u>453,418</u>
Revenues over (under) expenditures	<u>799,029</u>	<u>359,964</u>	<u>(89,985)</u>	<u>-</u>	<u>269,979</u>	<u>(529,050)</u>
OTHER FINANCING SOURCES (USES)						
Transfer to other funds	(1,028,194)	(818,199)	(13,075)	-	(831,274)	196,920
Proceeds from sale of capital assets	229,165	458,235	103,060	-	561,295	332,130
Total other financing sources (uses)	<u>(799,029)</u>	<u>(359,964)</u>	<u>89,985</u>	<u>-</u>	<u>(269,979)</u>	<u>529,050</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>			
Fund balance - ending			<u>\$ -</u>			

CITY OF ASHEVILLE
AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue	\$ 13,991,755	\$ 11,547,101	\$ 1,289,114	\$ -	\$ 12,836,215	\$ (1,155,540)
Miscellaneous	595,466	359,515	116,986	-	476,501	(118,965)
Total revenues	<u>14,587,221</u>	<u>11,906,616</u>	<u>1,406,100</u>	<u>-</u>	<u>13,312,716</u>	<u>(1,274,505)</u>
EXPENDITURES						
Community development	14,587,221	11,906,616	1,406,100	-	13,312,716	1,274,505
Total expenditures	<u>14,587,221</u>	<u>11,906,616</u>	<u>1,406,100</u>	<u>-</u>	<u>13,312,716</u>	<u>1,274,505</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>			
Fund balance - ending			<u>\$ -</u>			

CITY OF ASHEVILLE
SECTION 108 REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue	\$ 2,300,000	\$ 2,300,006	\$ -	\$ -	\$ 2,300,006	\$ 6
Miscellaneous	<u>1,070,932</u>	<u>1,076,824</u>	<u>64,689</u>	<u>-</u>	<u>1,141,513</u>	<u>70,581</u>
Total revenues	<u>3,370,932</u>	<u>3,376,830</u>	<u>64,689</u>	<u>-</u>	<u>3,441,519</u>	<u>70,587</u>
EXPENDITURES						
Community development:						
Loan 1	1,502,575	1,502,479	-	-	1,502,479	96
Loan 2	742,135	8,947	352	-	9,299	732,836
Debt service:					-	-
Principal	1,305,908	1,270,908	40,000	-	1,310,908	(5,000)
Interest and other charges	<u>432,871</u>	<u>419,902</u>	<u>30,077</u>	<u>-</u>	<u>449,979</u>	<u>(17,108)</u>
Total expenditures	<u>3,983,489</u>	<u>3,202,236</u>	<u>70,429</u>	<u>-</u>	<u>3,272,665</u>	<u>710,824</u>
Revenues over (under) expenditures	(612,557)	174,594	(5,740)	-	168,854	781,411
OTHER FINANCING SOURCES						
Transfers from other funds	<u>612,557</u>	<u>607,006</u>	<u>-</u>	<u>-</u>	<u>607,006</u>	<u>(5,551)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 781,600</u>	<u>(5,740)</u>	<u>\$ -</u>	<u>\$ 775,860</u>	<u>\$ 775,860</u>
Fund balance - beginning			<u>781,600</u>			
Fund balance - ending			<u>\$ 775,860</u>			



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Proprietary Funds

Non-Major Enterprise Funds

Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services.

Non-Major Enterprise Funds:

- **Street Cut Utility Fund** – This fund accounts for the revenues and expenses related to the City’s new street cut repair program.
- **Stormwater** – This fund accounts for the revenues and expenses related to the City’s stormwater drainage program.
- **U.S. Cellular Center** – This fund accounts for the revenues and expenses related to the City’s U.S. Cellular Center operations.

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
June 30, 2014

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>U.S. Cellular Center</u>	<u>Total Non-major Enterprise Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 23,220	\$ 3,554,415	\$ 313,612	\$ 3,891,247
Cash and investments - restricted	-	218,593	-	218,593
Accounts receivable (net of allowance for uncollectibles)	119,992	198,288	-	318,280
Due from other governments	-	265,359	-	265,359
Inventories and prepaids	-	-	53,759	53,759
Total current assets	<u>143,212</u>	<u>4,236,655</u>	<u>367,371</u>	<u>4,747,238</u>
Capital assets:				
Assets not being depreciated	-	2,092,275	3,718,611	5,810,886
Assets being depreciated, net	263,408	3,864,123	8,450,065	12,577,596
Net capital assets	<u>263,408</u>	<u>5,956,398</u>	<u>12,168,676</u>	<u>18,388,482</u>
Total assets	<u>406,620</u>	<u>10,193,053</u>	<u>12,536,047</u>	<u>23,135,720</u>
LIABILITIES				
Current liabilities:				
Accounts payable	26,279	212,728	97,649	336,656
Interest payable	-	2,807	32,237	35,044
Other accrued liabilities	10,340	34,885	21,552	66,777
Due to other funds	185,182	-	-	185,182
Unearned revenue	-	27,020	-	27,020
Current portion of long-term liabilities	16,669	234,691	238,142	489,502
Total current liabilities	<u>238,470</u>	<u>512,131</u>	<u>389,580</u>	<u>1,140,181</u>
Non-current liabilities:				
Long-term liabilities, less current portion	<u>49,106</u>	<u>451,731</u>	<u>3,122,841</u>	<u>3,623,678</u>
Total liabilities	<u>287,576</u>	<u>963,862</u>	<u>3,512,421</u>	<u>4,763,859</u>
NET POSITION				
Net investment in capital assets	263,408	5,693,864	8,967,697	14,924,969
Unrestricted	<u>(144,364)</u>	<u>3,535,327</u>	<u>55,929</u>	<u>3,446,892</u>
Total net position	<u>\$ 119,044</u>	<u>\$ 9,229,191</u>	<u>\$ 9,023,626</u>	<u>\$ 18,371,861</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>U.S. Cellular Center</u>	<u>Total Non-major Enterprise Funds</u>
OPERATING REVENUES				
Charges for services	\$ 1,349,821	\$ 3,145,278	\$ 304,070	\$ 4,799,169
Rents	-	-	713,794	713,794
Concessions	-	-	1,265,791	1,265,791
Other operating revenue	-	3,821	134,472	138,293
Total operating revenues	<u>1,349,821</u>	<u>3,149,099</u>	<u>2,418,127</u>	<u>6,917,047</u>
OPERATING EXPENSES				
Administration	-	983,392	1,197,414	2,180,806
Operations	1,344,449	1,627,433	1,647,444	4,619,326
Other operating expenses	-	309,615	44,913	354,528
Depreciation	72,236	390,583	628,705	1,091,524
Total operating expenses	<u>1,416,685</u>	<u>3,311,023</u>	<u>3,518,476</u>	<u>8,246,184</u>
Operating loss	<u>(66,864)</u>	<u>(161,924)</u>	<u>(1,100,349)</u>	<u>(1,329,137)</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	15,111	-	-	15,111
Interest earned	-	12,339	1,057	13,396
Interest and other charges	(380)	(7,169)	(116,901)	(124,450)
Gain (loss) on disposal of capital assets	-	18,228	-	18,228
Total non-operating revenues (expenses)	<u>14,731</u>	<u>23,398</u>	<u>(115,844)</u>	<u>(77,715)</u>
Loss before transfers and capital grants and contributions	(52,133)	(138,526)	(1,216,193)	(1,406,852)
Transfers from other funds	-	-	985,927	985,927
Capital grants and contributions	-	1,122,451	1,964,941	3,087,392
Changes in net position	(52,133)	983,925	1,734,675	2,666,467
Total net position - beginning	<u>171,177</u>	<u>8,245,266</u>	<u>7,288,951</u>	<u>15,705,394</u>
Total net position - ending	<u>\$ 119,044</u>	<u>\$ 9,229,191</u>	<u>\$ 9,023,626</u>	<u>\$ 18,371,861</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>U.S. Cellular Center</u>	<u>Total Non-major Enterprise Funds</u>
Cash flows from operating activities:				
Cash received from customers, users and others	\$ 1,481,085	\$ 3,135,776	\$ 2,419,609	\$ 7,036,470
Cash paid for goods and services	(474,673)	(1,285,704)	(1,646,963)	(3,407,340)
Cash paid to employees	(895,154)	(1,597,970)	(1,289,735)	(3,782,859)
Net cash provided by (used for) operating activities	<u>111,258</u>	<u>252,102</u>	<u>(517,089)</u>	<u>(153,729)</u>
Cash flows from non-capital financing activities:				
Receipts from operating grants	15,111	-	-	15,111
Transfers from other funds	-	-	985,927	985,927
Advances paid to other funds	(105,432)	-	-	(105,432)
Net cash provided by (used for) non-capital financing activities	<u>(90,321)</u>	<u>-</u>	<u>985,927</u>	<u>895,606</u>
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	-	599,510	1,964,941	2,564,451
Proceeds from disposal of capital assets	-	18,228	-	18,228
Acquisition and construction of assets	-	(598,520)	(2,610,747)	(3,209,267)
Other receipts	2,663	-	-	2,663
Proceeds from long-term debt issued	-	218,593	-	218,593
Premiums on long-term debt issued	-	(7,512)	(16,997)	(24,509)
Principal paid on debt	-	(80,000)	(165,000)	(245,000)
Interest other charges paid on debt	(380)	(7,961)	(118,553)	(126,894)
Net cash provided by (used for) capital and related financing activities	<u>2,283</u>	<u>142,338</u>	<u>(946,356)</u>	<u>(801,735)</u>
Cash flows from investing activities:				
Interest earned	-	12,339	1,057	13,396
Net increase (decrease) in cash and cash equivalents	23,220	406,779	(476,461)	(46,462)
Cash and cash equivalents:				
Beginning of year, July 1	-	3,366,229	790,073	4,156,302
End of year, June 30	<u>\$ 23,220</u>	<u>\$ 3,773,008</u>	<u>\$ 313,612</u>	<u>\$ 4,109,840</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Street Cut Utility	Stormwater	U.S. Cellular Center	Total Non-major Enterprise Funds
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (66,864)	\$ (161,924)	\$ (1,100,349)	\$ (1,329,137)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	72,236	390,583	628,705	1,091,524
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	131,264	(26,854)	6,232	110,642
Increase in prepaids	-	-	(22,803)	(22,803)
Increase (decrease) in accounts payable	(6,394)	34,323	8,037	35,966
Increase (decrease) in accrued expenses	(6,434)	(5,272)	(4,445)	(16,151)
Increase (decrease) in unearned revenue	-	13,531	(4,750)	8,781
Increase (decrease) in compensated absences	(12,321)	(6,490)	(9,738)	(28,549)
Increase (decrease) in OPEB obligation	(229)	14,205	(17,978)	(4,002)
Net cash provided by (used for) operating activities	\$ 111,258	\$ 252,102	\$ (517,089)	\$ (153,729)
Reconciliation of cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 23,220	\$ 3,554,415	\$ 313,612	\$ 3,891,247
Restricted	-	218,593	-	218,593
Total cash and cash equivalents	\$ 23,220	\$ 3,773,008	\$ 313,612	\$ 4,109,840
Non-cash investing, capital, and financing activities:				
Donated capital assets	\$ -	\$ 300,183	\$ -	\$ 300,183

**CITY OF ASHEVILLE
STREET CUT UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 1,665,923	\$ 1,349,821	\$ (316,102)
Intergovernmental revenue	7,044	15,111	8,067
Total revenues	1,672,967	1,364,932	(308,035)
EXPENDITURES			
Operations	1,625,958	1,359,782	266,176
Capital outlay	43,650	-	43,650
Interest and other charges	3,359	380	2,979
Total expenditures	1,672,967	1,360,162	312,805
Revenues over expenditures	\$ -	\$ 4,770	\$ 4,770
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures		\$ 4,770	
Reconciling items:			
Change in allowance for uncollectible accounts		2,783	
Depreciation		(72,236)	
Change in compensated absences		12,321	
Change in OPEB obligation		229	
Change in net position		\$ (52,133)	

**CITY OF ASHEVILLE
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 2,976,722	\$ 3,113,344	\$ 136,622
Other operating revenue	5,000	3,821	(1,179)
Interest earned	11,000	12,339	1,339
Total revenues	<u>2,992,722</u>	<u>3,129,504</u>	<u>136,782</u>
EXPENDITURES			
Administration	1,134,164	983,392	150,772
Operations	1,952,103	1,563,330	388,773
Capital outlay	258,885	39,028	219,857
Debt service:			
Principal	80,000	80,000	-
Interest and other charges	15,473	15,473	-
Total expenditures	<u>3,440,625</u>	<u>2,681,223</u>	<u>759,402</u>
Revenues over (under) expenditures	<u>(447,903)</u>	<u>448,281</u>	<u>896,184</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt issued	206,000	218,593	12,593
Transfer to Stormwater Capital Projects Fund	(555,959)	(555,959)	-
Proceeds from disposal of capital assets	20,000	18,228	(1,772)
Appropriated fund balance	777,862	-	(777,862)
Total other financing sources (uses)	<u>447,903</u>	<u>(319,138)</u>	<u>(767,041)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 129,143</u>	<u>\$ 129,143</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues and other sources over expenditures and other uses:			
Stormwater Fund		\$ 129,143	
Stormwater Capital Projects Fund		431,347	
Total		<u>560,490</u>	
Reconciling items:			
Change in allowance for uncollectible accounts		(56,392)	
Debt issuance - Stormwater Fund		(218,593)	
Premium on long-term debt		7,512	
Reduction of principal on long-term debt		80,000	
Capitalized assets		39,028	
Capitalized assets - Stormwater Capital Projects Fund		657,348	
Capitalized interest		11,854	
Depreciation		(390,583)	
Donated assets		300,183	
Change in interest payable		793	
Change in compensated absences		6,490	
Change in OPEB obligation		<u>(14,205)</u>	
Change in net position		<u>\$ 983,925</u>	

CITY OF ASHEVILLE
STORMWATER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 3,267,070	\$ 844,644	\$ 822,270	\$ -	\$ 1,666,914	\$ (1,600,156)
Charges for Services	32,641	-	31,935	-	31,935	(706)
Total revenues	<u>3,299,711</u>	<u>844,644</u>	<u>854,205</u>	<u>-</u>	<u>1,698,849</u>	<u>(1,600,862)</u>
EXPENDITURES						
Craven Street Improvement	2,004,364	70,802	68,408	-	139,210	1,865,154
Azalea Road Improvements	2,216,132	844,644	470,167	-	1,314,811	901,321
FEMA Spooks Branch Road	48,689	-	79,446	-	79,446	(30,757)
FEMA Parks and Streets Debris Cleanup	6,125	-	6,125	-	6,125	-
FEMA Stormwater Repairs	347,814	-	302,942	-	302,942	44,872
FEMA Sweepers	37,739	-	34,207	-	34,207	3,532
Victoria Road	700,000	104,426	-	-	104,426	595,574
Michigan Avenue	290,000	-	-	-	-	290,000
Blair Street Stormwater System	155,720	183,300	10,760	-	194,060	(38,340)
Fairway Drive Stormwater System	-	-	-	-	-	-
Waynesville Avenue Stormwater System	90,000	-	-	-	-	90,000
Westover Drive Stormwater System	200,000	-	6,762	-	6,762	193,238
Westwood Avenue Stormwater System	280,000	-	-	-	-	280,000
Total expenditures	<u>6,376,583</u>	<u>1,203,172</u>	<u>978,817</u>	<u>-</u>	<u>2,181,989</u>	<u>4,194,594</u>
Revenues under expenditures	<u>(3,076,872)</u>	<u>(358,528)</u>	<u>(124,612)</u>	<u>-</u>	<u>(483,140)</u>	<u>2,593,732</u>
OTHER FINANCING SOURCES						
Transfers from Stormwater Fund	1,964,038	1,319,181	555,959	-	1,875,140	(88,898)
Installment purchase obligations issued	1,112,834	-	-	-	-	(1,112,834)
Total other financing sources	<u>3,076,872</u>	<u>1,319,181</u>	<u>555,959</u>	<u>-</u>	<u>1,875,140</u>	<u>(1,201,732)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 960,653</u>	<u>\$ 431,347</u>	<u>\$ -</u>	<u>\$ 1,392,000</u>	<u>\$ 1,392,000</u>

CITY OF ASHEVILLE
U.S. CELLULAR CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 420,000	\$ 304,070	\$ (115,930)
Rents	718,500	713,794	(4,706)
Concessions	1,181,006	1,265,791	84,785
Other operating revenue	98,000	134,472	36,472
Interest earned	5,000	1,057	(3,943)
Total revenues	2,422,506	2,419,184	(3,322)
EXPENDITURES			
Administration	1,249,579	1,197,414	52,165
Operations	1,765,051	1,619,726	145,325
Capital outlay	24,785	12,500	12,285
Debt service:			-
Principal	165,000	165,000	-
Interest and other charges	135,550	135,550	-
Total expenditures	3,339,965	3,130,190	209,775
Revenues under expenditures	(917,459)	(711,006)	206,453
OTHER FINANCING SOURCES			
Transfers from other funds	885,927	885,927	-
Appropriated fund balance	31,532	-	(31,532)
Total other financing sources	917,459	885,927	(31,532)
Revenues and other sources over expenditures	\$ -	\$ 174,921	\$ 174,921
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenue and other sources over (under) expenditures:			
U.S. Cellular Center Fund		\$ 174,921	
U.S. Cellular Center Capital Projects Fund		(194,088)	
Total		(19,167)	
Reconciling items:			
Reduction of principal on long-term debt		165,000	
Premium on long-term debt - U.S. Cellular Center Capital Projects Fund		16,997	
Capitalized assets		12,500	
Capitalized assets - U.S. Cellular Center Capital Projects Fund		2,094,755	
Capitalized interest		119,361	
Depreciation		(628,705)	
Change in interest payable		1,650	
Change in compensated absences		(9,738)	
Change in OPEB obligation		(17,978)	
Change in net position		\$ 1,734,675	

CITY OF ASHEVILLE
U.S. CELLULAR CENTER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 5,674,618	\$ 2,916,120	\$ 1,964,941	\$ -	\$ 4,881,061	\$ (793,557)
Other revenue	580,000	580,000	-	-	580,000	-
Total revenues	<u>6,254,618</u>	<u>3,496,120</u>	<u>1,964,941</u>	<u>-</u>	<u>5,461,061</u>	<u>(793,557)</u>
EXPENDITURES						
Southern Conference renovations	7,447,964	7,447,964	-	-	7,447,964	-
Southern Conference renovations phase 3	3,751,394	1,380,382	2,259,029	-	3,639,411	111,983
Wolfe fire exits	90,000	10,108	-	-	10,108	79,892
General Improvements	98,374	90,667	-	-	90,667	7,707
Total expenditures	<u>11,387,732</u>	<u>8,929,121</u>	<u>2,259,029</u>	<u>-</u>	<u>11,188,150</u>	<u>199,582</u>
Revenues under expenditures	<u>(5,133,114)</u>	<u>(5,433,001)</u>	<u>(294,088)</u>	<u>-</u>	<u>(5,727,089)</u>	<u>(593,975)</u>
OTHER FINANCING SOURCES						
Proceeds from long-term debt issued	3,217,976	3,217,976	-	-	3,217,976	-
Premium on long-term debt	339,977	339,977	-	-	339,977	-
Transfers from U.S. Cellular Center Fund	313,296	313,296	-	-	313,296	-
Transfers from other funds	1,261,865	1,161,047	100,000	-	1,261,047	(818)
Total other financing sources	<u>5,133,114</u>	<u>5,032,296</u>	<u>100,000</u>	<u>-</u>	<u>5,132,296</u>	<u>(818)</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>\$ (400,705)</u>	<u>\$ (194,088)</u>	<u>\$ -</u>	<u>\$ (594,793)</u>	<u>\$ (594,793)</u>

Proprietary Funds

Internal Service Funds

Internal Service Funds are a sub-classification of the Proprietary Fund Types and are used to account for the operations of enterprises established to provide services primarily to other City functions. The financial statement of the Internal Service Fund represents the revenues and expenses related to the City's healthcare, worker's compensation and general liabilities insurance.

- **General Insurance Fund** – This fund is used to account for other insurance related items not specifically accounted for in the other internal service funds.
- **Health Fund** – This fund is used to account for costs associated with insurance for employee and family medical, dental, and life benefits.
- **Workers' Compensation Fund** – This fund is used to account for the costs associated with workers' compensation claims.
- **Property and Casualty Fund** – This fund is used to account for the accumulation and allocation of costs associated with property and casualty insurance and claims for the City.

CITY OF ASHEVILLE
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>	<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 1,193,802	\$ 2,991,020	\$ 1,751,160	\$ 1,150,871	\$ 7,086,853
Accounts receivable (net of allowance for uncollectibles)	-	657,373	143,712	36,295	837,380
Prepays	-	4,152	-	-	4,152
Total assets	<u>1,193,802</u>	<u>3,652,545</u>	<u>1,894,872</u>	<u>1,187,166</u>	<u>7,928,385</u>
LIABILITIES					
Current liabilities:					
Accounts payable	-	1,118,955	149,626	64,983	1,333,564
Other accrued liabilities	-	81,811	-	1,174	82,985
Total current liabilities	<u>-</u>	<u>1,200,766</u>	<u>149,626</u>	<u>66,157</u>	<u>1,416,549</u>
Non-current liabilities:					
Estimated claims payable, long-term	-	-	2,257,055	1,661,111	3,918,166
Total liabilities	<u>-</u>	<u>1,200,766</u>	<u>2,406,681</u>	<u>1,727,268</u>	<u>5,334,715</u>
NET POSITION					
Unrestricted	<u>\$ 1,193,802</u>	<u>\$ 2,451,779</u>	<u>\$ (511,809)</u>	<u>\$ (540,102)</u>	<u>\$ 2,593,670</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>	<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES					
Charges for services	\$ -	\$ 11,411,405	\$ 219,709	\$ 2,351,479	\$ 13,982,593
Other operating revenue	-	607,411	238,090	145,516	991,017
Total operating revenues	<u>-</u>	<u>12,018,816</u>	<u>457,799</u>	<u>2,496,995</u>	<u>14,973,610</u>
OPERATING EXPENSES					
Administration	-	652,988	47,351	414,246	1,114,585
Benefits	-	11,324,939	1,770,650	1,253,850	14,349,439
Total operating expenses	<u>-</u>	<u>11,977,927</u>	<u>1,818,001</u>	<u>1,668,096</u>	<u>15,464,024</u>
Operating income (loss)	-	40,889	(1,360,202)	828,899	(490,414)
NON-OPERATING REVENUE					
Interest earned	-	11,769	7,249	2,783	21,801
Total non-operating revenues	<u>-</u>	<u>11,769</u>	<u>7,249</u>	<u>2,783</u>	<u>21,801</u>
Income (loss) before transfers and capital grants and contributions	-	52,658	(1,352,953)	831,682	(468,613)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,246)</u>	<u>(94,246)</u>
Changes in net assets	-	52,658	(1,352,953)	737,436	(562,859)
Total net position - beginning	<u>1,193,802</u>	<u>2,399,121</u>	<u>841,144</u>	<u>(1,277,538)</u>	<u>3,156,529</u>
Total net position - ending	<u>\$ 1,193,802</u>	<u>\$ 2,451,779</u>	<u>\$ (511,809)</u>	<u>\$ (540,102)</u>	<u>\$ 2,593,670</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>	<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Cash received from customers, users and others	\$ -	\$ 11,709,370	\$ 334,538	\$ 2,460,700	\$ 14,504,608
Cash paid for goods and services	-	(11,295,716)	(1,121,232)	(1,700,781)	(14,117,729)
Cash paid to employees	-	(311,462)	-	(6,263)	(317,725)
Net cash provided by (used for) operating activities	<u>-</u>	<u>102,192</u>	<u>(786,694)</u>	<u>753,656</u>	<u>69,154</u>
Cash flows from non-capital financing activities:					
Transfers to other funds	-	-	-	(94,246)	(94,246)
Net cash used for non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,246)</u>	<u>(94,246)</u>
Cash flows from investing activities:					
Interest earned	-	11,769	7,249	2,783	21,801
Net increase (decrease) in cash and cash equivalents	-	113,961	(779,445)	662,193	(3,291)
Cash and cash equivalents:					
Beginning of year, July 1	<u>1,193,802</u>	<u>2,877,059</u>	<u>2,530,605</u>	<u>488,679</u>	<u>7,090,145</u>
End of year, June 30	<u>\$ 1,193,802</u>	<u>\$ 2,991,020</u>	<u>\$ 1,751,160</u>	<u>\$ 1,150,872</u>	<u>\$ 7,086,854</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ -	\$ 40,889	\$ (1,360,202)	\$ 828,899	\$ (490,414)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	-	(459,341)	(123,261)	(36,295)	(618,897)
(Increase) decrease in prepaids	-	59,189	-	-	59,189
(Increase) decrease in other receivables	-	149,895	-	-	149,895
Increase (decrease) in accounts payable	-	269,628	62,584	(42,139)	290,073
Increase (decrease) in other accrued liabilities	-	81,811	-	(260)	81,551
Increase (decrease) in estimated claims payable	-	(38,912)	634,185	3,828	599,101
Increase (decrease) in unearned revenue	-	(967)	-	(378)	(1,345)
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 102,192</u>	<u>\$ (786,694)</u>	<u>\$ 753,655</u>	<u>\$ 69,153</u>

**CITY OF ASHEVILLE
INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Benefits	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES			
Appropriated fund balance	-	-	-
Expenditures under other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ASHEVILLE
HEALTH FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 13,419,528	\$ 11,411,405	\$ (2,008,123)
Other operating revenue	400	607,411	607,011
Interest earned	-	11,769	11,769
Total revenues	13,419,928	12,030,585	(1,389,343)
EXPENDITURES			
Administration	884,955	652,988	231,967
Benefits	13,243,933	11,361,807	1,882,126
Total expenditures	14,128,888	12,014,795	2,114,093
Revenues over (under) expenditures	(708,960)	15,790	724,750
OTHER FINANCING SOURCES			
Appropriated fund balance	708,960	-	(708,960)
Revenues and other sources over expenditures	\$ -	15,790	\$ 15,790
Reconciling items:			
Change in allowance for uncollectible accounts		(2,044)	
Change in estimate for claims incurred but not reported		38,912	
Change in net position		\$ 52,658	

**CITY OF ASHEVILLE
WORKERS' COMPENSATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 219,710	\$ 219,709	\$ (1)
Other operating revenue	-	238,090	238,090
Interest earned	10,000	7,249	(2,751)
Total revenues	229,710	465,048	235,338
EXPENDITURES			
Administration	65,300	47,351	17,949
Benefits	1,025,000	1,136,466	(111,466)
Total expenditures	1,090,300	1,183,817	(93,517)
Revenues under expenditures	(860,590)	(718,769)	141,821
OTHER FINANCING SOURCES			
Appropriated fund balance	860,590	-	(860,590)
Revenues and sources under expenditures	\$ -	(718,769)	\$ (718,769)
Reconciling items:			
Change in estimate for claims incurred but not reported		(634,184)	
Change in net position		\$ (1,352,953)	

**CITY OF ASHEVILLE
PROPERTY AND CASUALTY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 2,351,475	\$ 2,351,479	\$ 4
Other operating revenue	116	145,516	145,400
Interest earned	-	2,783	2,783
Total revenues	2,351,591	2,499,778	148,187
EXPENDITURES			
Administration	469,696	414,624	55,072
Benefits	1,787,647	1,250,022	537,625
Total expenditures	2,257,343	1,664,646	592,697
Revenues over expenditures	94,248	835,132	740,884
OTHER FINANCING USES			
Transfers Out	(94,248)	(94,246)	2
Revenues over expenditures and other uses	\$ -	740,886	\$ 740,886
Reconciling items:			
Change in allowance for uncollectible accounts		378	
Change in estimate for claims incurred but not reported		(3,828)	
Change in net position		\$ 737,436	

Agency Funds

The Agency Funds have been established to account for transactions processed and balances held by the City in its capacity as agent for other entities. The financial statements of the Agency Funds represent the changes in assets and liabilities of the City's Agency Funds.

- **US Cellular Center Agency Fund** – This fund is used to segregate US Cellular Center box office activities for various promoters.
- **Metropolitan Sewer District Agency Fund** – This fund is used to account for the collection of various sewer fees charged to the City's water customers.

**CITY OF ASHEVILLE
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
U.S. CELLULAR CENTER AGENCY FUND:				
ASSETS				
Cash and investments	\$ 199,536	\$ 3,963,987	\$ 3,898,421	\$ 265,102
LIABILITIES				
Due to others	\$ 199,536	\$ 3,963,987	\$ 3,898,421	\$ 265,102
MSD AGENCY FUND:				
ASSETS				
Cash and investments	\$ 453,329	\$ 22,074,351	\$ 21,860,639	\$ 667,041
Due from customers	1,454,105	21,967,088	22,016,882	1,404,311
Total assets	<u>\$ 1,907,434</u>	<u>\$ 44,041,439</u>	<u>\$ 43,877,521</u>	<u>\$ 2,071,352</u>
LIABILITIES				
Due to other governments	<u>\$ 1,907,434</u>	<u>\$ 44,041,439</u>	<u>\$ 43,877,521</u>	<u>\$ 2,071,352</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash and investments	\$ 652,865	\$ 26,038,338	\$ 25,759,060	\$ 932,143
Due from customers	1,454,105	21,967,088	22,016,882	1,404,311
Total assets	<u>\$ 2,106,970</u>	<u>\$ 48,005,426</u>	<u>\$ 47,775,942</u>	<u>\$ 2,336,454</u>
LIABILITIES				
Due to others	\$ 199,536	\$ 3,963,987	\$ 3,898,421	\$ 265,102
Due to other governments	1,907,434	44,041,439	43,877,521	2,071,352
Total liabilities	<u>\$ 2,106,970</u>	<u>\$ 48,005,426</u>	<u>\$ 47,775,942</u>	<u>\$ 2,336,454</u>

Other Supplemental Information

This section contains additional information on property taxes levied and collected during the year.

- Schedule of Ad Valorem taxes receivable.
- Analysis of Current Tax Levy and Secondary Market Disclosures City-Wide Levy.

CITY OF ASHEVILLE
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2014

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Receivable July 1, 2013</u>	<u>Additions</u>	<u>Collections and Other Reductions</u>	<u>Taxes Receivable June 30, 2014</u>
2004 and prior	\$ 51,035	\$ -	\$ -	\$ 51,035
2005	49,919	-	2,629	47,290
2006	50,685	-	1,306	49,379
2007	39,783	-	1,806	37,977
2008	38,939	-	3,297	35,642
2009	51,534	-	897	50,637
2010	50,371	-	2,125	48,246
2011	69,636	-	9,895	59,741
2012	94,877	-	27,647	67,230
2013	304,851	-	226,681	78,170
2014*	-	49,866,598	49,675,162	191,436
NC Tax & Tag 2014**	-	2,416,657	1,928,533	488,124
Totals	<u>\$ 801,630</u>	<u>\$ 52,283,255</u>	<u>\$ 51,879,978</u>	1,204,907
Less: Allowance for uncollectible accounts:				
General Fund				<u>419,087</u>
Ad valorem taxes receivable-net				<u>\$ 785,820</u>
Reconcilement to revenues collected:				
Revenue - General Fund				\$ 52,052,585
Penalties and interest				(190,555)
Other adjustments				<u>17,948</u>
Collections and other reductions				<u>\$ 51,879,978</u>

* Agrees to the Analysis of Current Tax Levy and Secondary Market Disclosures Report received from the Buncombe County Tax Collector

** Due to the implementation of the NC Vehicle Tag and Tax Together program in Fall of 2013, this information is not incorporated into the Analysis of Current Tax Levy and Secondary Market Disclosures Report received from the Buncombe County Tax Collector

CITY OF ASHEVILLE
ANALYSIS OF CURRENT TAX LEVY AND SECONDARY MARKET DISCLOSURES
CITY - WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	City - Wide			Total Levy	
	Property Valuation (000's)	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 10,910,224	0.46	\$ 50,187,029	\$ 48,718,376	\$ 1,468,653
Discoveries:					
Current year taxes	9,032	0.46	33,237	33,237	-
Penalties			8,309	8,309	-
Releases/Circuit Breaker	(78,692)	0.46	(361,977)	(331,804)	(30,173)
Total Property Valuation	<u>\$ 10,840,564</u>				
Net Levy			49,866,598	48,428,118	1,438,480
Uncollected taxes at June 30, 2014			(191,436)	(119,554)	(71,882)
Current year's taxes collected (a)			<u>\$ 49,675,162</u>	<u>\$ 48,308,564</u>	<u>\$ 1,366,598</u>
Current levy collection percentage			<u>99.62%</u>	<u>99.75%</u>	<u>95.00%</u>

Secondary Market Disclosures:

Assessed Valuation: (dollars in thousands)

Assessment Ratio	100%
Real Property	\$ 9,658,919
Personal Property	995,888
Public Service Companies	<u>185,757</u>
Total Assessed Valuation (dollars in thousands)	10,840,564
Tax Rate per \$100	<u>0.46</u>
Total Tax Levy	<u>\$ 49,866,598</u>

(a) Excludes interest and cost collections

Source: Buncombe County Tax Collector

Note: This information does not include amounts associated with the NC Tag & Tax Together Program



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Statistical Section

(Unaudited)

This part of the City of Asheville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the ad valorem or property tax.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Continuing Disclosure

These schedules contain financial, statistical and other operating data for the benefit of holders and beneficial owners of the City's outstanding bonds. This section, combined with the financial statements; note disclosures; required supplementary information; and statistical section, is designed to meet the City's continuing disclosure requirements of Rule 15c2-12 pursuant to the Securities Exchange Act of 1934.

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

CITY OF ASHEVILLE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 168,990	\$ 173,599	\$ 166,595	\$ 165,821
Restricted	5,774	12,076	7,272	6,362
Unrestricted	28,301	27,118	44,754	40,338
Total Governmental Activities Net Assets	<u>\$ 203,065</u>	<u>\$ 212,793</u>	<u>\$ 218,621</u>	<u>\$ 212,521</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 80,280	\$ 92,519	\$ 99,339	\$ 133,002
Restricted	-	-	-	-
Unrestricted	25,480	29,832	39,540	21,917
Total Business-type Activities Net Assets	<u>\$ 105,760</u>	<u>\$ 122,351</u>	<u>\$ 138,879</u>	<u>\$ 154,919</u>
Primary Government:				
Invested in Capital Assets, Net of Related debt	\$ 249,270	\$ 266,118	\$ 265,934	\$ 298,823
Restricted	5,774	12,076	7,272	6,362
Unrestricted	53,781	56,950	84,294	62,255
Total Primary Government Net Assets	<u>\$ 308,825</u>	<u>\$ 335,144</u>	<u>\$ 357,500</u>	<u>\$ 367,440</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 163,616	\$ 164,710	\$ 154,318	\$ 145,401	\$ 139,093	\$ 134,534
4,642	3,904	13,358	16,287	13,044	15,967
<u>37,208</u>	<u>32,114</u>	<u>19,880</u>	<u>19,810</u>	<u>24,067</u>	<u>25,131</u>
<u>\$ 205,466</u>	<u>\$ 200,728</u>	<u>\$ 187,556</u>	<u>\$ 181,498</u>	<u>\$ 176,204</u>	<u>\$ 175,632</u>
\$ 119,193	\$ 124,758	\$ 125,135	\$ 126,834	\$ 130,733	\$ 138,358
-	-	-	-	-	-
<u>43,206</u>	<u>40,800</u>	<u>45,807</u>	<u>50,947</u>	<u>52,999</u>	<u>55,313</u>
<u>\$ 162,399</u>	<u>\$ 165,558</u>	<u>\$ 170,942</u>	<u>\$ 177,781</u>	<u>\$ 183,732</u>	<u>\$ 193,671</u>
\$ 282,809	\$ 289,468	\$ 279,453	\$ 272,235	\$ 269,826	\$ 272,892
4,642	3,904	13,358	16,287	13,044	15,967
<u>80,414</u>	<u>72,914</u>	<u>65,687</u>	<u>70,757</u>	<u>77,066</u>	<u>80,444</u>
<u>\$ 367,865</u>	<u>\$ 366,286</u>	<u>\$ 358,498</u>	<u>\$ 359,279</u>	<u>\$ 359,936</u>	<u>\$ 369,303</u>

CITY OF ASHEVILLE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses:				
Governmental Activities:				
General Government	\$ 14,685	\$ 15,907	\$ 18,338	\$ 21,871
Public Safety	31,480	33,384	34,454	39,465
Environmental Services	22,399	20,076	21,239	21,571
Community Development	5,181	4,785	5,920	5,046
Transportation	-	-	-	-
Culture and Recreation	7,347	7,783	9,767	10,122
Interest on Long-term Debt	1,182	1,179	1,243	977
Total Governmental Activities Expenses	<u>82,274</u>	<u>83,114</u>	<u>90,961</u>	<u>99,052</u>
Business-type Activities:				
Water Resources	21,093	20,194	20,617	22,202
Parking Services	1,364	1,249	1,330	1,769
Street Cut Utility	-	-	-	-
Stormwater	-	1,995	2,500	2,919
U.S. Cellular Center	2,361	2,252	2,220	2,259
Mass Transit	3,928	4,262	4,633	5,086
Golf Course	-	884	997	1,050
Festivals	1,067	1,270	1,315	1,170
Total Business-type Activities Expenses	<u>29,813</u>	<u>32,106</u>	<u>33,612</u>	<u>36,455</u>
Total Primary Government Expenses	<u>\$ 112,087</u>	<u>\$ 115,220</u>	<u>\$ 124,573</u>	<u>\$ 135,507</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	14,206	\$ 21,245	\$ 18,381	\$ 17,924	\$ 15,049	\$ 17,909
	43,305	44,282	44,323	46,574	49,988	45,206
	28,754	17,481	10,111	9,834	9,869	6,083
	2,941	6,016	6,493	5,193	5,389	8,682
	-	9,328	14,233	16,154	14,693	17,456
	12,626	7,359	10,932	11,708	10,665	9,923
	1,125	930	861	975	662	856
	<u>102,957</u>	<u>106,641</u>	<u>105,334</u>	<u>108,362</u>	<u>106,315</u>	<u>106,115</u>
	24,823	27,490	31,045	30,810	31,539	28,107
	1,106	1,669	1,920	2,177	2,446	3,121
	-	-	1,073	1,423	1,337	1,417
	3,382	3,055	2,771	2,618	2,596	3,318
	2,374	2,147	2,510	2,855	3,137	3,635
	5,475	5,542	5,751	6,042	7,654	7,293
	1,114	1,031	979	925	2,081	-
	2,013	758	654	-	-	-
	<u>40,287</u>	<u>41,692</u>	<u>46,703</u>	<u>46,850</u>	<u>50,790</u>	<u>46,891</u>
\$	<u>143,244</u>	<u>148,333</u>	<u>152,037</u>	<u>155,212</u>	<u>157,105</u>	<u>153,006</u>

CITY OF ASHEVILLE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Program revenues:				
Governmental Activities:				
Charges for Services:				
General Government	\$ 8,002	\$ 9,255	\$ 8,766	\$ 9,568
Public Safety	3,415	2,881	3,747	4,358
Other Activities	186	3,029	3,140	3,120
Operating Grants and Contributions	9,553	6,645	6,578	8,114
Capital Grants and Contributions	346	2,897	2,374	103
Total Governmental Activities				
Program Revenues	<u>21,502</u>	<u>24,707</u>	<u>24,605</u>	<u>25,263</u>
Business-type Activities:				
Charges for Services:				
Water Resources	23,174	23,992	30,465	31,535
Parking Services	2,520	2,383	2,870	3,009
Street Cut Utility	-	-	-	-
Stormwater	-	2,357	3,035	3,050
U.S. Cellular Center	1,798	1,526	1,556	1,671
Mass Transit	671	752	968	1,178
Golf Course	-	839	894	966
Festivals	701	1,033	868	860
Operating Grants and Contributions	2,501	2,171	2,374	2,076
Capital Grants and Contributions	2,165	4,137	3,571	3,751
Total Business-type Activities				
Program Revenues	<u>33,530</u>	<u>39,190</u>	<u>46,601</u>	<u>48,096</u>
Total Primary Government				
Program Revenues	<u>\$ 55,032</u>	<u>\$ 63,897</u>	<u>\$ 71,206</u>	<u>\$ 73,359</u>
Net (Expense) Revenue:				
Governmental Activities	\$ (60,772)	\$ (58,407)	\$ (66,356)	\$ (73,789)
Business-type Activities	<u>3,717</u>	<u>7,084</u>	<u>12,989</u>	<u>11,641</u>
Total Primary Government Net Expense	<u>\$ (57,055)</u>	<u>\$ (51,323)</u>	<u>\$ (53,367)</u>	<u>\$ (62,148)</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 6,180	\$ 10,974	\$ 7,999	\$ 9,849	\$ 7,682	\$ 8,262
4,467	4,382	3,750	4,385	4,572	1,622
1,705	3,239	3,149	3,874	4,116	8,402
8,690	6,152	5,422	6,762	7,275	6,092
5,639	8,942	8,616	6,159	4,474	3,240
<u>26,681</u>	<u>33,689</u>	<u>28,936</u>	<u>31,029</u>	<u>28,119</u>	<u>27,618</u>
30,841	31,276	33,617	34,354	33,634	34,186
771	2,802	2,928	3,253	3,876	4,385
-	-	40	1,388	1,446	1,350
2,901	3,188	3,131	3,036	3,172	3,149
1,730	1,418	2,594	1,696	2,320	2,418
1,136	1,145	1,253	1,152	1,121	1,281
870	728	742	794	255	-
2,850	638	492	-	-	-
2,554	3,049	2,983	3,541	2,840	2,504
1,044	640	3,310	2,991	6,198	4,973
<u>44,697</u>	<u>44,884</u>	<u>51,090</u>	<u>52,205</u>	<u>54,862</u>	<u>54,246</u>
<u>\$ 71,378</u>	<u>\$ 78,573</u>	<u>\$ 80,026</u>	<u>\$ 83,234</u>	<u>\$ 82,981</u>	<u>\$ 81,864</u>
\$ (76,276)	\$ (72,952)	\$ (76,398)	\$ (77,333)	\$ (78,196)	\$ (78,497)
4,410	3,192	4,387	5,355	4,072	7,355
<u>\$ (71,866)</u>	<u>\$ (69,760)</u>	<u>\$ (72,011)</u>	<u>\$ (71,978)</u>	<u>\$ (74,124)</u>	<u>\$ (71,142)</u>

CITY OF ASHEVILLE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

General Revenues and Other Changes in Net Assets:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities:				
Taxes				
Property Taxes	\$ 35,079	\$ 36,914	\$ 41,254	\$ 42,119
Sales Taxes	14,545	16,107	17,399	16,548
Other Taxes	8,257	6,086	6,163	7,456
Unrestricted Grants and Contributions	222	1,059	1,513	1,242
Investment Earnings and Miscellaneous	2,407	2,724	3,127	3,025
Special Item	-	7,189	5,044	-
Transfers Out	(1,941)	(1,943)	(2,317)	(2,701)
Total Governmental Activities	<u>58,569</u>	<u>68,136</u>	<u>72,183</u>	<u>67,689</u>
Business-type Activities:				
Miscellaneous	34	559	1,222	1,700
Special Item	-	7,004	-	-
Transfers In	1,941	1,943	2,317	2,701
Total Business-type Activities	<u>1,975</u>	<u>9,506</u>	<u>3,539</u>	<u>4,401</u>
Total Primary Government	<u>\$ 60,544</u>	<u>\$ 77,642</u>	<u>\$ 75,722</u>	<u>\$ 72,090</u>
Change in Net Assets:				
Governmental Activities	\$ (2,203)	\$ 9,729	\$ 5,827	\$ (6,100)
Business-type Activities	5,692	16,590	16,528	16,042
Total Primary Government	<u>\$ 3,489</u>	<u>\$ 26,319</u>	<u>\$ 22,355</u>	<u>\$ 9,942</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	43,971	\$ 45,238	\$ 45,979	\$ 46,521	\$ 46,836	\$ 52,052
	15,036	14,173	14,718	15,752	16,569	17,250
	8,054	389	956	735	741	890
	1,771	8,308	8,511	8,661	10,415	8,682
	2,254	232	585	784	95	190
	-	-	-	-	680	1,147
	<u>(1,865)</u>	<u>(125)</u>	<u>(2,333)</u>	<u>(1,179)</u>	<u>(2,434)</u>	<u>(2,286)</u>
	<u>69,221</u>	<u>68,215</u>	<u>68,416</u>	<u>71,274</u>	<u>72,902</u>	<u>77,925</u>
	1,205	403	200	305	254	298
	-	-	-	-	-	-
	<u>1,865</u>	<u>125</u>	<u>2,333</u>	<u>1,179</u>	<u>2,434</u>	<u>2,286</u>
	<u>3,070</u>	<u>528</u>	<u>2,533</u>	<u>1,484</u>	<u>2,688</u>	<u>2,584</u>
\$	<u>72,291</u>	<u>\$ 68,743</u>	<u>\$ 70,949</u>	<u>\$ 72,758</u>	<u>\$ 75,590</u>	<u>\$ 80,509</u>
\$	(7,055)	\$ (4,737)	\$ (7,982)	\$ (6,059)	\$ (5,294)	\$ (572)
	<u>7,480</u>	<u>3,720</u>	<u>6,920</u>	<u>6,839</u>	<u>6,760</u>	<u>9,939</u>
\$	<u>425</u>	<u>\$ (1,017)</u>	<u>\$ (1,062)</u>	<u>\$ 780</u>	<u>\$ 1,466</u>	<u>\$ 9,367</u>

CITY OF ASHEVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008^(a)</u>
General fund:				
Reserved	\$ 15,529	\$ 13,834	\$ 19,762	\$ 10,460
Unreserved	17,276	23,792	21,852	18,232
Non-spendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Total General Fund	<u>\$ 32,805</u>	<u>\$ 37,626</u>	<u>\$ 41,614</u>	<u>\$ 28,692</u>
All other governmental funds:				
Reserved	\$ 3,978	\$ 7,793	\$ 5,462	\$ 5,682
Unreserved as Reported in:				
Special Revenue Funds	(54)	1,362	834	830
Capital Projects Funds	613	1,543	3,343	7,470
Non-spendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Total All Other Government Funds	<u>\$ 4,537</u>	<u>\$ 10,698</u>	<u>\$ 9,639</u>	<u>\$ 13,982</u>

(a)The fund balance in the governmental funds decreased due to fund transfers necessary to establish the insurance internal service fund.

(b)The presentation of fund balance changed in 2011 as a result of the implementation of GASB 54. As such, N/A marks the categories of fund balance that are not applicable for that year's financial statement presentation.

2009	2010	2011^(b)	2012	2013	2014
\$ 8,665	\$ 10,150	N/A	N/A	N/A	N/A
16,697	11,163	N/A	N/A	N/A	N/A
N/A	N/A	\$ 465	\$ 448	\$ 471	\$ 469
N/A	N/A	5,995	6,663	7,196	9,426
N/A	N/A	-	-	893	623
N/A	N/A	73	1,052	-	6,545
N/A	N/A	13,102	13,626	15,485	15,040
<u>\$ 25,362</u>	<u>\$ 21,313</u>	<u>\$ 19,635</u>	<u>\$ 21,789</u>	<u>\$ 24,045</u>	<u>\$ 32,103</u>
\$ 7,884	\$ 5,931	N/A	N/A	N/A	N/A
(438)	(694)	N/A	N/A	N/A	N/A
4,485	4,582	N/A	N/A	N/A	N/A
N/A	N/A	\$ 324	\$ 324	\$ 317	\$ 317
N/A	N/A	3,978	5,489	5,530	6,224
N/A	N/A	4,006	14,920	8,921	915
N/A	N/A	-	-	-	-
N/A	N/A	-	-	-	-
<u>\$ 11,931</u>	<u>\$ 9,819</u>	<u>\$ 8,308</u>	<u>\$ 20,733</u>	<u>\$ 14,768</u>	<u>\$ 7,456</u>

CITY OF ASHEVILLE
GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2005 ^(a)</u>	<u>2006 ^(a)</u>	<u>2007 ^(a)</u>	<u>2008 ^(a)</u>
Revenues:				
Taxes	\$ 51,259	\$ 53,356	\$ 59,123	\$ 59,073
Intergovernmental	14,875	15,440	14,969	16,590
Licenses and Permits	4,677	4,948	5,878	5,187
Charges for services	8,188	9,023	9,775	10,319
Private Donations	562	1,059	1,360	122
Investment Earnings	663	1,833	1,930	1,588
Miscellaneous	1,320	891	876	1,038
Total Revenues	<u>81,544</u>	<u>86,550</u>	<u>93,911</u>	<u>93,917</u>
Expenditures:				
Current:				
General Government	11,132	13,686	14,796	17,258
Public Safety	29,692	31,003	32,550	35,826
Environmental Services	12,009	10,058	11,125	10,483
Community Development	5,181	3,450	3,720	3,074
Planning	1,503	1,319	2,199	1,872
Engineering	1,924	1,761	2,632	2,502
Transportation	-	-	-	-
Culture and Recreation	6,334	6,622	8,477	5,935
Capital Outlay	5,198	10,137	7,729	13,819
Debt Service:				
Principal	3,820	3,803	4,408	3,892
Interest	1,213	1,128	1,283	1,122
Total Expenditures	<u>78,006</u>	<u>82,967</u>	<u>88,919</u>	<u>95,782</u>
Revenues Over/Under Expenditures	<u>3,538</u>	<u>3,583</u>	<u>4,992</u>	<u>(1,865)</u>
Other Financing Sources (uses):				
Transfer from Other Funds	3,548	4,254	4,099	5,156
Transfer to Other Funds	(5,489)	(6,197)	(6,416)	(16,906)
Long-term Debt Issued	-	8,030	-	5,000
Payment to Defeas Long-term Debt	-	-	-	-
Sale of Capital Assets	97	1,312	254	35
Total Other Financing Sources (uses)	<u>(1,844)</u>	<u>7,399</u>	<u>(2,063)</u>	<u>(6,715)</u>
Net Change in Fund Balance	<u>\$ 1,694</u>	<u>\$ 10,982</u>	<u>\$ 2,929</u>	<u>\$ (8,580)</u>
Debt Service as a Percentage of Non-capital Expenditures	<u>6.91%</u>	<u>6.77%</u>	<u>7.01%</u>	<u>6.12%</u>

(a)The City implemented a new accounting system in 2010. Certain amounts were reclassified and prior years are not comparable to current years.

2009 ^(a)	2010	2011	2012	2013	2014
\$ 59,313	\$ 59,814	\$ 61,595	\$ 63,024	\$ 64,202	\$ 70,192
18,313	19,681	17,637	16,938	15,064	14,697
5,497	4,290	5,224	4,542	5,213	5,585
7,359	7,828	6,114	7,491	7,182	9,055
1,883	-	-	-	-	-
1,243	77	116	151	85	173
1,231	2,003	2,467	2,222	1,947	2,017
<u>94,839</u>	<u>93,693</u>	<u>93,153</u>	<u>94,368</u>	<u>93,693</u>	<u>101,719</u>
10,451	11,196	13,851	13,459	10,502	13,177
39,699	41,734	41,743	42,038	47,174	45,721
13,954	5,231	9,734	13,286	9,504	5,609
2,941	7,547	6,457	5,127	5,349	6,081
1,748	-	-	-	-	-
2,413	-	-	-	-	-
-	7,359	4,246	2,241	4,542	7,267
11,079	8,320	9,253	9,973	9,048	8,314
10,904	11,707	5,740	6,892	6,289	9,837
4,207	4,313	3,654	3,168	4,093	3,516
1,105	959	841	1,010	723	1,201
<u>98,501</u>	<u>98,366</u>	<u>95,519</u>	<u>97,194</u>	<u>97,224</u>	<u>100,723</u>
<u>(3,662)</u>	<u>(4,673)</u>	<u>(2,366)</u>	<u>(2,826)</u>	<u>(3,531)</u>	<u>996</u>
3,442	6,041	3,651	3,570	1,936	1,152
(5,307)	(6,166)	(5,984)	(4,749)	(4,369)	(3,343)
-	131	64	28,758	2,143	1,591
-	-	-	(10,506)	-	-
147	1,300	1,100	332	111	351
<u>(1,718)</u>	<u>1,306</u>	<u>(1,169)</u>	<u>17,405</u>	<u>(179)</u>	<u>(249)</u>
<u>\$ (5,380)</u>	<u>\$ (3,367)</u>	<u>\$ (3,535)</u>	<u>\$ 14,579</u>	<u>\$ (3,710)</u>	<u>\$ 747</u>
<u>6.06%</u>	<u>6.08%</u>	<u>5.01%</u>	<u>4.63%</u>	<u>5.30%</u>	<u>5.19%</u>

CITY OF ASHEVILLE
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year Ended June 30</u>	<u>Ad Valorem Taxes</u>	<u>Local Option Sales Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
2005	\$ 35,178	\$ 14,545	\$ 1,536	\$ 51,259
2006	36,874	16,107	375	53,356
2007	41,264	17,399	460	59,123
2008	42,138	16,548	387	59,073
2009	43,840	15,036	437	59,313
2010	45,253	14,105	691	60,049
2011	46,223	14,637	704	61,564
2012	46,537	15,752	735	63,024
2013	46,892	16,569	741	64,202
2014	52,053	17,250	890	70,193

Note: Classification changes affect comparability across fiscal years.



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CITY OF ASHEVILLE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Real Property				Personal Property	
	Residential Property ^(a)	Commercial Property ^(a)	Total Residential and Commercial Property	Public Service Companies ^(a)	Motor Vehicles ^(a)	Other ^(a)
2005	\$ 3,169,846	\$ 2,280,227	\$ 5,450,073	\$ 162,514	\$ 486,374	\$ 580,056
2006	3,284,605	2,309,749	5,594,354	165,360	509,456	597,418
2007	4,867,777	3,598,231	8,466,008	189,426	549,169	613,292
2008	5,007,378	3,589,744	8,597,122	190,305	572,808	654,581
2009	5,286,384	3,663,006	8,949,390	195,966	571,182	718,508
2010	5,521,476	3,857,533	9,379,009	193,434	520,998	707,473
2011	5,530,052	3,984,322	9,514,374	186,956	480,112	699,285
2012	5,546,498	4,088,220	9,634,718	191,230	513,711	673,731
2013	5,583,116	4,113,726	9,696,842	190,235	551,327	688,439
2014	5,526,111	4,127,192	9,653,303	185,757	597,911	731,028

^(a)NC Department of Revenue, Municipal Certification Valuation & Property Tax Levies, as of January 1.

^(b)Buncombe County Tax Assessor, tax rates are per \$100 of assessed value.

^(c)NC Department of Revenue, Sales Assessment Ratio Studies, as of January 1.

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. Revaluations were effective in fiscal years 2003 and 2007.

Total Personal Property	Total Taxable Assessed Value ^(a)	Total City Direct Tax Rate ^(b)	Sales Assessment Ratio ^(c)	Estimated Actual Value of Taxable Property	Assessed Value as a Percentage of Actual Value
\$ 1,066,430	\$ 6,679,017	0.53	82.61%	\$ 7,826,297	85.34%
1,106,874	6,866,588	0.53	98.91%	6,928,238	99.11%
1,162,461	9,817,895	0.42	87.40%	11,038,395	88.94%
1,227,389	10,014,816	0.42	83.60%	11,701,333	85.59%
1,289,690	10,435,046	0.42	86.52%	11,829,380	88.21%
1,228,471	10,800,914	0.42	93.56%	11,446,498	94.36%
1,179,397	10,880,727	0.42	93.53%	11,538,890	94.30%
1,187,442	11,013,390	0.42	99.00%	11,110,710	99.12%
1,239,766	11,126,843	0.42	96.91%	11,436,029	97.30%
1,328,939	11,167,999	0.46	95.17%	11,657,917	95.80%

**CITY OF ASHEVILLE
PROPERTY TAX RATES
DIRECT AND OVERLAPPING^(a) GOVERNMENTS
Last Ten Fiscal Years**

Fiscal Year	City of Asheville			Buncombe County	Asheville City Schools	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total Millage	Total County Millage (b)	Total District Millage (b)	
2005	0.496	0.034	0.53	0.590	0.20	1.320
2006	0.499	0.031	0.53	0.590	0.20	1.320
2007	0.393	0.027	0.42	0.530	0.15	1.100
2008	0.398	0.022	0.42	0.530	0.15	1.100
2009	0.397	0.023	0.42	0.525	0.15	1.095
2010	0.397	0.023	0.42	0.525	0.15	1.095
2011	0.400	0.020	0.42	0.525	0.15	1.095
2012	0.402	0.018	0.42	0.525	0.15	1.095
2013	0.399	0.021	0.42	0.525	0.15	1.095
2014	0.438	0.022	0.46	0.569	0.15	1.179

Source: NC Department of Revenue

"Property Tax Rates and Latest Year of Revaluation for North Carolina Counties and Municipalities"

^(a) Overlapping rates are those of local and county governments that apply to property owners within the City of Asheville. Not all overlapping rates apply to all City of Asheville property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

^(b) Operating and debt service millage is not available for Buncombe County and Asheville City Schools.

CITY OF ASHEVILLE
PRINCIPAL PROPERTY TAXPAYERS
Current and Nine Years Ago
(amounts expressed in thousands)

	2014 Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	2004 Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Town Square West, LLC	\$ 107,583	1	0.99%			0.00%
Grove Park Inn Resort, Inc.	104,565	2	0.96%	80,365	1	
Progress Energy/CP&L	92,292	3	0.85%	61,493	2	0.92%
Asheville Mall CMBS, LLC	75,986	4	0.70%	56,827	3	0.85%
Ingles Markets, Inc.	69,686	5	0.64%	45,293	5	0.68%
Linamar North Carolina, Inc	60,393	6	0.56%			
The Forest at Asheville Prop Et al.	31,500	7	0.29%			0.00%
Day International, Inc	30,131	8	0.28%	26,128	8	
Bellsouth Telephone Co.	29,818	9	0.28%	54,192	4	
Nesbitt Asheville Venture, LLC (Renaissance)	29,047	10	0.27%			
Biltmore Square	-		-	34,481	6	0.52%
Pechiney Plastic Packaging, Inc	-		-	28,268	7	0.42%
Colband	-		-	21,677	9	0.32%
NCI, Inc	-		-	16,803	10	0.25%
	<u>\$ 631,001</u>		<u>5.82%</u>	<u>\$ 425,527</u>		<u>3.96%</u>

Source: Buncombe County Tax Collector

CITY OF ASHEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Current Outstanding Balance	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2005	\$ 35,443	\$ 35,091	99.0%	\$ 47	\$ 305	\$ 35,396	99.9%
2006	36,870	36,557	99.2%	49	264	36,821	99.9%
2007	41,675	41,414	99.4%	38	223	41,637	99.9%
2008	42,044	41,749	99.3%	36	259	42,008	99.9%
2009	43,737	43,272	98.9%	51	414	43,686	99.9%
2010	45,310	44,749	98.8%	48	513	45,262	99.9%
2011	45,857	45,556	99.3%	60	241	45,797	99.9%
2012	46,233	46,166	99.9%	67	-	46,166	99.9%
2013	46,837	46,532	99.3%	78	227	46,759	99.8%
2014	52,284	51,604	98.7%	679	1	51,605	98.7%

Note: 2014 amounts reflect the NC Tag & Tax Together program implemented in Fall of 2013.



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CITY OF ASHEVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Governmental Activities				Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds	Installment Financing Contracts and Other Long-Term Debt	Total Governmental Activities			
2005	\$ 7,676	\$ 17,278	\$ 24,954	0.37%	\$ 338	
2006	6,057	23,146	29,203	0.43%	391	
2007	4,456	20,396	24,852	0.25%	327	
2008	2,985	22,976	25,961	0.26%	334	
2009	2,279	21,690	23,969	0.23%	302	
2010	1,652	19,303	20,955	0.19%	251	
2011	1,230	17,171	18,401	0.17%	216	
2012	960	29,671	30,631	0.28%	355	
2013	770	27,917	28,687	0.26%	326	
2014	670	26,092	26,762	0.24%	(a)	

^(a) Information not available

Business-Type Activities

General Obligation Bonds	Revenue Bonds	Installment Financing Contracts and Other Long-Term Debt	Total Primary Government	Percentage of Personal Income	Debt Per Capita
\$ 7,719	\$ 42,960	\$ 3,410	\$ 79,043	3.56%	\$ 1,072
6,413	41,800	2,970	80,386	3.38%	1,078
5,124	40,580	2,242	72,798	2.86%	959
3,750	78,170	1,479	109,360	4.07%	1,405
2,401	76,050	1,286	103,706	4.01%	1,306
998	73,570	1,093	96,616	3.51%	1,156
60	71,005	7,403	96,869	3.33%	1,138
-	68,340	14,228	113,199	3.63%	1,313
-	65,570	13,353	107,610	(a)	1,223
-	62,685	12,682	102,129	(a)	(a)

CITY OF ASHEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014
(amounts expressed in thousands)

	<u>Outstanding Debt</u>	<u>Percentage Applicable to City^(b)</u>	<u>Amount Applicable to City</u>
Direct Debt:			
City of Asheville	\$ 26,762 (a)	100.00%	\$ 26,762
Overlapping Debt ^(b) :			
Buncombe County	<u>434,149</u>	40.43%	<u>175,506</u>
Total Direct and Overlapping Debt:	<u><u>\$ 460,911</u></u>		<u><u>\$ 202,268</u></u>

Notes Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Asheville. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

(a) Net bonded debt was calculated as general obligation bonds plus installment financing agreements and other long-term indebtedness less general obligation bonds incurred for Water Resources Enterprise Fund. See Legal Debt Margin Information schedule for net bonded debt calculation.

(b) Allocation based on assessed valuation.

CITY OF ASHEVILLE
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Total Taxable Assessed Value	Debt Limit (8% of Total Assessed Value)	Outstanding Debt (a)	Legal Debt Margin	Net Debt as a % of Debt Limit
2005	\$ 6,679,017	\$ 534,321	\$ 25,000	\$ 509,321	4.68%
2006	6,866,588	549,327	29,227	520,100	5.32%
2007	9,817,895	785,432	24,852	760,580	3.16%
2008	10,014,816	801,185	25,960	775,225	3.24%
2009	10,435,046	834,804	25,168	809,636	3.01%
2010	10,800,914	864,073	20,955	843,118	2.43%
2011	10,880,727	870,458	24,576	845,882	2.82%
2012	11,013,390	881,071	43,922	837,149	4.99%
2013	11,126,843	890,147	41,262	848,885	4.64%
2014	11,167,999	893,440	38,826	854,614	4.35%

(a) Excludes debt not applicable to the limit.

Notes:

	<u>FY 2013</u>	<u>FY 2014</u>
(1) Net Outstanding Debt Calculation:		
General Government General Obligation Bonds	\$ 770	\$ 670
Water System General Obligation Bonds	-	-
Installment Financing Contracts	39,645	37,372
Other Debt Agreements	1,932	1,402
	<u>42,347</u>	<u>39,444</u>
Statutory Deductions:		
Incurred for Water Enterprise System	<u>(1,085)</u>	<u>(618)</u>
Net Outstanding Debt	<u>\$ 41,262</u>	<u>\$ 38,826</u>

(2) There were no General Obligation Bonds Authorized, Unissued at June 30, 2014.

CITY OF ASHEVILLE
PLEDGED REVENUE COVERAGE
WATER REVENUE BONDS
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Revenues	Current Expenses	Net Revenues Available for Debt Service	Revenue Bond Debt Service	
				Principal	Interest
2005	\$ 23,174	\$ 14,365	\$ 8,809	\$ 1,130	\$ 2,329
2006	24,420	13,581	10,839	1,185	2,276
2007	31,455	14,091	17,364	1,220	2,208
2008	32,986	15,262	17,724	1,435	1,864
2009	31,934	16,855	15,079	2,120	3,829
2010	31,586	17,088	14,498	2,480	3,467
2011	33,808	20,652	13,156	2,565	3,374
2012	34,638	20,022	14,616	2,665	3,274
2013	33,881	21,091	12,790	2,770	3,163
2014	34,394	17,795	16,599	2,885	3,048

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expense.

Total Revenue Bond Debt Service	Coverage	Subordinated Debt Service	Total System Debt Service	Total System Debt Service Coverage
\$ 3,459	2.55	\$ 2,151	\$ 5,610	1.57
3,461	3.13	1,844	5,305	2.04
3,428	5.07	1,768	5,196	3.34
3,299	5.37	1,795	5,094	3.48
5,949	2.53	1,708	7,657	1.97
5,947	2.44	1,702	7,649	1.90
5,939	2.22	1,170	7,109	1.85
5,939	2.46	254	6,193	2.36
5,933	2.16	492	6,425	1.99
5,933	2.80	492	6,425	2.58

**CITY OF ASHEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Fiscal Year	City Population ^(a)	Per Capita Personal Income ^(b)	Personal Income (Expressed in Thousands)	School Enrollment ^(c)	Unemployment Rate ^(d)
2005	73,739	\$ 30,131	\$ 2,221,830	3,789	4.4%
2006	74,599	31,881	2,378,291	3,753	4.0%
2007	75,947	33,531	2,546,579	3,750	3.7%
2008	77,838	34,533	2,687,980	3,683	4.0%
2009	79,395	32,597	2,588,039	3,946	7.0%
2010	83,559	32,928	2,751,431	3,834	9.0%
2011	85,145	34,122	2,905,318	3,958	8.5%
2012	86,207	36,125	3,114,228	4,048	7.9%
2013	88,003	(e)	(e)	4,360	7.0%
2014	(e)	(e)	(e)	4,377	5.3%

Sources:

^(a)State Office of Budget and Management

^(b)US Department of Commerce, Bureau of Economic Analysis; for the Asheville Metropolitan Statistical Area

^(c)Asheville City Schools

^(d)Department of Labor statistics

^(e)Information not available

**CITY OF ASHEVILLE
PRINCIPAL EMPLOYERS
Current and Nine Years Ago**

Employer	Industry	2014			2005		
		Rank	Employees Range	Percent of Total Employed	Rank	Employees Range	Percent of Total Employed
Memorial Mission Hospitals, Inc.	Education and Health Services	1	3,000 +	1.46%+	1	3,000 +	1.6%+
Buncombe County Schools	Education and Health Services	2	3,000 +	1.46%+	2	3,000 +	1.6%+
Ingles Market, Inc.	Trade, Transportation, and Utilities	3	1,000 +	0.49%+	3	1,000 +	0.5%+
Veterans Administration	Public Administration	4	1,000 +	0.49%+	6	1,000 +	0.5%+
Buncombe County Government	Public Administration	5	1,000 +	0.49%+	4	1,000 +	0.5%+
City of Asheville	Public Administration	6	1,000 +	0.49%+	5	1,000 +	0.5%+
Wal-Mart	Trade, Transportation, and Utilities	7	1,000 +	0.49%+			
AB Technical Community College	Education Services	8	1,000 +	0.49%+			
Eaton Corporation-Cutler Hammer, Inc.	Manufacturing	9	1,000 +	0.49%+			
Community Carepartners, Inc.	Education and Health Services	10	500-999	0.24%+	8	1,000 +	0.5%+
The Biltmore Company	Leisure and Hospitality	11	500-999	0.24%+	7	1,000 +	0.5%+
Asheville City Schools	Education and Health Services	12	500-999	0.24%+			
UNC at Asheville	Education Services	13	500-999	0.24%+			
NC Dept of Health & Human Services	Public Administration	14	500-999	0.24%+			
The Grove Park Inn Resort & Spa	Leisure and Hospitality	15	500-999	0.24%+	9	1,000 +	0.5%+
Kendro Laboratory Products LP	Manufacturing	16	500-999	0.24%+			
Sitel, A Subsidiary of Onex Corp.	Administrative and Support Services	17	500-999	0.24%+			
Borg-Warner Turbo Systems	Manufacturing	18	500-999	0.24%+			
Lowes Home Centers	Trade, Transportation, and Utilities	19	500-999	0.24%+			
Mission Medical Associates	Education and Health Services	20	500-999	0.24%+			

Sources: For Buncombe County area: Employment Security Commission, Labor Market Information Division

CITY OF ASHEVILLE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Nine Fiscal Years ^(a)

<u>Service Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012^(b)</u>	<u>2013^(b)</u>	<u>2014</u>
<u>Primary Government:</u>									
General Government	196	198	197	281	227	223	103	110	122
Public Safety	465	472	473	461	489	482			
Fire Department							258	244	259
Police Department							251	242	241
Building Safety							42	40	41
Environmental Services	36	37	36	37	29	27	58	47	38
Community and Economic Development							28	24	21
Transportation	160	162	163	79	58	97	42	47	54
Culture and Recreation	146	144	143	126	157	92	96	83	100
<u>Business Type:</u>									
Water Resources	136	135	130	137	148	142	139	139	143
Parking Services							15	17	20
Street Cut Utility							12	9	9
Stormwater							27	22	27
U.S. Cellular Center							16	14	15
Mass Transit							3	3	3
Golf Course ^(c)							10	0	0
Total City Government Employees	<u>1139</u>	<u>1148</u>	<u>1142</u>	<u>1121</u>	<u>1108</u>	<u>1063</u>	<u>1100</u>	<u>1041</u>	<u>1093</u>

Source: City of Asheville, Human Resources Department

^(a) Information prior to 2006 is not available.

^(b) Function classification was modified to correspond with financial statements in fiscal year 2012.

Data is not comparable to prior years by function.

^(c) The City turned over operations of the golf course to an external management company on October 1, 2012.



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CITY OF ASHEVILLE
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2005	2006	2007	2008
Police:				
Number of Police Personnel and Officers	239	249	251	254
Number of Calls for Service	96,775	108,491	112,594	114,228
Number of Law Violations:				
Uniform Crime Report Part I Crimes Reported	6,238	5,186	4,453	4,844
Uniform Crime Report Part II Crimes Reported	4,222	4,495	4,903	4,135
Accidents Investigated	7,081	3,270	7,781	7,280
Number of Physical Arrests	(a)	5,862	9,757	6,523
Number of Traffic Violations	(a)	9,315	14,061	5,468
Number of Incident Reports	(a)	9,612	9,551	9,941
Fire:				
Number of Fire Personnel and Officers	207	221	224	233
Number of Calls Answered	13,820	13,067	15,339	13,532
Inspections	6,292	5,508	5,477	8,900
Water:				
Number of Service Connections	48,332	50,415	51,109	51,769
Maximum Daily Capacity of Plants in Gallons	43,000,000	44,000,000	43,500,000	44,000,000
Daily Average Consumption in Gallons	20,900,000	21,200,000	21,500,000	20,950,000
Education:				
Number of Preschool Instructors	(a)	(a)	(a)	17
Number of Elementary School Instructors	155	150	112	149
Number of Middle School Instructors	57	60	63	65
Number of Secondary School Instructors	99	95	98	86
Miscellaneous:				
Number of Full-time Equivalent Employees	928	1,148	1,148	1,142
Area in Square Miles	43.15	43.64	43.77	44.44

Sources: Various City departments and Asheville City Schools.

^(a) Not available

2009	2010	2011	2012	2013	2014
261	259	254	251	242	241
113,313	110,353	110,059	111,230	115,348	113,448
4,263	4,210	3,804	5,194	5,304	5,597
4,027	3,720	3,518	5,076	5,172	4,756
6,517	6,554	6,240	6,565	6,771	5,025
6,196	5,661	5,904	6,352	6,218	5,453
17,951	13,157	9,304	7,278	5,056	3,693
9,401	8,000	7,308	10,280	10,476	10,353
239	239	239	258	244	259
13,394	13,585	14,110	14,216	15,012	15,012
12,740	6,569	10,480	11,215	8,077	3,397
55,171	55,538	55,921	56,419	56,900	57,516
43,500,000	43,500,000	43,500,000	43,500,000	43,500,000	43,500,000
20,470,000	21,600,000	20,600,000	21,050,000	20,130,000	19,700,000
15	15	13	12	11	11
114	167	152	176	158	186
64	67	63	71	65	75
86	88	83	112	97	118
1,121	1,108	1,063	1,100	1,041	1,093
45.24	45.25	45.52	45.79	45.73	45.73

CITY OF ASHEVILLE
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	2005	2006	2007	2008
Public safety:				
Police Stations/Resource Centers	1/5	1/3	1/4	1/4
Police Patrol Districts	5	3	3	3
Police Patrol Units (Beats)	(a)	12	12	13
Fire Stations	9	9	9	11
Highways and Streets:				
Streets (miles)	390	394	395	398
Street Lights	12,581	12,585	9,790	9,809
Traffic Lights	218	270	295	295
Culture and Recreation:				
Parks Acreage	755	942	972	987
Parks and Playgrounds	56	43	54	57
Swimming Pools	2	3	3	3
Tennis Courts	34	29	32	32
Community Centers	11	11	11	11
Water:				
Water Mains (Miles)	1,550	1,600	1,625	1,643
Fire Hydrants	6,130	6,355	6,178	6,307
Number of Treatment Plants	3	3	3	3
City Schools ^(b):				
Number of Preschools	1	1	1	1
Number of Elementary Schools	5	5	5	5
Number of Middle Schools	1	1	1	1
Number of Secondary Schools	1	1	1	1
Number of Community Colleges	1	1	1	1
Number of Colleges/Universities	2	2	2	2
Hospitals:				
Number of Hospitals	2	2	2	2
Number of Patient Beds (includes VA nursing home)	1032	1032	1032	1032

Sources: Various city departments and Asheville City Schools.

^(a) Not available

^(b) Private schools and county schools are not included even if they are within the city geographical boundaries.

2009	2010	2011	2012	2013	2014
1/5	1/6	1/6	1/6	1/6	1/6
3	3	3	3	3	3
13	13	13	13	13	13
11	12	12	12	12	12
399	401	402	403	404	404
9,856	9,885	9,868	9,872	9,810	9,804
295	295	295	295	295	295
987	768.73	872	874	874	874
57	59	59	59	59	59
3	3	3	3	3	3
32	28	26	26	26	26
11	11	11	11	11	11
1,653	1,658	1,661	1,666	1,673	1,674
6,470	6,530	6,644	6,736	6,780	6,846
3	3	3	3	3	3
1	1	1	1	1	1
5	5	5	5	5	5
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
1054	1054	1054	1054	1057	1052

CITY OF ASHEVILLE
OUTSTANDING GENERAL OBLIGATION DEBT
Principal Outstanding For Last Five Fiscal Years
(amounts expressed in thousands)

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Water Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Street and Sidewalk Bonds	370	235	90	-	-
Refunding Bonds	523	60	-	-	-
General Government Bonds	<u>1,070</u>	<u>970</u>	<u>870</u>	<u>770</u>	<u>670</u>
Total Debt Outstanding	<u>\$ 1,963</u>	<u>\$ 1,265</u>	<u>\$ 960</u>	<u>\$ 770</u>	<u>\$ 670</u>

**CITY OF ASHEVILLE
GENERAL OBLIGATION DEBT RATIOS
Last Eight Fiscal Years**

Fiscal Year	Total GO Debt (in thousands)	Assessed Valuation (in thousands)^(a)	Percent of Valuation	Population^(b)	Total GO Debt Per Capita^(c)	Total Assessed Value Per Capita
2007	\$ 9,579	\$ 9,817,895	0.10%	75,947	\$ 126	\$ 129,273
2008	6,735	10,014,816	0.07%	77,838	87	128,662
2009	4,680	10,435,046	0.04%	79,395	59	131,432
2010	2,640	10,800,914	0.02%	83,559	32	129,261
2011	1,290	10,880,727	0.01%	85,145	15	127,791
2012	960	11,013,390	0.01%	86,207	11	127,755
2013	770	11,126,843	0.01%	88,003	9	126,437
2014	670	11,167,999	0.01%	(d)	(d)	(d)

(a) Real property in the City was revalued in 2007 for the first time since 2003.

(b) Source: State Office of Budget and Management; based on 2011 population estimate.

(c) Total General Obligation Debt divided by Population.

(d) Information not available.

CITY OF ASHEVILLE
GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE
As of June 30, 2014

Fiscal Year	Sewer Lines Existing Debt		Firefighting Equipment Existing Debt		Total Existing Debt	
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
2000-01	\$ -	\$ 32,022	\$ -	\$ 16,503	\$ -	\$ 48,525
2001-02	65,990	128,466	34,010	66,209	100,000	194,675
2002-03	65,990	125,315	34,010	64,585	100,000	189,900
2003-04	65,990	122,114	34,010	62,936	100,000	185,050
2004-05	65,990	118,881	34,010	61,269	100,000	180,150
2005-06	65,990	115,647	34,010	59,603	100,000	175,250
2006-07	65,990	112,414	34,010	57,936	100,000	170,350
2007-08	65,990	109,180	34,010	56,270	100,000	165,450
2008-09	65,990	105,947	34,010	54,603	100,000	160,550
2009-10	65,990	102,713	34,010	52,937	100,000	155,650
2010-11	65,990	99,480	34,010	51,270	100,000	150,750
2011-12	65,990	96,246	34,010	49,604	100,000	145,850
2012-13	65,990	93,013	34,010	47,937	100,000	140,950
2013-14	65,990	89,746	34,010	46,254	100,000	136,000
2014-15	65,990	86,447	34,010	44,553	100,000	131,000
2015-16	65,990	83,147	34,010	42,853	100,000	126,000
2016-17	65,990	79,848	34,010	41,152	100,000	121,000
2017-18	65,990	76,548	34,010	39,452	100,000	116,000
2018-19	65,990	73,249	34,010	37,751	100,000	111,000
2019-20	65,990	69,949	34,010	36,051	100,000	106,000
2020-21	46,190	47,346	23,807	24,401	70,000	71,750
	<u>\$ 1,300,000</u>	<u>\$ 1,967,718</u>	<u>\$ 670,000</u>	<u>\$ 1,014,132</u>	<u>\$ 1,970,000</u>	<u>\$ 2,981,850</u>

CITY OF ASHEVILLE
SCHEDULE OF PAYMENTS FOR OUTSTANDING FINANCINGS
As of June 30, 2014

<u>Fiscal Year</u>	<u>Principal</u>	<u>Total Principal and Interest Payments</u>
2014-15	\$ 3,906,134	\$ 4,993,211
2015-16	3,871,605	4,798,371
2016-17	3,821,605	4,610,829
2017-18	3,459,730	4,084,448
2018-19	1,948,595	2,425,623
2019-20	1,454,373	1,879,006
2020-21	1,429,373	1,796,360
2021-22	1,099,373	1,399,992
2022-23	804,373	1,053,304
2023-24	656,433	870,773
2024-25	598,333	782,317
2025-26	561,667	725,251
2026-27	525,000	661,500
2027-28	525,000	643,125
2028-29	525,000	616,875
2029-30	525,000	597,188
2030-31	525,000	570,938
2031-32	525,000	551,250
Total Remaining Payments	\$ 26,761,594	\$ 33,060,361

This table summarizes seven financings with fixed interest rates ranging from 0.92% to 5.64%, payable semi-annually.

CITY OF ASHEVILLE
COMPILED BUDGET - ANNUALLY BUDGETED FUNDS
For the Fiscal Year Ending June 30, 2015

	<u>General Fund</u>	<u>Enterprise Funds</u>
Estimated Revenues:		
Ad Valorem Taxes	\$ 52,103,473	\$ -
Other Taxes	18,704,766	-
Intergovernmental Revenues	11,476,750	2,830,730
Licenses and Permits	5,175,010	507,000
Sales and Services	8,595,455	43,812,070
Investment Earnings	150,000	85,324
Miscellaneous Revenues	1,342,500	4,217,958
Total Estimated Revenues	<u>97,547,954</u>	<u>51,453,082</u>
Appropriations:		
Current:		
General Government	13,459,261	-
Public Safety	44,993,664	-
Transportation	7,246,816	4,186,732
Environmental Services	6,292,001	4,740,172
Economic & Physical Development	6,045,577	-
Culture and Recreation	9,653,537	-
U.S. Cellular Center	-	3,179,548
Water	-	18,471,350
Mass Transit	-	6,368,151
Debt Service	5,387,021	7,356,158
Total appropriations	<u>93,077,877</u>	<u>44,302,111</u>
Estimated Revenues Over/Under Appropriations	4,470,077	7,150,971
Other Financing Sources (uses):		
Operating Transfers from Other Funds:		
General Fund	-	2,821,122
Enterprise Funds	-	616,875
Operating Transfers to Other Funds:		
Capital Project Fund	(3,608,857)	(10,514,000)
Enterprise Funds	(2,821,122)	(616,875)
Other Funds	(40,098)	-
Proceeds of Capital Leases	-	306,000
Appropriated Fund Balances	2,000,000	235,907
Total Other Financing Sources (uses)	<u>(4,470,077)</u>	<u>(7,150,971)</u>
Estimated Revenues and Other Sources Over Appropriations and Other Uses	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ASHEVILLE
CURRENT WATER RATE INFORMATION
Effective 7/1/2013**

Consumption Charge Rate Increase

Per CCF (Hundred Cubic Feet or 748 gallons per unit of water)	Current CCF
Single Family Residential:	\$3.81
Irrigation:	\$3.92
Multi-Family Residential:	\$3.22
Commercial (<= 1,000 CCF monthly):	\$3.22
Commercial (> 1,000 CCF monthly):	\$1.74
Commercial (<= 2,000 CCF bimonthly):	\$3.22
Commercial (> 2,000 CCF bimonthly):	\$1.74
Manufacturer (<= 1,000 CCF monthly):	\$3.22
Manufacturer (> 1,000 CCF monthly):	\$1.69
Manufacturer (<= 2,000 CCF bimonthly):	\$3.22
Manufacturer (> 2,000 CCF bimonthly):	\$1.69
Wholesale Consumption:	\$0.99
Capacity:	\$184.00 per 10,000 gallons/day

All water accounts are charged a \$6.00 Base Fee per bill.

Capital Improvement (CIP) Charge (Monthly Charge)

Meter Size	Fee	Meter Size	Fee
5/8 inch	\$ 3.86	3 inch	\$ 485.28
3/4 inch	\$ 4.41	4 inch	\$ 849.25
1 inch	\$ 52.94	6 inch	\$ 1,091.89
1 1/2 inch	\$ 88.23	8 inch	\$ 1,334.53
2 inch	\$ 154.41	10 inch	\$ 1,577.18

Note: All Single Family Residential customers are charged \$3.86 per month for their Capital Improvement Fee regardless of their meter size. If a Single Family Residential customer has an irrigation account, they will be charged a CIP Fee according to their meter size as provided above.

Fee for Water Availability (application/letter of commitment)

Single Tap Single-Family Residential (a)	Single Tap All other User Classes (b)	Letter of Commitment (c)
\$ 52.00	\$ 78.00	\$ 312.00

NOTE: A 4% Technology Fee is added to some fees by the Information Technology Department to repair and replace computer software needed to process these payments. This is not a Water Resources fee.

- (a) includes \$2 Technology Fee
- (b) includes \$3 Technology Fee
- (c) includes \$12 Technology Fee

CITY OF ASHEVILLE
WATER SYSTEMS STATISTICS^(a)
WATER CUSTOMERS AND HISTORICAL DEMAND
Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total # of Accounts:				
Residential Single Family	42,525	43,660	44,899	45,706
Residential Multi-Family	1,494	1,509	1,523	1,546
Non-Residential	4,172	4,377	4,481	4,524
Total Number of Accounts:	<u>48,191</u>	<u>49,546</u>	<u>50,903</u>	<u>51,776</u>
Total # of Bills:				
Residential Single Family	251,782	253,411	258,111	267,134
Residential Multi-Family	9,930	9,456	9,039	9,249
Non-Residential	26,649	25,826	24,918	26,111
Total Number of Bills:	<u>288,361</u>	<u>288,693</u>	<u>292,068</u>	<u>302,494</u>
Annual Usage Volume:				
Residential Single Family	2,572,856	2,642,539	2,772,653	2,844,103
Residential Multi-Family	971,231	975,238	982,227	999,955
Non-Residential	3,326,140	3,274,229	3,209,849	2,832,160
Total Volume of Usage:	<u>6,870,227</u>	<u>6,892,006</u>	<u>6,964,729</u>	<u>6,676,218</u>

^(a) City of Asheville Water Resources Department.

2009	2010	2011	2012	2013	2014
45,968	46,329	46,683	47,149	47,589	47,810
1,568	1,576	1,580	1,537	1,487	1,451
4,573	4,573	4,633	4,712	4,763	4,860
<u>52,109</u>	<u>52,478</u>	<u>52,896</u>	<u>53,398</u>	<u>53,839</u>	<u>54,121</u>
276,263	280,518	282,423	282,330	290,669	288,535
10,069	10,262	10,242	9,562	9,474	8,692
28,089	28,437	28,572	28,104	28,757	29,907
<u>314,421</u>	<u>319,217</u>	<u>321,237</u>	<u>319,996</u>	<u>328,900</u>	<u>327,134</u>
2,796,210	2,663,582	2,699,304	2,757,400	2,774,177	2,746,714
990,837	987,162	983,663	936,952	946,852	958,903
2,590,537	2,479,587	2,669,466	2,669,541	2,691,711	2,722,144
<u>6,377,584</u>	<u>6,130,331</u>	<u>6,352,433</u>	<u>6,363,893</u>	<u>6,412,740</u>	<u>6,427,761</u>

CITY OF ASHEVILLE
WATER SYSTEM HISTORICAL OPERATING DATA
STATEMENT OF REVENUES, EXPENSES,
DEBT SERVICE, AND DEBT SERVICE COVERAGE

Last Five Fiscal Years

(amounts expressed in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$ 31,276	\$ 33,617	\$ 34,354	\$ 33,634	\$ 34,186
Operation and Maintenance Expense	(16,993)	(20,652)	(20,022)	(21,091)	(17,795)
Operating Income Before Depreciation	14,283	12,965	14,332	12,543	16,391
Depreciation	(7,744)	(7,206)	(7,584)	(7,448)	(7,386)
Operating Income	6,539	5,759	6,748	5,095	9,005
Non-operating Revenues/Expenses:					
Investment Income	310	143	191	73	177
Non-operating Income/Expenses	(95)	48	93	174	31
Bond Interest Expense	(2,624)	(3,187)	(3,204)	(3,000)	(2,926)
Net Income	4,130	2,763	3,828	2,342	6,287
Adjustments to Net Income					
Depreciation	7,744	7,206	7,584	7,448	7,386
Non-operating Expenses	2,624	3,187	3,204	3,000	2,926
Net Revenues (Revenue available for debt service)	\$ 14,498	\$ 13,156	\$ 14,616	\$ 12,790	\$ 16,599
<u>Debt Service Coverage</u>					
Total Senior Lien Obligations Debt Service	\$ 5,947	\$ 5,939	\$ 5,939	\$ 5,933	\$ 5,933
Senior Debt Service Coverage	2.44	2.22	2.46	2.16	2.80
Subordinated Debt Service	\$ 1,702	\$ 1,170	\$ 254	\$ 492	\$ 487
Subordinated Debt Service Coverage ^(a)	4.33	5.15	29.49	11.53	19.47
Total System Debt Service	\$ 7,649	\$ 7,109	\$ 6,193	\$ 6,425	\$ 6,420
Total System Debt Service Coverage	1.90	1.85	2.36	1.99	2.59

^(a) Calculated as the ratio of the sum of Net Revenues less 1.20 times Senior Debt Service, divided by Subordinate Debt.

Compliance Section

This section contains various schedules as required by the *U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and other state agencies. It also contains the Reports of Independent Auditor on compliance and controls as required by the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, and the North Carolina State Single Audit Implementation Act.

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

To the Honorable Mayor and
Members of the City Council
City of Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Asheville, North Carolina (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2014. Our report includes a reference to other auditors who audited the financial statements of the City of Asheville ABC Board (the "Board"), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature of Cherry Rickett LLP in cursive script.

Raleigh, North Carolina
October 31, 2014

Report of Independent Auditor on Compliance for Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor and
Members of the City Council
City of Asheville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Asheville, North Carolina (the “City”), compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2014. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Roubert LLP

Raleigh, North Carolina
October 31, 2014

**Report of Independent Auditor on Compliance for Each Major
State Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133
and the State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
City of Asheville, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Asheville, North Carolina (the “City”), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City’s major state programs for the year ended June 30, 2014. The City’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the City’s compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Roubert LLP

Raleigh, North Carolina
October 31, 2014

**CITY OF ASHEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ___yes X no
- Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses ___ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ yes X no

Identification of major federal programs:

CFDA Numbers

Names of Federal Program or Cluster

20.500 20.507 20.933 97.036	Federal Transit Cluster: Federal Transit Authority – ARRA Capital Investment Federal Transit Authority – Formula Grants FTA – TIGER II East of the Riverway FEMA Storm Reimbursements
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**CITY OF ASHEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish
between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? X yes ___ no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weakness(es)? ___ yes X none reported

Type of auditor's report issued on compliance for major State programs: *Unmodified*

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act ___ yes X no

Identification of major State programs:

Program Name

Powell Bill
State Maintenance Assistance Program
Urban Advanced Technology Grant

An additional major State program for City of Asheville is FEMA Storm Reimbursements, which is a State match on a Federal program.

**CITY OF ASHEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**CITY OF ASHEVILLE
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**CITY OF ASHEVILLE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

Finding 13-01 – corrected

Finding 13-02 – corrected

Finding 13-03 – corrected

Section IV – State Award Findings and Questioned Costs

None reported

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Agriculture</u>				
Passed through NC Dept of Health & Human Services				
Summer Camp and Afterschool Food Service	10.559	7197	\$ 5,114	\$ -
Total U.S. Department of Agriculture			<u>5,114</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs				
CDBG - Entitlement Grants Cluster	14.218	B-13-MC-370001	834,168	-
Community Development Block Grant	14.218	B-12-MC-370001	93,922	-
Community Development Block Grant	14.218	B-10-MC-370001	42,096	-
Community Development Block Grant	14.218	B-09-MC-370001	65,059	-
Community Development Block Grant	14.218	B-07-MC-370001	1,850	-
HOME Program	14.239	M-13-DC-370201	433,126	-
HOME Program	14.239	M-12-DC-370201	217,189	-
HOME Program	14.239	M-11-DC-370201	527,995	-
HOME Program	14.239	M-10-DC-370201	50,685	-
HOME Program	14.239	M-09-DC-370201	142,966	-
HOME Program	14.239	M-08-DC-370201	34,139	-
Fair Housing Assistance Program (FHAP)	14.401	FF204K104018	5,948	-
Passed Through NC Department of Health and Human Services:				
HUD Emergency Solutions Grant	14.231	N/A	169,541	-
Outstanding Section 108 Loan Balances	14.248	N/A	1,116,576	-
Total U.S. Department of Housing and Urban Development			<u>3,735,260</u>	<u>-</u>
<u>U.S. Department of the Interior Fish and Wildlife Services</u>				
Direct Programs:				
Red Wolf Exhibit and Veterinary Improvements	15.650	40181AG012	2,020	-
Total U.S. Department of the Interior			<u>2,020</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Bulletproof Vest Partnership 2012	16.607	2012BUBX12062206	6,658	-
Bulletproof Vest Partnership 2013	16.607	2013BUBX13067833	15,378	-
COPS Hiring Grant	16.710	2011UMWX0114	217,875	-
JAG Program Cluster:				
Justice Assistant Grant - BJA - 2012	16.738	2012-DJ-BX-1032	56,877	-
Justice Assistant Grant - BJA - 2013	16.738	2013-DJ-BX-1032	53,016	-
Total U.S. Department of Justice			<u>349,804</u>	<u>-</u>

(continued)

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Transportation</u>				
Direct Programs				
Federal Transit Cluster				
Federal Transit Authority - ARRA Capital Investment	20.500	Various	\$ 27,448	\$ -
Federal Transit Authority - Capital Investment	20.500	Various	625,348	-
Federal Transit Authority - Formula Grants	20.507	Various	1,735,648	-
Federal Transit Authority - JARC	20.516	Various	213,822	-
FTA - New Freedom Program	20.521	NC-57-x002	11,114	-
FTA - TIGER II East of the Riverway	20.933	NC-79-1000	597,553	-
Passed through North Carolina Department of Transportation				
Highway Planning and Construction Cluster:				
Federal Multimodal Transportation Planning Grant	20.205	N/A	3,800	-
Federal Transit Metropolitan Planning Grant	20.505	12-08-100 & 13-08-100	48,344	6,043
Total Highway Planning and Construction Cluster			52,144	6,043
Governor's Highway Safety Program Cluster:				
Traffic Safety - Law Enforcement Liasons	20.600	PT-14-03-10	17,930	-
Traffic Safety - DWI Task Force	20.600	154AL-14-18-08	60,657	-
Total Governor's Highway Safety Program Cluster			78,587	-
Passed through French Broad River MPO				
Unified Planning Work Program	20.205	N/A	7,692	-
Total U.S. Department of Transportation			3,349,356	6,043
<u>Executive Office of the President</u>				
Passed through Office of National Drug Control Policy				
High Intensity Drug Trafficking Areas Program	95.001	G11GA0006A	110,334	-
Total Executive Office of the President			110,334	-
<u>U.S. Department of Homeland Security</u>				
Passed through NC Dept of Public Safety				
FEMA Storm Reimbursements:				
Sunset Drive	97.036	FEMA-4146-DR-NC	24,686	8,229
Bent Tree	97.036	FEMA-4146-DR-NC	40,431	13,477
Spooks Branch	97.036	FEMA-4146-DR-NC	208,376	69,459
Skyview Place	97.036	FEMA-4146-DR-NC	232,761	77,587
Gashes Creek	97.036	FEMA-4146-DR-NC	21,985	7,328
Fire Support	97.036	FEMA-4146-DR-NC	2,625	875
Small Projects	97.036	FEMA-4146-DR-NC	34,644	11,548
Parks/Streets Debris Clean-Up	97.036	FEMA-4146-DR-NC	31,349	10,450
Stormwater Clean-Up	97.036	FEMA-4146-DR-NC	233,159	77,720
Sweepers	97.036	FEMA-4146-DR-NC	25,857	8,619
RRT6 Hazmat 2011	97.067	11-SS-00119S01	23,424	-
Wireless Telecomm Equipment	97.067	10-SS-T0-0075-1133	5,967	-
Total U.S. Department of Homeland Security			885,264	285,292
Total Federal Awards Expended			8,437,152	291,335

(continued)

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
STATE AWARDS			
<u>N.C. Department of Transportation</u>			
Direct Programs:			
Powell Bill	DOT-4, WBS 32570	\$ -	\$ 2,400,153
State Maintenance Assistance Program	13-SM-002	-	608,515
NCDOT Capital Grant	11-04-028	-	79,118
Urban Advanced Technology Grant	13-AT-100	-	387,358
Total N.C. Department of Transportation		-	3,475,144
<u>N.C. Department of Health and Human Services</u>			
Passed through Land of Sky Regional Council:			
Senior Center Gen'l Purpose - Senior Opportunity	HB-1473	-	3,893
Senior Center Gen'l Purpose - Harvest House	HB-1473	-	3,893
Total N.C. Department of Health and Human Services		-	7,786
<u>N.C. Department of Environment and Natural Resources</u>			
Direct Programs:			
Special Appropriations - WNC Nature Center	Various	-	73,359
Lake Craig and Stream Restoration	W07019	-	407,274
Total N.C. Department of Environment and Natural Resources		-	480,633
<u>N.C. Department of Public Safety</u>			
Direct Programs:			
RRT6 2013 Operating Reimbursements	N/A	-	25,351
RRT6 2013 Operating Allotment	N/A	-	61,500
Passed Through NC Governor's Crime Commission:			
Changing Together	PROJ008728	-	76,660
Total N.C. Department of Public Safety		-	163,511
Total State Awards Expended		-	4,127,074
Total Federal and State Awards Expended		\$ 8,437,152	\$ 4,418,409

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTES TO THE PRECEDING SCHEDULE:

1. Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City of Asheville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Federal and State Awards Which Have Been Passed Through to Sub-recipients

<u>Sub-recipient</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
EC - Rent Assistance	HOME Investment Partnerships	14.239	\$ 20,066
HB - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	108,575
Henderson Co. Habitat - Dodd Meadows	HOME Investment Partnerships	14.239	239,625
CHCMC - Homeowner Rehab	HOME Investment Partnerships	14.239	32,260
MHO - Residences Glen Rock Hotel - Buncombe Co	HOME Investment Partnerships	14.239	34,139
MHO - Eagle Street Marketplace	HOME Investment Partnerships	14.239	439,470
MHO - Mars Hills Commons	HOME Investment Partnerships	14.239	25,000
MHO - Direct Homebuyer Assistance	HOME Investment Partnerships	14.239	87,578
HAC - Ridgcrest	HOME Investment Partnerships	14.239	26,776
MHO - S/F Scattered Site Development	HOME Investment Partnerships	14.239	3,512
ABCCM - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	36,624
HAA - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	39,883
AAHH - Johnston Blvd Development	HOME Investment Partnerships	14.239	203,001
	Subtotal:		1,296,509
AAHH - Housing Services	Community Develop Block Grant	14.218	58,154
AAHH - Home Repair	Community Develop Block Grant	14.218	2,880
MHO - Emergency Repair Tier 1	Community Develop Block Grant	14.218	128,039
MHO - Housing Services	Community Develop Block Grant	14.218	126,882
MHO - Down Payment Assistance	Community Develop Block Grant	14.218	27,240
HB - Supportive Housing Services	Community Develop Block Grant	14.218	85,000
EC - Housing Services	Community Develop Block Grant	14.218	8,979
GO - Asheville Go-Employment Training	Community Develop Block Grant	14.218	94,985
MBW - Micro Business Development	Community Develop Block Grant	14.218	51,906
On Track - Financial/Housing Counseling	Community Develop Block Grant	14.218	7,479
HPMT - Domestic Violence Services	Community Develop Block Grant	14.218	10,000
HB - Homeless Programs	Community Develop Block Grant	14.218	60,000
PLS - Homelessness Prevention	Community Develop Block Grant	14.218	50,000
GO - Weatherization Assistance	Community Develop Block Grant	14.218	56,737
PU - Academic Enhancement	Community Develop Block Grant	14.218	11,556
ABCRC - Housing Assistance	Community Develop Block Grant	14.218	13,843
MBC - Micro-Business Loan Fund	Community Develop Block Grant	14.218	1,850
ABCCM - Homeless Prevention	Community Develop Block Grant	14.218	17,596
	Subtotal:		813,126

(continued)

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Sub-recipient</u>	<u>Program Name</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Helpmate Inc. - Emergency Response	HUD Emergency Solutions Grant	14.231	\$ 14,756
HB - Emergency Response	HUD Emergency Solutions Grant	14.231	4,636
HB - Housing Stabilization	HUD Emergency Solutions Grant	14.231	81,751
ABCCM - Emergency Response	HUD Emergency Solutions Grant	14.231	4,951
ABCCM - Housing Stabilization	HUD Emergency Solutions Grant	14.231	18,907
Salvation Army - Emergency Response	HUD Emergency Solutions Grant	14.231	24,679
	Subtotal:		<u>149,680</u>
ABCRC - Housing Assistance	Fair Housing Assistance Program	14.401	5,948
	Subtotal:		<u>5,948</u>
BC Sherriff's Department	Justice Assistance Grant	16.738	29,467
	Subtotal:		<u>29,467</u>
Henderson County - Operations	FTA - Formula Grants	20.507	268,458
Buncombe County Trailblazers Program	FTA - JARC	20.516	65,611
Buncombe County Project Ride	FTA - New Freedom	20.521	10,031
	Subtotal:		<u>344,100</u>
TOTAL:			<u><u>\$ 2,638,830</u></u>

3 . The City as a Grant Sponsor

The U.S. Department of Transportation: Federal Aviation Administration annually awards "Airport Improvement Grant(s)" to the Greater Asheville Regional Airport Authority (the Authority). The City of Asheville is the official sponsor of the Authority, recognized by the FAA to accept the grant. The Authority receives funding directly from the granting agency and assumes all compliance obligations.