

City of Asheville, North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013



Prepared by the Finance Department



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CITY OF ASHEVILLE

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June 30, 2013

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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 29, 2013

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, 2013.

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, 2013, 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 a top growth area in the state and one of the top growth areas in the country. Asheville currently occupies a land area of approximately 41.3 square miles and serves a population of 85,712. The City is the county seat of Buncombe County, is the largest city in Western North Carolina and eleventh 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 health care and social assistance, which currently employs approximately 24,000 people. Other leading industry sectors include retail trade, accommodation and food services, and manufacturing. Together these four sectors account for approximately 60% of all jobs in Buncombe County.

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 \$834.24 million in 2012. Buncombe County ranks 5th in travel impact among the state's 100 counties. More than 9,360 jobs in Buncombe County are directly linked to travel and tourism. Hotel/motel sales are a good indicator of the status of the local tourist economy. Hotel/motel sales grew steadily between 2004 and 2007; however, the effects of the Great Recession began in 2008 and extended into 2009, with hotel/motel sales falling by a combined 11.7% over those two years. The most recent data available through the Asheville Convention and Visitors Bureau indicates that sales have rebounded by a combined rate of 7.5% since 2010.

In addition to being an important indicator of overall local economic health, Buncombe County retail sales activity also directly impacts the City's general fund budget through sales tax receipts. In the wake of the Great Recession, local retail sales have shown strong recovery. Year over year increases for FY 2011, FY 2012, and FY 2013 are 5.78%, 5.86%, and 10.2%. Of the \$3.6 billion in retail sales recorded in Buncombe County during FY2013,

approximately 75% of those sales occurred within the City of Asheville. Among large cities in North Carolina, Asheville has one of the highest levels of retail sales per resident. This data reflects Asheville's position as the regional economic center for Western North Carolina. Asheville's high level of retail sales per resident is also likely associated with Asheville's status as a tourist destination.

The unemployment rate is another critical indicator of the relative strength in the economy. As the effects of the recession began to be felt in Buncombe County, the average unemployment climbed throughout 2009 and the early part of 2010, peaking at 9.7% in February 2010. The local labor market continues to improve. As of July 2013, Buncombe County's unemployment rate stood at 6.3%, as compared to an 7.6% rate one year earlier. Local unemployment rates are below both the statewide rate (8.7%) and the national rate (7.3%).

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.

The CIP is updated annually based on input from Council, the public and city staff. The FY2013 CIP (through the fiscal year ending June 30, 2017) was influenced by a number of other planning processes, including the City's long-range Strategic Operating Plan, the Unified Development Ordinance, the Parks & Recreation Master Plan, the Pedestrian Thoroughfare Plan, and the 1998 Parking Study.

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 General Capital Project Fund provides funding for all general government capital needs. FY2013 funding was provided by a \$2.8 million pay-as-you-go contribution from the General Fund and \$2.2 million in debt proceeds.

CIP items and projects in the Water Resources Operating & Capital Improvement Funds were funded with utility revenues generated by the Water Resources Operating Fund and a capital maintenance fee. The capital improvement project budget for FY2013 was \$7.4 million.

The five-year capital improvement program for the governmental funds, which covers fiscal years 2013 through 2017, totals \$46.5 million. The City plans to fund approximately \$17.5 million of the \$46.5 million using proceeds from issuance of debt. The five-year CIP for the Enterprise Funds, most of which is for the Water Resources Fund, totals \$36.7 million. The Enterprise Funds CIP is anticipated to be funded with current revenues.

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. At June 30, 2013, the unassigned fund balance is approximately 18 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 fund. For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustments of claims. 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 \$239,327,749. Coverage limits include 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 \$550,000 per event for workers' compensation claims. Excess insurance with statutory limits is maintained for any claims exceeding the \$550,000 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. 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.

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, 2012. This was the thirty-third 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.

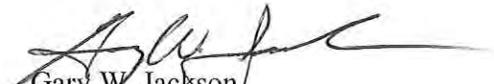
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2012. In order to qualify for

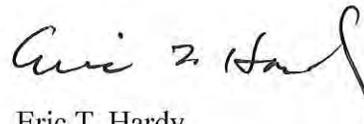
the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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 auditors, 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 Finance department, 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


Eric T. Hardy
Deputy Finance Director



Government Finance Officers Association

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

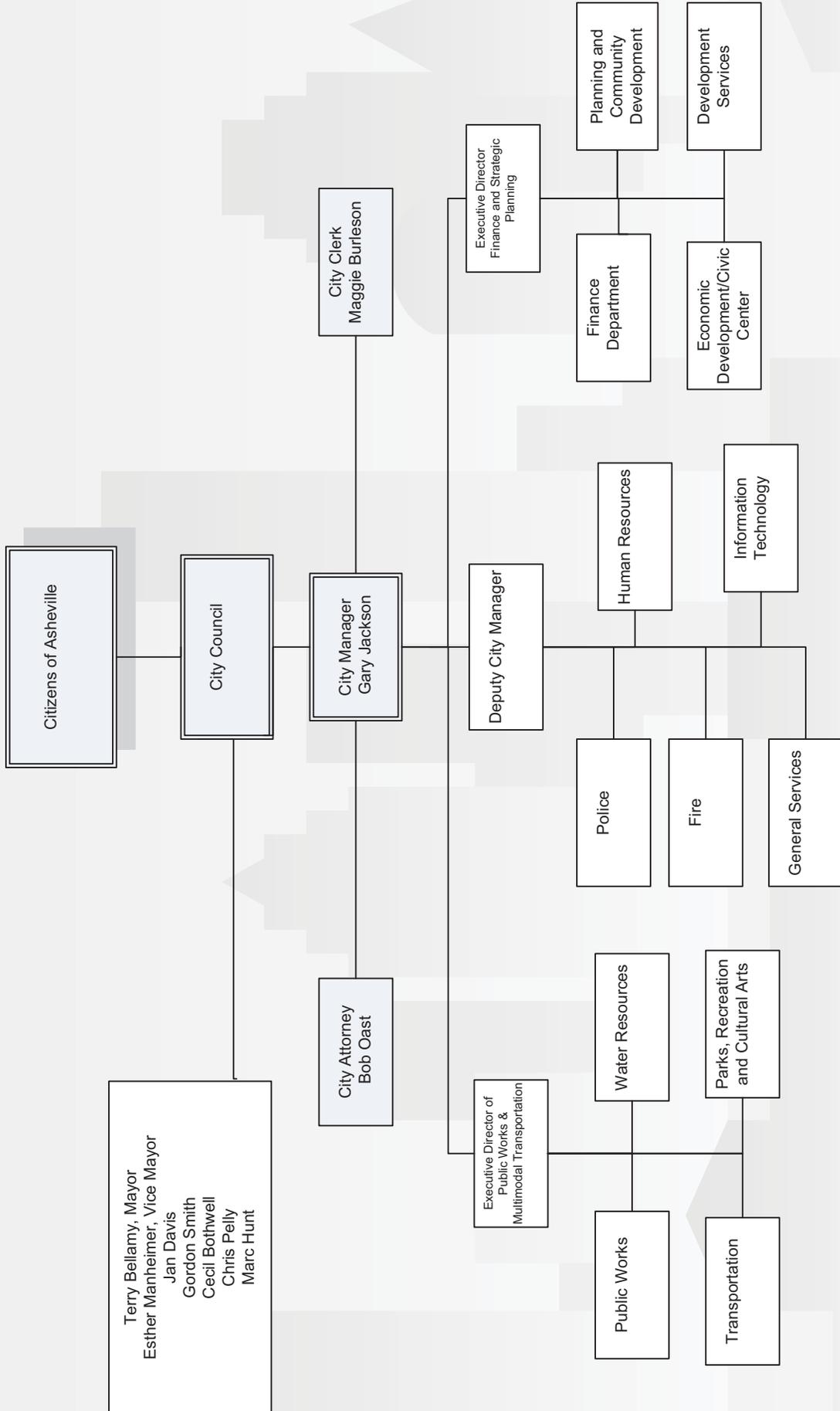
Presented to

**City of Asheville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



**City of Asheville
Organizational Chart**

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, 2013, 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, 2013, 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.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

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 29, 2013 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.

Cherry Burch LLP

Raleigh, North Carolina
October 29, 2013

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013 (FY2013). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's 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 \$359,935,944 (net position). Of this amount, \$77,066,128 (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 \$359,935,944 represents an increase of \$657,844 over FY2012's net position of \$359,278,100.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,812,983, a decrease of \$3,709,869 in comparison with the prior year's amount of \$42,522,852. The unassigned portion of the General Fund fund balance is \$15,485,434; this amount is available to spend at the City's discretion.
- At the end of the current fiscal year, the non-spendable, restricted and committed portions of fund balance for all governmental funds was \$29,327,247.
- The City's total long-term liabilities decreased by \$4.2 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 \$2.1 million.
- The City holds the following general obligation bond ratings:

Moody's	Aa1
Standard & Poor's	AA+

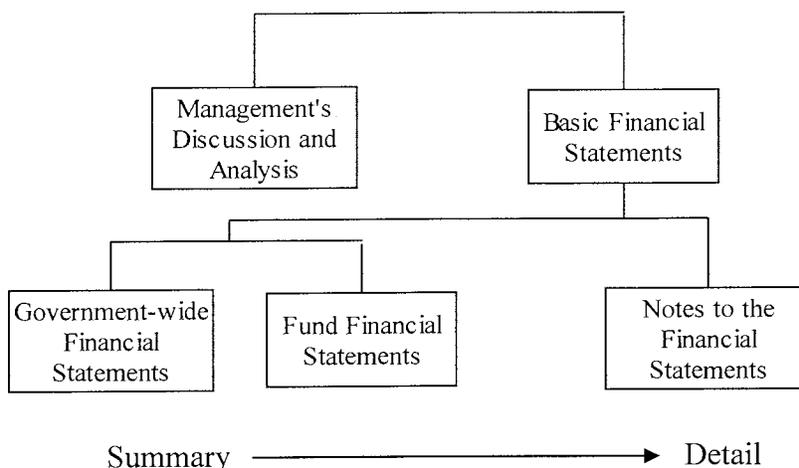
OVERVIEW OF THE FINANCIAL STATEMENTS

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, however, 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.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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.

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.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 and component units. The governmental activities include most of the City's basic services such as public safety, environmental services, culture and recreation, transportation, community development, and general government. Property taxes, intergovernmental revenues, and other local taxes finance about 65% of the costs of these activities. Business-type activities include water utility, storm water management, parking, street cut, golf course, civic 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 final category is the component unit. Although legally separate from the City, the ABC Board (the "Board") is important to the City. The City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City.

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. However, unlike the government-wide financial statements, governmental fund financial statements focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Most of the City's basic services are accounted for in governmental funds. Governmental funds are reported using an accounting method called *modified accrual accounting*, which

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, Civic Center, Parking Services, Golf Course, 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.

**CITY OF ASHEVILLE
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 of which is a pension trust fund and two of which are 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 39-78 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 79-82 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 that 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 \$359,935,944 as of June 30, 2013 (Figure 2).

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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By far the largest portion of the City's net position (\$269,825,864 or 75%) reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt that is still outstanding that was issued to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities. Restricted net position, 4% of the City's net position, represents 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% of total net assets. 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 65,223	\$ 69,574	\$ 59,579	\$ 58,313	\$ 124,802	\$ 127,887
Capital assets	162,857	166,199	212,684	212,070	375,541	378,269
Deferred outflows of resources	28	35	58	63	86	98
Total assets and deferred outflows of resources	<u>228,108</u>	<u>235,808</u>	<u>272,321</u>	<u>270,446</u>	<u>500,429</u>	<u>506,254</u>
Non-current liabilities	36,196	36,334	78,342	82,547	114,538	118,881
Other liabilities	15,565	17,837	10,247	10,118	25,812	27,955
Deferred inflows of resources	143	140	-	-	143	140
Total liabilities and deferred inflows of resources	<u>51,904</u>	<u>54,311</u>	<u>88,589</u>	<u>92,665</u>	<u>140,493</u>	<u>146,976</u>
Net Position:						
Investment in capital assets	139,093	145,401	130,733	126,834	269,826	272,235
Restricted	13,044	16,286	-	-	13,044	16,286
Unrestricted	<u>24,067</u>	<u>19,810</u>	<u>52,999</u>	<u>50,947</u>	<u>77,066</u>	<u>70,757</u>
Total net position	<u>\$ 176,204</u>	<u>\$ 181,497</u>	<u>\$ 183,732</u>	<u>\$ 177,781</u>	<u>\$ 359,936</u>	<u>\$ 359,278</u>

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The City's net position for the governmental activities declined by \$5.3 million. Total governmental assets and deferred outflows and liabilities and deferred inflows decreased by approximately \$7.7 million and \$2.4 million, respectively. The decrease in assets is primarily due to draws of previously unexpended bond proceeds, as explained below. Net investments in capital assets, net of related debt, reflected a decrease of \$6.3 million. This decrease is due to a \$3.3 million decline in the value of capital assets, net of depreciation, as well as a \$3.0 million decrease in unexpended bond proceeds, net of debt retirement.

The City's net position for business-type activities increased approximately \$6 million. This increase is primarily attributable to favorable operational results (revenues generated from operations were greater than operational expenses) for overall business-type activities.

Governmental activities. The City's net position of governmental activities decreased by \$5,293,922 (Figure 3). Key elements of this decrease are as follows:

- Current and other assets, consisting mainly of cash and investments, decreased by \$4.3 million year over year. The majority of the decrease is attributable to unexpended bond proceeds (\$11.7 million) received in the prior fiscal year and expended in FY2013. As of June 30, 2013, \$6.9 million in bond proceeds remains unspent.
- Depreciation expenses exceeded capital additions by approximately \$3.3 million.
- Governmental liabilities decreased by \$2.4 million with the majority of the decrease attributable to a \$1.9 million decrease in accounts payable. The decrease resulted from more timely payment of invoices as of the end of June and timing of the June/July payroll.

Total revenues reported (Figure 4) in the governmental activities for FY2013 were \$103.5 million as compared to FY2012's \$103.5 million, essentially remaining flat year-over-year. Operating grants and contributions increased by approximately \$500,000 due to an increase in community development, environmental services and transportation grant activity. Capital grants and contributions declined year over year due to a one time grant received in the prior fiscal year for the Oakview Bridge.

Property and other taxes improved by approximately \$1.1 million, year over year. The property tax levy increased by approximately \$315,000 due to improvements in the tax base. Other taxes, principally comprised of sales taxes, increased year over year by approximately \$822,000, representing an improvement in economic activity and retail sales.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 16,371	\$ 18,108	\$ 45,823	\$ 45,674	\$ 62,194	\$ 63,782
Operating grants and contributions	7,275	6,762	2,840	3,541	10,115	10,303
Capital grants and contributions	4,474	6,159	6,199	2,991	10,673	9,150
General revenues:						
Property taxes	46,836	46,521	-	-	46,836	46,521
Other taxes	17,310	16,487	-	-	17,310	16,487
Grants and contributions not restricted to specific programs	10,415	8,661	-	-	10,415	8,661
Investment earnings	95	179	83	224	178	403
Miscellaneous	680	606	171	80	851	686
Total revenues	<u>103,456</u>	<u>103,483</u>	<u>55,116</u>	<u>52,510</u>	<u>158,572</u>	<u>155,993</u>
Expenses:						
General government	15,049	17,925	-	-	15,049	17,925
Public safety	49,988	46,574	-	-	49,988	46,574
Environmental services	9,869	9,834	-	-	9,869	9,834
Community development	5,389	5,193	-	-	5,389	5,193
Transportation	14,693	16,154	-	-	14,693	16,154
Culture and recreation	10,665	11,708	-	-	10,665	11,708
Interest on long-term debt	662	975	-	-	662	975
Water resources	-	-	31,539	30,810	31,539	30,810
Civic Center	-	-	3,138	2,855	3,138	2,855
Parking services	-	-	2,446	2,177	2,446	2,177
Street cut utility	-	-	1,337	1,423	1,337	1,423
Mass transit	-	-	7,654	6,042	7,654	6,042
Stormwater	-	-	2,596	2,618	2,596	2,618
Golf course	-	-	2,081	925	2,081	925
Total expenses	<u>106,315</u>	<u>108,363</u>	<u>50,791</u>	<u>46,850</u>	<u>157,106</u>	<u>155,213</u>
Increase (decrease) in net position before transfers	(2,859)	(4,880)	4,325	5,660	1,466	780
Transfers	<u>(2,434)</u>	<u>(1,179)</u>	<u>2,434</u>	<u>1,179</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(5,293)	(6,059)	6,759	6,839	1,466	780
Net position, beginning of year	181,497	187,556	177,781	170,942	359,278	358,498
Restatement	-	-	(808)	-	(808)	-
Net position, beginning of year, restated	<u>181,497</u>	<u>187,556</u>	<u>176,973</u>	<u>170,942</u>	<u>358,470</u>	<u>358,498</u>
Net position, end of year	<u>\$ 176,204</u>	<u>\$ 181,497</u>	<u>\$ 183,732</u>	<u>\$ 177,781</u>	<u>\$ 359,936</u>	<u>\$ 359,278</u>

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Total expenses reported in the governmental activities for FY2013 were \$106.3 million as compared to FY2012's \$108.4 million (Figure 5). This change represents a decrease of \$2 million or 1.8%. General government expenses, a subcategory of overall governmental activity, reflected a decrease of \$2.9 million with the majority of the lower expenses attributable to lower OPEB contributions, health and property liability expenses. Public safety expenses rose year over year by \$3.4 million, resulting from the addition of thirteen positions and across the board salary increases for all employees. Community development expenses reflected a \$200,000 increase over the prior period, with the majority of the increase attributable to a slight increase in loan activity. Transportation expenses decreased \$1.5 million year over year due to the reengineering of the paving program. In addition, a major paving contract in the amount of \$1.1 million carried over, along with budget, into the new fiscal year. The majority of the decrease in culture and recreation expenses, in the amount of \$1 million, is due to less capital spending in the current fiscal year.

Business-type activities. Net position in the business-type activities increased by approximately \$6 million, with \$2 million occurring in the Water Resources Fund, \$2.8 million in the Mass Transit Fund and the balance of \$1.2 million occurring in the other enterprise funds. Revenues for all business-type activities, year over year, increased by \$2.6 million (Figure 6), expenses were up by \$3.9 million and transfers increased by \$1.3 million (Figure 7). Key elements of these changes are as follows:

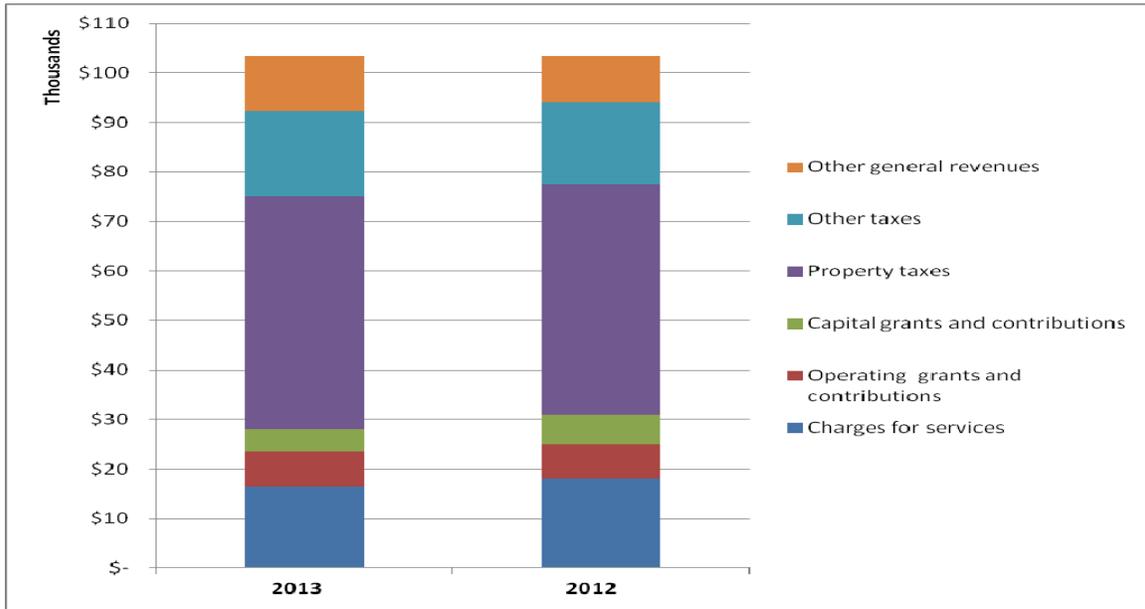
- Charges for services increased slightly by \$149,000 from FY2012 to FY2013 with the majority of the increase occurring in Parking Services. The increase in Parking Services is attributable to an increase in demand and the opening of a new garage.
- Operating grants and contributions decreased by \$701,000, year over year, with the majority of the decrease attributable to additional one-time Stormwater operating financial assistance received in the previous fiscal year that was not reoccurring.
- Capital grants and contributions increased year over year by \$3.2 million with the net increase mainly attributable to federal funding for new buses and shelters for transportation.
- Expenses in the business-type activities increased from FY2012's \$46.9 million to FY2013's \$50.8 million, an increase of \$3.9 million or 8%. The management of the Golf Fund operations was outsourced in 2012. Consequently, the Golf Fund was closed and the assets transferred to the General Fund, resulting in a one-time expense of \$1.7 million. Mass Transit expenses increased by \$1.6 million mainly a result of newly expanded bus routes and the use of additional grant funds. The remaining overall increase was attributable to increased capital spending in the Water Resources fund.
- Net transfers into the business-type activities totaled \$2.4 million, an increase of \$1.3 million over the prior fiscal year. The majority of this increase is related to the \$2.2 million transfer from the Governmental Fund to close out the Golf Fund.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Government-wide Analysis

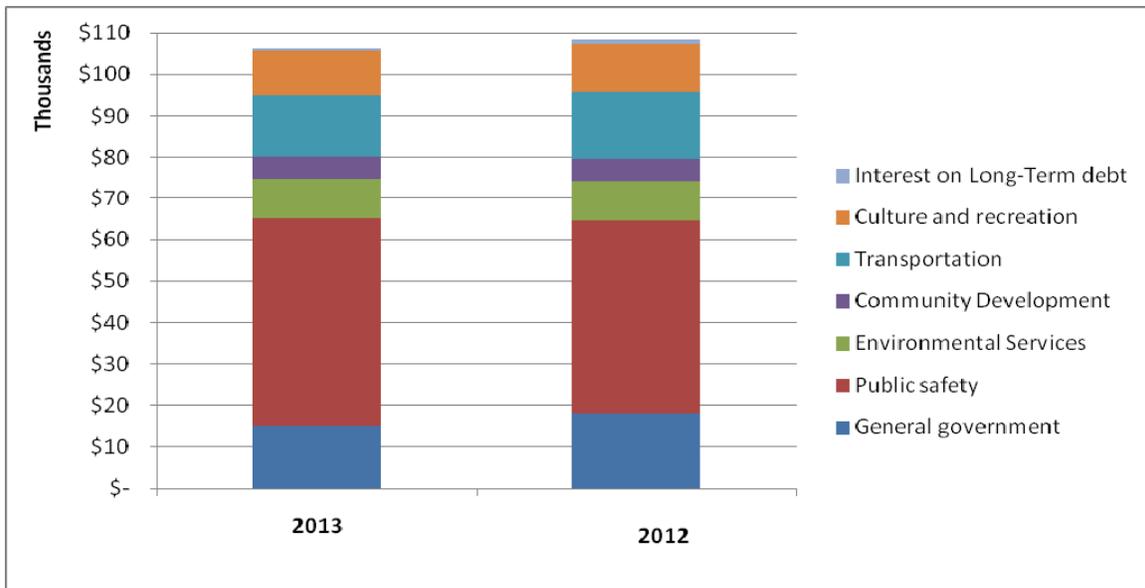
Revenue from Governmental Activities

Figure 4



Expenses of Governmental Activities

Figure 5

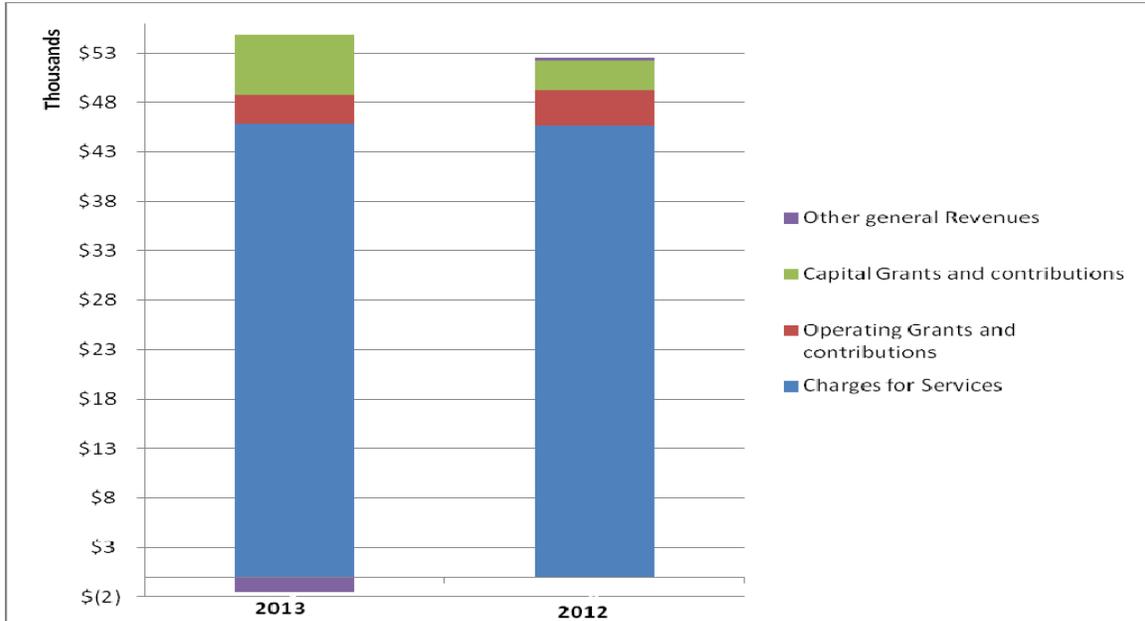


**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Government-wide Analysis

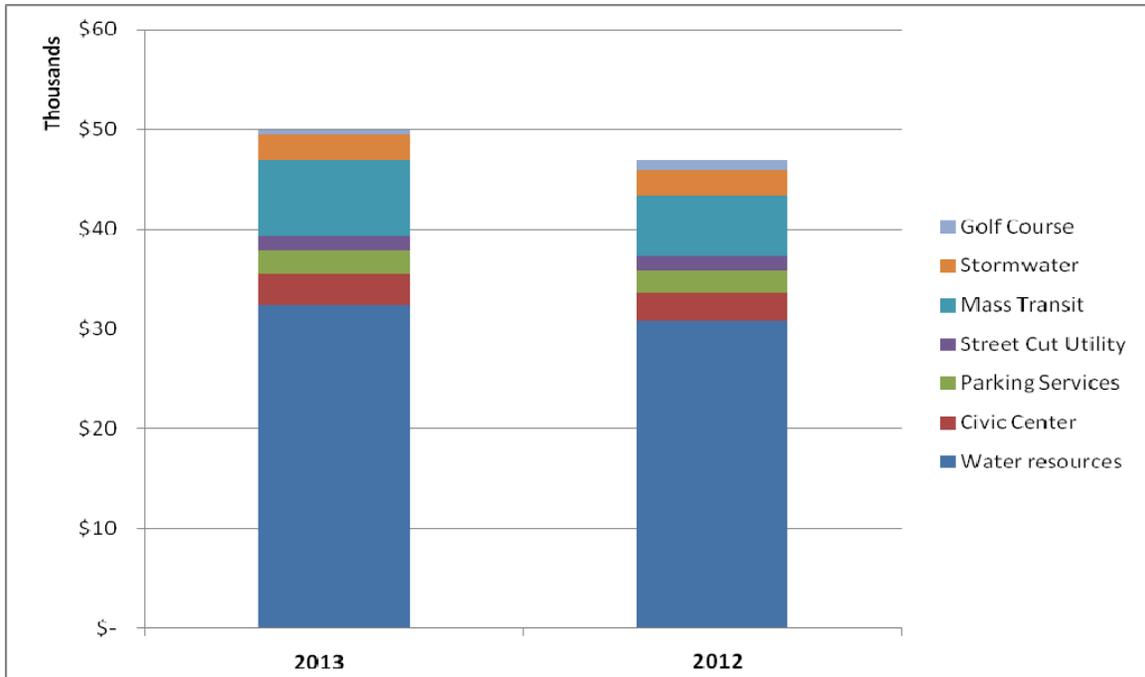
Revenue from Business-type Activities

Figure 6



Expenses of Business-type Activities

Figure 7



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 \$15.5 million, while total fund balance reached \$24 million. The Governing Body of the City has determined that the City should maintain an available fund balance of 15% 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 18.2% of general fund expenditures, while total fund balance represents 28.2% of the same amount.

Capital Asset and Debt Administration

Capital assets. The City's net investment in capital assets (Figure 8) for the governmental and business-type activities as of June 30, 2013, totals \$375,541,008. 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.

Major capital expenditures in FY2013 included:

- Construction of 51 Biltmore Parking Garage
- 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 Wild Cherry Bridge
- Replacement and maintenance of water-lines
- Continuation of construction of renovations of the Civic Center in conjunction with the hosting of the Southern Conference Men's and Women's Basketball Champions

Additional information regarding the City's capital assets is found in Note 5 on Pages 55-58 of this report.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 34,490	\$ 33,318	\$ 15,695	\$ 15,772	\$ 50,185	\$ 49,090
Buildings and Improvements	31,433	32,472	56,725	50,424	88,158	82,896
Improvements Other than Buildings	1,774	2,009	662	688	2,436	2,697
Machinery and Equipment	12,956	13,340	18,360	16,595	31,316	29,935
Infrastructure	75,130	80,439	116,262	118,982	191,392	199,421
Construction in Process	3,454	1,029	4,832	9,461	8,286	10,490
Intangibles	3,620	3,592	148	148	3,768	3,740
Net Capital Assets	<u>\$ 162,857</u>	<u>\$ 166,199</u>	<u>\$ 212,684</u>	<u>\$ 212,070</u>	<u>\$ 375,541</u>	<u>\$ 378,269</u>

Long-term Debt. As of June 30, 2013, the City had total debt outstanding of \$107,916,236 (Figure 9). Of this total indebtedness, \$770,000 is backed by the full faith and credit of the City. The remainder of the City's debt, totaling \$107,146,236, 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 2013, the City entered into two installment financing contracts, in the amounts of \$1,150,000 and \$998,000, to provide funding for the purchase of certain capital assets, including vehicles, computers, equipment and energy-efficient LED streetlights.

The City's total net debt at June 30, 2013, decreased by approximately \$5.6 million when compared to FY2012 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, 2013.

The City maintains an "AA+" rating from Standard & Poor's and an "Aa1" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$845,084,000, 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 7 on Pages 60-66 of this report.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 770	\$ 960	\$ -	\$ -	\$ 770	\$ 960
Revenue bonds	-	-	65,570	68,340	65,570	68,340
Installment financing contracts	27,070	28,767	12,575	13,290	39,645	42,057
Other long-term indebtedness	847	904	1,084	938	1,931	1,842
Total bonds	\$ 28,687	\$ 30,631	\$ 79,229	\$ 82,568	\$ 107,916	\$ 113,199

General Fund Budgetary Highlights

During fiscal 2013, there was a \$4.2 million net increase in appropriations between the original and final amended General Fund budget. The largest component of this budget increase was for prior year's encumbrances in the amount of \$1.4 million. Other large items contributing to this increase include: 1) \$650,000 appropriated from unassigned fund balance for employee pay bonuses; 2) \$630,000 appropriated from assigned fund balance for prior year Housing Trust Fund loan commitments; and 3) \$500,000 appropriated from restricted fund balance to close out the Golf Fund and eliminate the negative cash position in the Golf Fund.

Actual General Fund revenues finished the year on budget. Ad valorem tax revenues, the City's largest General Fund revenue source, finished the year at 99.1% of budget. Sales (other) taxes, the second largest General Fund revenue finished the year at 100.5% of budget. Intergovernmental revenue fell below budget estimates by approximately \$330,000 or 2.9% primarily due to a budget shortfall in state-shared utility tax revenue, which has trended downward in each of the last two fiscal years. Revenue from the City's share of local ABC Board profits increased by 20% in FY2013 and exceeded budget estimates by \$240,000. General Fund revenues for FY2013 totaled \$89.5 million compared to FY2012's revenues of \$87.2 million, an increase of \$2.3 million or 2.7%.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

General Fund expenditures were under budget by \$5.7 million. Favorable expenditure budget variances occurred in every category of expenditure. Part of the reason that expenditures came in under budget was due to the fact that the City deferred \$1.0 million in expenses, primarily in capital maintenance areas. The basis for this deferral was the financial uncertainty surrounding the NC General Assembly's ratification of legislation affecting ownership of the City's water system. This \$1.0 million in budget was transferred to a contingency account in the general government functional area, which explains the favorable variance (\$1.8 million) in that area. The favorable budget variance in transportation is due to a major paving contract, in the amount of \$1.1 million, being carried over into the new fiscal year.

Actual revenues exceeded expenditures by \$4.0 million in FY2013. The comparable figure in FY2012 was \$5.9 million.

Total other financing sources and uses for the period ended June 30, 2013 was (\$2.1 million). Other financing sources and uses contains the appropriated fund balance category; with a final budget of \$3.4 million. The original budget adopted by City Council did not contain an appropriation of fund balance. 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 \$2.2 million in fund balance.

Economic Factors

- The local labor market continues to improve. As of August 2013, Buncombe County's unemployment rate stood at 6.2%, as compared to a 7.6% rate one year earlier. Local unemployment rates are below both the statewide rate (8.3%) and the national rate (7.3%).
- The estimated population as of July 2012 totaled 86,205, which represents a 3.4% over the 2010 Census amount.
- FY2013 retail sales in Buncombe County totaled \$3.6 billion, an increase of 9.8% compared to FY2012.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Asheville's budget for the 2014 fiscal year.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Budget Highlights for the Fiscal Year Ending June 30, 2014.

The City's adopted General Fund budget for FY2014 totaled \$95,861,764, which represents a 6.6% increase compared to the FY2013 original budget. The adopted FY2014 General Fund budget included a 3 cent property tax rate increase to fund an enhanced capital improvement program (CIP). The adopted budget was balanced without the need for a fund balance appropriation. The adopted FY2014 budget includes funding for a 3% cost of living increase for all employees. Overall personnel cost increases in the General Fund were held down for several reasons, including: 1) the contracting out in FY2013 of several services, including street resurfacing and new sidewalk construction; and 2) the freezing of certain General Fund positions. Operating costs, year over year, reflect a net \$3.2 million or 14% increase in the FY2014 adopted General Fund budget. Most of this increase is due to the operational change in which street resurfacing and new sidewalk construction are now being contracted out (operating expense) as opposed to being handled by City crews. In addition, a large portion of the property tax rate increase for the maintenance CIP was directed toward street resurfacing resulting in a substantial overall increase in that operating budget. The General Fund budget includes \$5.3 million in funding for debt service obligations in FY2014 including debt associated with the June 2012 issuance of Limited Obligation Bonds for various projects including City Hall repairs, sidewalk improvements, LED streetlight installation, and vehicle and equipment replacements. The FY2014 CIP includes the issuance of additional debt but those debt service expenditures will not begin until FY2015. The adopted General Fund capital outlay budget totaled approximately \$2.9 million. The capital outlay budget includes the General Fund pay-go contribution (reflected as a transfer out) to the general capital projects fund, as well as departmental small capital budgets.

Business-type Activities. The FY2014 Water Resources Fund adopted budget contains the following rate changes: Single Family, Multi-Family, Small Commercial: 1% increase; Large Commercial (>1,000 CCF/month): 3% increase; Wholesale & Irrigation: 4% increase; New Class Manufacturer (1-999 CCF/month): 1% increase (Rate same as small commercial \$3.22/CCF); New Class Manufacturer (>1,000 CCF/month): 0% increase (Rate held flat from Large Commercial rate \$1.69/CCF); Capital Improvement Fee: 1% increase for each meter size. These rate adjustments are expected to generate approximately \$300,000 in additional revenue. The FY2014 adopted budgets for personnel and operating costs in the Water Resources Fund are adjusted downward to reflect trends observed in actual expenses over the previous two fiscal years. The reduction in the operating cost budget, along with an \$8.3 million appropriation from fund balance, allowed staff to increase capital outlay by approximately \$9.8 million. This category includes \$18.2 million for water capital improvement projects and \$258,000 for rolling stock replacement. The Fund's debt service obligations in FY2013, total \$6.1 million, which represents 14% of the overall Water Resources budget.

The FY2014 adopted budgets for all other business-type activities reflect a continuation of existing programs and services.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Requests for Information

This financial report is designed to provide a general overview of the City of Asheville'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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
ASSETS				
Current assets:				
Cash and investments	\$ 39,991,957	\$ 48,330,681	\$ 88,322,638	\$ 3,102,505
Cash and investments - restricted	7,583,129	3,698,629	11,281,758	-
Receivables (net of allowance for uncollectibles):				
Property taxes	330,081	-	330,081	-
Due from other governments	4,835,081	1,369,387	6,204,468	-
Accounts receivable	319,281	5,442,649	5,761,930	5,726
Other receivables	176,370	-	176,370	-
Inventories and prepaids	533,916	737,684	1,271,600	1,601,090
Other assets	397,195	-	397,195	-
Notes receivable	11,055,722	-	11,055,722	-
Total Current assets	<u>65,222,732</u>	<u>59,579,030</u>	<u>124,801,762</u>	<u>4,709,321</u>
Non-current assets:				
Capital assets, net:				
Assets not being depreciated	41,278,565	20,675,412	61,953,977	3,006,965
Assets being depreciated, net	<u>121,578,775</u>	<u>192,008,256</u>	<u>313,587,031</u>	<u>4,095,042</u>
Total noncurrent assets	<u>162,857,340</u>	<u>212,683,668</u>	<u>375,541,008</u>	<u>7,102,007</u>
Total assets	<u>228,080,072</u>	<u>272,262,698</u>	<u>500,342,770</u>	<u>11,811,328</u>
DEFERRED OUTFLOWS OF RESOURCES				
Charge on refunding	<u>27,731</u>	<u>58,349</u>	<u>86,080</u>	<u>-</u>
Total deferred outflows of resources	<u>27,731</u>	<u>58,349</u>	<u>86,080</u>	<u>-</u>
LIABILITIES				
Accounts payable	3,971,194	2,714,574	6,685,768	1,385,639
Due to other governments	-	-	-	340,654
Other accrued liabilities	2,489,436	312,882	2,802,318	276,992
Customer deposits	99,128	707,923	807,051	-
Accrued interest payable	305,600	1,436,734	1,742,334	-
Unearned revenue	1,586,272	161,151	1,747,423	-
Estimated claims payable:				
Due within one year	38,912	-	38,912	-
Due in more than one year	3,280,153	-	3,280,153	-
Non-current liabilities:				
Due within one year	7,074,240	4,913,360	11,987,600	108,042
Due in more than one year	<u>32,915,887</u>	<u>78,342,050</u>	<u>111,257,937</u>	<u>2,249,770</u>
Total liabilities	<u>51,760,822</u>	<u>88,588,674</u>	<u>140,349,496</u>	<u>4,361,097</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	<u>143,410</u>	<u>-</u>	<u>143,410</u>	<u>-</u>
Total deferred inflows of resources	<u>143,410</u>	<u>-</u>	<u>143,410</u>	<u>-</u>
NET POSITION				
Invested in capital assets	139,092,604	130,733,260	269,825,864	4,734,802
Restricted for:				
Stabilization by State Statute	11,900,790	-	11,900,790	-
Community development	825,710	-	825,710	-
Perpetual maintenance	317,452	-	317,452	-
Other functions	-	-	-	2,010
Working capital	-	-	-	688,165
Capital improvements	-	-	-	610,470
Unrestricted	<u>24,067,015</u>	<u>52,999,113</u>	<u>77,066,128</u>	<u>1,414,784</u>
Total net position	<u>\$ 176,203,571</u>	<u>\$ 183,732,373</u>	<u>\$ 359,935,944</u>	<u>\$ 7,450,231</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, 2013**

<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	\$ 15,048,958	\$ 7,681,512	\$ 122,015	\$ 147,135
Public safety	49,988,415	4,571,780	702,457	171,762
Environmental services	9,868,528	1,488,346	2,586,443	291,470
Community development	5,389,186	940,311	3,118,745	263,899
Transportation	14,693,431	108,090	441,593	1,219,409
Culture and recreation	10,664,557	1,580,573	303,383	2,379,902
Interest on long-term debt	661,915	-	-	-
Total governmental activities	<u>106,314,990</u>	<u>16,370,612</u>	<u>7,274,636</u>	<u>4,473,577</u>
Business-type activities:				
Water resources	31,538,951	33,633,825	-	423,850
Parking services	2,446,186	3,876,324	-	74,256
Street Cut Utility	1,337,162	1,445,871	-	-
Stormwater	2,596,094	3,172,278	-	263,531
Civic Center	3,136,480	2,319,678	-	642,001
Mass Transit	7,654,136	1,120,601	2,840,360	4,794,867
Golf course	2,080,613	254,866	-	-
Total business-type activities	<u>50,789,622</u>	<u>45,823,443</u>	<u>2,840,360</u>	<u>6,198,505</u>
Total primary government	<u>\$ 157,104,612</u>	<u>\$ 62,194,055</u>	<u>\$ 10,114,996</u>	<u>\$ 10,672,082</u>
Component unit:				
ABC Board	<u>\$ 17,600,981</u>	<u>\$ 17,930,741</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, as previously stated
Restatement
Net position - beginning, as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	City of Asheville ABC Board
\$ (7,098,296)	\$ -	\$ (7,098,296)	\$ -
(44,542,416)	-	(44,542,416)	-
(5,502,269)	-	(5,502,269)	-
(1,066,231)	-	(1,066,231)	-
(12,924,339)	-	(12,924,339)	-
(6,400,699)	-	(6,400,699)	-
(661,915)	-	(661,915)	-
<u>(78,196,165)</u>	<u>-</u>	<u>(78,196,165)</u>	<u>-</u>
-	2,518,724	2,518,724	-
-	1,504,394	1,504,394	-
-	108,709	108,709	-
-	839,715	839,715	-
-	(174,801)	(174,801)	-
-	1,101,692	1,101,692	-
-	(1,825,747)	(1,825,747)	-
<u>-</u>	<u>4,072,686</u>	<u>4,072,686</u>	<u>-</u>
<u>(78,196,165)</u>	<u>4,072,686</u>	<u>(74,123,479)</u>	<u>-</u>
-	-	-	329,760
46,836,343	-	46,836,343	-
16,569,051	-	16,569,051	-
740,541	-	740,541	-
10,414,636	-	10,414,636	-
95,133	83,057	178,190	335
680,063	170,865	850,928	535,493
(2,433,524)	2,433,524	-	-
<u>72,902,243</u>	<u>2,687,446</u>	<u>75,589,689</u>	<u>535,828</u>
(5,293,922)	6,760,132	1,466,210	865,588
181,497,493	177,780,607	359,278,100	6,584,643
-	(808,366)	(808,366)	-
181,497,493	176,972,241	358,469,734	-
<u>\$ 176,203,571</u>	<u>\$ 183,732,373</u>	<u>\$ 359,935,944</u>	<u>\$ 7,450,231</u>

**CITY OF ASHEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<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	\$ 24,582,848	\$ 7,221,533	\$ 1,097,431	\$ 32,901,812
Cash and investments - restricted	123,357	7,459,772	-	7,583,129
Receivables (net of allowance for uncollectibles):		-	-	-
Property taxes	330,081	-	-	330,081
Due from other governments	4,303,735	142,354	388,992	4,835,081
Accounts receivable	98,548	2,250	2,037	102,835
Other receivables	174,333	-	-	174,333
Inventories and prepaids	470,575	-	-	470,575
Due from other funds	10,516	-	-	10,516
Notes receivable	6,554,993	-	4,500,729	11,055,722
Total assets	<u>\$ 36,648,986</u>	<u>\$ 14,825,909</u>	<u>\$ 5,989,189</u>	<u>\$ 57,464,084</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,772,144	\$ 1,067,472	\$ 88,086	\$ 2,927,702
Other accrued liabilities	2,620,277	8,134	9,487	2,637,898
Due to other funds	-	-	10,516	10,516
Deposits	99,128	-	-	99,128
Unearned revenue	1,408,752	105,670	70,505	1,584,927
Total liabilities	<u>5,900,301</u>	<u>1,181,276</u>	<u>178,594</u>	<u>7,260,171</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes	143,410	-	-	143,410
Notes receivable	6,560,700	-	4,500,729	11,061,429
Advances from other governments	-	19,387	166,704	186,091
Total deferred inflows of resources	<u>6,704,110</u>	<u>19,387</u>	<u>4,667,433</u>	<u>11,390,930</u>
Fund balances:				
Non-spendable:				
Inventories and prepaids	470,575	-	-	470,575
Perpetual maintenance	-	-	317,452	317,452
Restricted:				
Stabilization by State Statute	7,196,115	4,704,675	-	11,900,790
Grant programs	-	-	825,710	825,710
Committed:				
Capital improvements	461,996	8,920,571	-	9,382,567
Community and economic development	430,455	-	-	430,455
Assigned:				
Various projects	-	-	-	-
Unassigned	15,485,434	-	-	15,485,434
Total fund balances	<u>24,044,575</u>	<u>13,625,246</u>	<u>1,143,162</u>	<u>38,812,983</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,648,986</u>	<u>\$ 14,825,909</u>	<u>\$ 5,989,189</u>	<u>\$ 57,464,084</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, 2013**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	\$	38,812,983
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		162,857,340
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Notes receivable		11,061,429
Advances - Grants		186,091
Bond refunding charges		27,731
Certain assets held for resale are not available to pay for current period expenditures and, therefore, not reported in the funds.		397,195
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements:		
General obligation bonds		(770,000)
Installment financing contracts		(29,631,827)
Other long-term indebtedness		(846,910)
Compensated absences payable		(5,152,708)
Net pension obligation		(1,183,546)
Net OPEB obligation		(2,405,136)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:		
Interest payable		(305,600)
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.		3,156,529
		3,156,529
Net position of governmental activities (Exhibit A)	\$	176,203,571

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, 2013

	<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	\$ 46,891,866	\$ -	\$ -	\$ 46,891,866
Other taxes	17,309,592	-	-	17,309,592
Intergovernmental	11,170,669	798,068	3,095,705	15,064,442
Licenses and permits	5,064,242	148,483	-	5,212,725
Charges for services	7,075,921	58,408	47,532	7,181,861
Investment earnings	69,340	15,267	655	85,262
Miscellaneous	1,615,904	122,791	208,763	1,947,458
Total revenues	<u>89,197,534</u>	<u>1,143,017</u>	<u>3,352,655</u>	<u>93,693,206</u>
EXPENDITURES				
Current:				
General government	11,776,826	455,847	40,788	12,273,461
Public safety	44,528,937	2,796,764	395,347	47,721,048
Environmental services	8,629,243	1,195,498	-	9,824,741
Community development	3,041,457	-	2,307,533	5,348,990
Transportation	3,311,796	3,516,620	490,627	7,319,043
Culture and recreation	9,137,169	779,751	3,904	9,920,824
Debt service:				
Principal	4,057,633	-	35,000	4,092,633
Interest and other charges	677,262	14,128	31,858	723,248
Total expenditures	<u>85,160,323</u>	<u>8,758,608</u>	<u>3,305,057</u>	<u>97,223,988</u>
Revenues over (under) expenditures	<u>4,037,211</u>	<u>(7,615,591)</u>	<u>47,598</u>	<u>(3,530,782)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,015,479	913,121	7,735	1,936,335
Transfers to other funds	(3,257,708)	(937,241)	(174,910)	(4,369,859)
Installment purchase obligations issued	350,000	1,793,093	-	2,143,093
Sale of capital assets	111,344	-	-	111,344
Total other financing sources (uses)	<u>(1,780,885)</u>	<u>1,768,973</u>	<u>(167,175)</u>	<u>(179,087)</u>
Net change in fund balances	2,256,326	(5,846,618)	(119,577)	(3,709,869)
Fund balances - beginning	<u>21,788,249</u>	<u>19,471,864</u>	<u>1,262,739</u>	<u>42,522,852</u>
Fund balances - ending	<u>\$ 24,044,575</u>	<u>\$ 13,625,246</u>	<u>\$ 1,143,162</u>	<u>\$ 38,812,983</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, 2013

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

Net change in fund balances--total governmental funds (Exhibit E)	\$ (3,709,869)
Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(14,675,775)
Capital asset additions are a use of current financial resources and therefore, are not reported as expenditures in the Statement of Activities.	6,288,318
Contribution of capital assets is not a current financial resource and therefore, is not reported in the governmental fund statements.	5,047,512
Book value of assets disposed.	(11,454)
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.	257,393
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	(55,523)
Change in unavailable revenues for notes receivable	781,290
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	4,092,631
Long-term debt issued	(2,148,000)
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	(340,103)
Net pension obligation	52,039
Net OPEB obligation	(904,092)
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.	31,711
Change in net assets of governmental activities (Exhibit B)	<u>\$ (5,293,922)</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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<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	\$ 47,375,063	\$ 47,328,049	\$ 46,891,866	\$ (436,183)
Other taxes	17,215,325	17,215,325	17,309,592	94,267
Intergovernmental	11,217,729	11,501,146	11,170,669	(330,477)
Licenses and permits	5,034,000	5,034,000	5,064,242	30,242
Charges for services	6,475,503	6,791,755	7,075,921	284,166
Investment earnings	225,000	225,000	69,340	(155,660)
Miscellaneous	1,066,063	1,097,604	1,615,904	518,300
Total revenues	<u>88,608,683</u>	<u>89,192,879</u>	<u>89,197,534</u>	<u>4,655</u>
EXPENDITURES				
Current:				
General government	11,482,328	13,586,725	11,776,826	1,809,899
Public safety	43,608,749	44,848,131	44,528,937	319,194
Environmental services	7,700,312	9,067,700	8,629,243	438,457
Community development	3,139,790	3,606,852	3,041,457	565,395
Transportation	5,934,105	4,826,816	3,311,796	1,515,020
Culture and recreation	9,674,211	9,899,325	9,137,169	762,156
Debt service:				
Principal	5,387,021	4,055,000	4,057,633	(2,633)
Interest and other charges	-	1,018,675	677,262	341,413
Total expenditures	<u>86,926,516</u>	<u>90,909,224</u>	<u>85,160,323</u>	<u>5,748,901</u>
Revenues over expenditures	<u>1,682,167</u>	<u>(1,716,345)</u>	<u>4,037,211</u>	<u>5,753,556</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	-	3,393,266	-	(3,393,266)
Transfers from other funds	1,053,754	1,307,397	1,015,479	(291,918)
Transfers to other funds	(3,145,921)	(3,394,318)	(3,257,708)	136,610
Installment purchase obligations issued	350,000	350,000	350,000	-
Proceeds from sale of capital assets	60,000	60,000	111,344	51,344
Total other financing sources (uses)	<u>(1,682,167)</u>	<u>1,716,345</u>	<u>(1,780,885)</u>	<u>(3,497,230)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,256,326</u>	<u>\$ 2,256,326</u>
Fund balance - beginning			<u>21,788,249</u>	
Fund balance - ending			<u>\$ 24,044,575</u>	

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



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CITY OF ASHEVILLE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Major Funds</u>		
	<u>Water Resources</u>	<u>Parking Services</u>	<u>Mass Transit</u>
ASSETS			
Current assets:			
Cash and investments	\$ 43,274,863	\$ 726,252	\$ 173,264
Cash and investments - restricted	3,698,129	500	-
Accounts receivable (net of allowance for uncollectibles)	4,134,597	655,630	150,000
Due from other governments	-	-	1,326,786
Other receivables	-	-	-
Inventories and prepaids	555,800	-	150,928
Due from other funds	290,614	-	-
Total current assets	<u>51,954,003</u>	<u>1,382,382</u>	<u>1,800,978</u>
Capital assets:			
Assets not being depreciated	6,924,209	10,544,089	208,558
Assets being depreciated, net	158,587,052	13,240,841	6,953,614
Net capital assets	<u>165,511,261</u>	<u>23,784,930</u>	<u>7,162,172</u>
Total assets	<u>217,465,264</u>	<u>25,167,312</u>	<u>8,963,150</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	58,349	-
Total deferred outflows of resources	<u>-</u>	<u>58,349</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	988,278	121,877	922,711
Estimated claims payable	-	-	-
Customer deposits	702,121	500	5,302
Interest payable	1,297,315	101,931	-
Other accrued liabilities	210,648	19,306	-
Due to other funds	-	-	-
Unearned revenue	142,726	40	146
Current portion of long-term debt	3,866,513	577,251	15,284
Total current liabilities	<u>7,207,601</u>	<u>820,905</u>	<u>943,443</u>
Non-current liabilities:			
Estimated claims payable	-	-	-
Long-term liabilities, less current portion	64,977,760	9,664,296	13,091
Total liabilities	<u>72,185,361</u>	<u>10,485,201</u>	<u>956,534</u>
NET POSITION			
Net investment in capital assets	97,460,887	13,617,919	7,162,172
Unrestricted	47,819,016	1,122,541	844,444
Total net position	<u>\$ 145,279,903</u>	<u>\$ 14,740,460</u>	<u>\$ 8,006,616</u>

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

Exhibit H

Non-major Enterprise Funds	Totals	
	Enterprise Funds	Internal Service Funds
\$ 4,156,302	\$ 48,330,681	\$ 7,090,145
-	3,698,629	-
502,422	5,442,649	218,483
42,601	1,369,387	-
-	-	149,895
30,956	737,684	63,341
-	290,614	-
<u>4,732,281</u>	<u>59,869,644</u>	<u>7,521,864</u>
2,998,556	20,675,412	-
13,226,749	192,008,256	-
<u>16,225,305</u>	<u>212,683,668</u>	<u>-</u>
<u>20,957,586</u>	<u>272,553,312</u>	<u>7,521,864</u>
-	58,349	-
<u>-</u>	<u>58,349</u>	<u>-</u>
681,708	2,714,574	1,043,491
-	-	38,912
-	707,923	-
37,488	1,436,734	-
82,928	312,882	1,434
290,614	290,614	-
18,239	161,151	1,345
454,312	4,913,360	-
<u>1,565,289</u>	<u>10,537,238</u>	<u>1,085,182</u>
-	-	3,280,153
<u>3,686,903</u>	<u>78,342,050</u>	<u>-</u>
<u>5,252,192</u>	<u>88,879,288</u>	<u>4,365,335</u>
12,492,282	130,733,260	-
<u>3,213,112</u>	<u>52,999,113</u>	<u>3,156,529</u>
<u>\$ 15,705,394</u>	<u>\$ 183,732,373</u>	<u>\$ 3,156,529</u>

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds		
	Water Resources	Parking Services	Mass Transit
OPERATING REVENUES			
Charges for services	\$ 33,244,394	\$ 3,119,513	\$ 801,996
Rents	-	24,640	-
Concessions	-	-	-
Other operating revenue	389,431	732,171	318,605
Total operating revenues	<u>33,633,825</u>	<u>3,876,324</u>	<u>1,120,601</u>
OPERATING EXPENSES			
Administration	1,001,738	-	353,037
Operations	15,439,689	1,652,599	5,568,778
Other operating expenses	4,649,506	45,217	942,473
Depreciation	7,448,412	431,226	789,848
Total operating expenses	<u>28,539,345</u>	<u>2,129,042</u>	<u>7,654,136</u>
Operating income (loss)	<u>5,094,480</u>	<u>1,747,282</u>	<u>(6,533,535)</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	2,840,360
Interest earned	72,711	4,127	-
Interest and other charges	(2,999,603)	(363,734)	(4,317)
Miscellaneous revenue	111,823	46,567	-
Gain (loss) on disposal of capital assets	62,450	-	-
Total non-operating revenues (expenses)	<u>(2,752,619)</u>	<u>(313,040)</u>	<u>2,836,043</u>
Income (loss) before transfers and capital grants and contributions	2,341,861	1,434,242	(3,697,492)
Transfers:			
Transfers from other funds	335,115	-	1,732,974
Transfers to other funds	(309,337)	(736,875)	-
Capital grants and contributions	423,850	74,256	4,794,867
Changes in net position	<u>2,791,489</u>	<u>771,623</u>	<u>2,830,349</u>
Total net position - beginning, as previously stated	<u>143,296,780</u>	<u>13,968,837</u>	<u>5,176,267</u>
Restatement	(808,366)	-	-
Net position - beginning as restated	<u>142,488,414</u>	<u>13,968,837</u>	<u>5,176,267</u>
Total net position - ending	<u>\$ 145,279,903</u>	<u>\$ 14,740,460</u>	<u>\$ 8,006,616</u>

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

Exhibit I

Non-major Enterprise Funds	Totals	
	Enterprise Funds	Internal Service Funds
\$ 5,559,666	\$ 42,725,569	\$ 14,603,892
753,475	778,115	-
746,140	746,140	-
133,412	1,573,619	748,150
<u>7,192,693</u>	<u>45,823,443</u>	<u>15,352,042</u>
1,620,123	2,974,898	994,420
4,658,509	27,319,575	14,354,869
166,393	5,803,589	-
1,136,742	9,806,228	-
<u>7,581,767</u>	<u>45,904,290</u>	<u>15,349,289</u>
(389,074)	(80,847)	2,753
-	2,840,360	-
6,219	83,057	28,958
165,273	(3,202,381)	-
-	158,390	-
(1,732,926)	(1,670,476)	-
<u>(1,561,434)</u>	<u>(1,791,050)</u>	<u>28,958</u>
(1,950,508)	(1,871,897)	31,711
1,411,647	3,479,736	-
-	(1,046,212)	-
905,532	6,198,505	-
<u>366,671</u>	<u>6,760,132</u>	<u>31,711</u>
<u>15,338,723</u>	<u>177,780,607</u>	<u>3,124,818</u>
-	(808,366)	-
<u>15,338,723</u>	<u>176,972,241</u>	<u>3,124,818</u>
<u>\$ 15,705,394</u>	<u>\$ 183,732,373</u>	<u>\$ 3,156,529</u>

**CITY OF ASHEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Major Funds		
	Water Resources	Parking Services	Mass Transit
Cash flows from operating activities:			
Cash received from customers, users and others	\$ 34,013,800	\$ 3,471,906	\$ 1,210,525
Cash paid for goods and services	(13,609,021)	(1,667,985)	(6,124,949)
Cash paid to employees	(8,124,821)	(858,793)	(211,989)
Net cash provided by (used for) operating activities	<u>12,279,958</u>	<u>945,128</u>	<u>(5,126,413)</u>
Cash flows from non-capital financing activities:			
Receipts from operating grants	750,219	-	(452,973)
Transfers from other funds	25,778	-	1,732,974
Transfers to other funds	-	(736,875)	-
Advances received from other funds	-	-	-
Advances paid to other funds	21,683	-	-
Net cash provided by (used for) non-capital financing activities	<u>797,680</u>	<u>(736,875)</u>	<u>1,280,001</u>
Cash flows from capital and related financing activities:			
Receipts from capital grants or contributions	263,008	74,256	7,006,816
Proceeds from disposal of capital assets	-	-	-
Acquisition and construction of capital assets	(3,632,776)	(2,050,096)	(4,048,828)
Proceeds from long-term debt issued	-	-	-
Premiums on long-term debt issued	-	(58,349)	-
Principal paid on debt	(2,652,284)	(440,805)	-
Interest and other charges paid on debt	(3,048,403)	(219,914)	(4,317)
Net cash provided by (used for) capital and related financing activities	<u>(9,070,455)</u>	<u>(2,694,908)</u>	<u>2,953,671</u>
Cash flows from investing activities:			
Interest earned	72,711	4,127	-
Net increase (decrease) in cash and cash equivalents	4,079,894	(2,482,528)	(892,741)
Cash and cash equivalents:			
Beginning of year, July 1	<u>42,893,098</u>	<u>3,209,280</u>	<u>1,066,005</u>
End of year, June 30	<u>\$ 46,972,992</u>	<u>\$ 726,752</u>	<u>\$ 173,264</u>

Exhibit J

Non-major Enterprise Funds	Totals	
	Enterprise Funds	Internal Service Funds
\$ 7,035,363	\$ 45,731,594	\$ 16,882,989
(2,168,883)	(23,570,838)	(16,957,526)
(4,018,620)	(13,214,223)	(348,382)
847,860	8,946,533	(422,919)
298,815	596,061	-
1,411,645	3,170,397	-
-	(736,875)	-
(545,514)	(545,514)	-
-	21,683	-
1,164,946	2,505,752	-
642,001	7,986,081	-
14,900	14,900	-
(2,380,953)	(12,112,653)	-
-	-	-
-	(58,349)	-
(174,975)	(3,268,064)	-
168,708	(3,103,926)	-
(1,730,319)	(10,542,011)	-
6,219	83,057	28,958
288,706	993,331	(393,961)
3,867,596	51,035,979	7,484,106
\$ 4,156,302	\$ 52,029,310	\$ 7,090,145

**CITY OF ASHEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Major Funds</u>		
	<u>Water Resources</u>	<u>Parking Services</u>	<u>Mass Transit</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 5,094,480	\$ 1,747,282	\$ (6,533,535)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	7,448,412	431,226	789,848
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	392,163	(404,458)	89,778
Decrease (increase) in inventories	59,164	-	(6,959)
Increase in prepaids	-	-	-
Increase (decrease) in accounts payable	(492,133)	(828,079)	528,526
Increase in other accrued expenses	(106,004)	7,661	1,456
Increase (decrease) in unearned revenue	(25,540)	40	145
Increase in customer deposits	13,352	-	-
Decrease in estimated claims payable	-	-	-
Increase in compensated absences	(145,068)	(12,692)	963
Increase (decrease) in OPEB obligation	41,132	4,148	3,365
Net cash provided by (used for) operating activities	<u>\$ 12,279,958</u>	<u>\$ 945,128</u>	<u>\$ (5,126,413)</u>
Reconciliation of cash and cash equivalents:			
Cash and investments:			
Unrestricted	\$ 43,274,863	\$ 726,252	\$ 173,264
Restricted	3,698,129	500	-
Total cash and cash equivalents	<u>\$ 46,972,992</u>	<u>\$ 726,752</u>	<u>\$ 173,264</u>
Non-cash investing, capital, and financing activities:			
Donated capital assets	<u>\$ 423,850</u>	<u>\$ 74,256</u>	<u>\$ -</u>

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

Exhibit J

<u>Non-major Enterprise Funds</u>	<u>Totals</u>	
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ (389,074)	\$ (80,847)	\$ 2,753
1,136,742	9,806,228	-
(178,264)	(100,781)	1,530,947
31,519	83,724	-
-	-	(44,251)
327,406	(464,280)	(1,790,332)
43,996	(52,891)	(271,190)
(14,450)	(39,805)	1,345
-	13,352	-
-	-	147,809
(60,217)	(217,014)	-
(49,798)	(1,153)	-
<u>\$ 847,860</u>	<u>\$ 8,946,533</u>	<u>\$ (422,919)</u>
\$ 4,156,302	\$ 48,330,681	\$ 7,090,145
-	3,698,629	-
<u>\$ 4,156,302</u>	<u>\$ 52,029,310</u>	<u>\$ 7,090,145</u>
<u>\$ -</u>	<u>\$ 498,106</u>	<u>\$ -</u>

CITY OF ASHEVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY TRUST AND AGENCY FUNDS
JUNE 30, 2013

	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ -	\$ 652,865
Cash and investments held by fiscal agent:		
Cash and equivalents	42	-
Long-Term OPEB Fund	1,666,034	-
OPEB Equity Funds	1,921,459	-
Due from customers	-	1,454,105
Total assets	<u>3,587,535</u>	<u>\$ 2,106,970</u>
LIABILITIES		
Due to others	-	\$ 199,536
Dues to other governments	-	1,907,434
Total liabilities	<u>-</u>	<u>\$ 2,106,970</u>
NET POSITION		
Assets held in trust for OPEB benefits	<u>\$ 3,587,535</u>	

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, 2013

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 2,783,558
Insurance recovery	156,783
Investment earnings	281,146
Total additions	3,221,487
 DEDUCTIONS	
Benefits	2,746,516
Change in net position	474,971
Total net position - beginning	3,112,564
Total net position - ending	\$ 3,587,535

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



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CITY OF ASHEVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. 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 “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 of Asheville 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 of Asheville dated January 23, 2006, the ACC was established to administer liability losses, including auto liability, general liability, and tort claims against the City of Asheville 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. During the current fiscal year, all responsibility and authority granted to the ACC for administering liability losses and settling claims for the City of Asheville was rescinded. The City of Asheville absorbed the responsibilities of administering all claims, losses, and settlements and accounts for those transactions in the City's internal service funds. 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 of Asheville. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.
- **Asheville City School System** ("School System") - The Asheville City Council appoints the five-member Board of the 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 of Asheville and Buncombe County, to an independent, state-sanctioned airport authority, the Greater

Asheville Regional Airport Authority. The structure of the new authority is such that Henderson County is now a “member government,” along with Asheville and Buncombe County. Each member government has two appointments to the 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 of Asheville’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 Funds** - Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The City has the following Special Revenue Funds: 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 fund:

- **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 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 service which includes fifteen bus routes through 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, Civic Center and Golf Course.

Additionally the City reports the following fund types:

- **Internal Service Funds** - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis. The City has four internal service funds, the General Insurance Fund, the Health Fund (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 Postemployment Benefit (OPEB) Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The OPEB Fund accounts for the City’s contributions for healthcare coverage provided to qualified retirees.
 - **Agency Funds** - 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 Civic Center Agency Fund, which accounts for the segregation of the Civic 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, while fiduciary fund (agency fund) financial statements are reported using accrual basis accounting but has 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Buncombe County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities in the County, including the City of Asheville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Buncombe County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed this period 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 deferred 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 position available to finance the program. Excluding debt funding, it is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

In the event that debt proceeds are included, the City will spend debt proceeds first unless there is an agreement tying specific expenditures to grant proceeds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

- 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), an SEC registered (2a-7) money market mutual fund.

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 City and the ABC Board's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio are valued at fair value, which is the NCCMT's share price. 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 \$17.895 per share and the Russell 3000 Alpha Tilts Fund B is priced at \$38.478 per share at June 30, 2013. The weighted average maturity of the STIF is 1.6 years and the weighted average maturity of the LTIF is 15.9 years.

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.

- **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, 2012. 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 Prepaids** - 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. Inventory 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 prepaids 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 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 also 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, right of ways/easements that have an indefinite useful life and must meet a \$5,000 threshold to be capitalized and 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.

At the start of each calendar year, the City also advances holiday pay for the calendar year 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 one item that meets this criterion, an unamortized loss on a bond defeasance, in the Water Resources Fund. 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 three items that meet the criterion for this category - prepaid taxes, 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 service 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 place 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 Prepaids* - portion of fund balance that is not available for appropriation because it represents the year-end balance of inventories and prepaids, 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 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 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 various capital improvements and community and economic development.
- Assigned Fund Balance - This classification includes amounts of fund balance the City of Asheville intends to use for a specific purpose. The amounts represent approved contracts not fully executed at year end. The majority of the amounts are to be used for facility improvements. Intent should be expressed by high-level management responsible for such contracts.
- 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 practices 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 undesignated fund balance is at least equal to 15% of General Fund operating expenditure budget. Any portion of the fund balance in excess of 15% of the General Fund operating budget may be appropriated by City Council through an amendment to the subsequent year's budget ordinance.

2. **Stewardship, Compliance, and Accountability**

A. **Excess of Expenditures over Appropriations** - During the fiscal year ended June 30, 2013, expenditures exceeded the amounts appropriated in the budget ordinance in the amount of \$47,262 in the Mass Transit Fund. This overage was due to an unbudgeted change in the accounting method for North Carolina sales taxes.

3. **Deposits and Investments**

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, 2013, the City's deposits had a carrying amount of \$23,906,898 and a bank balance of \$25,080,301. Of the bank balance, \$23,801,673 was covered by collateral held under the Pooling Method and \$1,278,628 was covered by federal depository insurance. The

City also had \$40,660 in petty cash at year-end. The carrying amount for the ABC Board was \$2,418,502 and a bank balance of \$2,267,812. Of the bank balance, \$2,017,812 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.

The calculation of realized gains is independent of the calculation of the net increase/decrease in the fair value of investments that have been held in more than one fiscal year and sold during the current year. The current year realized gain is recognized as an increase/decrease in the fair value of the current year investments as compared to the investments as reported in the prior year. The net decrease in fair value during 2013 for the City was \$180,449. This amount takes into account all changes in fair value (including purchases, sales and maturities) that occurred during the year. The unrealized loss on investments held at year end was \$30,309.

As of June 30, 2013 the City had the following investments and maturities:

	<u>Fair Value</u>	<u>0-6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>3+ Years</u>
U.S. Government securities	\$ 289,243	\$ -	\$ 46,079	\$ 80,913	\$ 162,251
U.S. Government agencies	44,848,537	2,506,467	5,090,621	37,251,449	-
Commercial paper	16,484,550	12,496,667	3,987,883	-	-
NCCMT - cash portfolio	4,324,298	4,324,298	-	-	-
NCCMT - term portfolio	5,863,075	5,863,075	-	-	-
Certificates of Deposit	4,500,000	3,000,000	1,500,000	-	-
Total	<u>\$ 76,309,703</u>	<u>\$28,190,507</u>	<u>\$10,624,583</u>	<u>\$ 37,332,362</u>	<u>\$ 162,251</u>

As of June 30, 2013, the ABC Board had investments of \$672,803.

B. **Interest Rate Risk** - The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy requires purchases of securities to be laddered with staggered maturity dates and generally limits securities to a final maturity of three years.

C. **Credit Risk** - The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's 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 United States Government Securities and United States Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The City's investments in the NC Capital Management Trust (NCCMT) Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2013. The

City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs).

- D. **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 has no policy on custodial risk but management procedures are that the City shall utilize a third party custodial agent for book entry transactions, all of which will be held in the City's name.
- E. **Concentration of Credit Risk** - The City does not limit the amount of investment in any one issuer; however, the City will make every effort to maintain a diversified investment portfolio according to security type and institution. At June 30, 2013, approximately 10% of the City's total investments are in Federal Home Loan Bank securities, about 23% in Federal National Mortgage Association securities, about 15% in Federal Home Loan Mortgage Corporation securities, and about 11% in Federal Farm Credit Bank securities. At June 30, 2013, the City OPEB Plan had \$3,587,535 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) 46% and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 54% (the equities were split with 75% in domestic securities and 25% in international securities). The Blackrock Global Ex-US Alpha Tilts Fund B is priced at \$17.8953 per share and the Blackrock Russell 3000 Alpha Tilts Fund B is priced at \$38.4784 per share at June 30, 2013.

4. Allowance for Uncollectible Accounts

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

	<u>Governmental</u>	<u>Business-type</u>
General Fund:		
Property taxes receivable	\$ 471,549	\$ -
Due from other organizations	1,880,047	-
Accounts receivable	364,045	-
Loans receivable	20,000	-
Non-major governmental funds:		
Loans receivable	28,548	-
Water Resources Fund:		
Customers	-	741,582
Parking Services funds:		
Accounts receivable	-	336,721
Non-major enterprise funds:		
Customers	-	463,952
	<u>\$ 2,764,189</u>	<u>\$ 1,542,255</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.

5. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Governmental Activities:					
<u>Capital Assets, Non-depreciable:</u>					
Land and Improvements	\$ 33,318,372	\$ 74,197	\$ (11,454)	\$ 1,108,500	\$ 34,489,615
Intangibles	3,192,674	142,293	-	-	3,334,967
Construction in Progress	1,028,880	2,801,368	(376,265)	-	3,453,983
Total Capital Assets, Non-Depreciable	<u>37,539,926</u>	<u>3,017,858</u>	<u>(387,719)</u>	<u>1,108,500</u>	<u>41,278,565</u>
<u>Capital Assets, Depreciable:</u>					
Buildings and Improvements	57,236,162	166,153	-	853,900	58,256,215
Improvements other than Buildings	2,226,208	318,303	-	-	2,544,511
Machinery and Equipment	41,089,654	1,857,979	(988,162)	233,349	42,192,820
Infrastructure	227,105,939	4,627,913	-	-	231,733,852
Intangibles	569,775	-	-	-	569,775
Total Capital Assets, Depreciable	<u>328,227,738</u>	<u>6,970,348</u>	<u>(988,162)</u>	<u>1,087,249</u>	<u>335,297,173</u>
<u>Less Accumulated Depreciation for:</u>					
Buildings and Improvements	(24,764,025)	(1,717,228)	-	(341,560)	(26,822,813)
Improvements other than Buildings	(217,517)	(553,163)	-	-	(770,680)
Machinery and Equipment	(27,749,248)	(2,354,778)	988,162	(120,333)	(29,236,197)
Infrastructure	(146,667,171)	(9,936,651)	-	-	(156,603,822)
Intangibles	(170,931)	(113,955)	-	-	(284,886)
Total Accumulated Depreciation	<u>(199,568,892)</u>	<u>(14,675,775)</u>	<u>988,162</u>	<u>(461,893)</u>	<u>(213,718,398)</u>
Total Capital Assets, Depreciable, Net	<u>128,658,846</u>	<u>(7,705,427)</u>	<u>-</u>	<u>625,356</u>	<u>121,578,775</u>
Governmental Activities Capital Assets, Net	<u>\$ 166,198,772</u>	<u>\$ (4,687,569)</u>	<u>\$ (387,719)</u>	<u>\$ 1,733,856</u>	<u>\$ 162,857,340</u>

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Business-type Activities					
<u>Capital Assets, Non-depreciable:</u>					
Land and Improvements	\$ 15,772,226	\$ 1,031,392	\$ -	\$ (1,108,500)	\$ 15,695,118
Intangibles	148,180	-	-	-	148,180
Construction in Progress	9,460,491	4,137,860	(8,766,237)	-	4,832,114
Total Capital Assets, Non-Depreciable	25,380,897	5,169,252	(8,766,237)	(1,108,500)	20,675,412
<u>Capital Assets, Depreciable:</u>					
Buildings and Improvements	89,925,708	9,409,633	-	(853,900)	98,481,441
Improvements Other Than Buildings	705,403	-	-	-	705,403
Machinery and Equipment	35,589,119	5,004,279	(506,454)	(233,349)	39,853,595
Infrastructure	175,135,002	1,336,639	-	-	176,471,641
Total Capital Assets, Depreciable	301,355,232	15,750,551	(506,454)	(1,087,249)	315,512,080
<u>Less Accumulated Depreciation for:</u>					
Buildings and Improvements	(39,501,778)	(2,595,939)	-	341,560	(41,756,157)
Improvements Other Than Buildings	(17,025)	(25,709)	-	-	(42,734)
Machinery and Equipment	(18,994,059)	(3,127,694)	506,454	120,333	(21,494,966)
Infrastructure	(56,153,081)	(4,056,886)	-	-	(60,209,967)
Total Accumulated Depreciation	(114,665,943)	(9,806,228)	506,454	461,893	(123,503,824)
Total Capital Assets, Depreciable, Net	186,689,289	5,944,323	-	(625,356)	192,008,256
Business-type Activities Capital Assets, Net	\$ 212,070,186	\$ 11,113,575	\$ (8,766,237)	\$ (1,733,856)	\$ 212,683,668
<u>Water Activities</u>					
<u>Capital Assets, Non-depreciable:</u>					
Land and Improvements	\$ 4,348,362	\$ -	\$ -	\$ -	\$ 4,348,362
Intangibles	148,180	-	-	-	148,180
Construction in Progress	458,573	2,328,748	(359,654)	-	2,427,667
Total Capital Assets, Non-Depreciable	4,955,115	2,328,748	(359,654)	-	6,924,209
<u>Capital Assets, Depreciable:</u>					
Buildings and Improvements	61,236,245	-	-	-	61,236,245
Improvements Other Than Buildings	396,505	-	-	-	396,505
Machinery and Equipment	22,252,178	707,762	(478,893)	-	22,481,047
Infrastructure	162,670,110	955,921	-	-	163,626,031
Total Capital Assets, Depreciable	246,555,038	1,663,683	(478,893)	-	247,739,828
<u>Less Accumulated Depreciation for:</u>					
Buildings and Improvements	(23,973,334)	(1,658,122)	-	-	(25,631,456)
Improvements Other Than Buildings	(12,906)	(19,531)	-	-	(32,437)
Machinery and Equipment	(11,630,444)	(1,898,946)	478,893	-	(13,050,497)
Infrastructure	(46,566,572)	(3,871,813)	-	-	(50,438,385)
Total Accumulated Depreciation	(82,183,256)	(7,448,412)	478,893	-	(89,152,775)
Total Capital Assets, Depreciable, Net	164,371,782	(5,784,730)	-	-	158,587,052
Water Activities Capital Assets, Net	\$169,326,897	\$ (3,455,981)	\$(359,654)	\$ -	\$ 165,511,261

	Beginning			Ending
	Balance	Additions	Deductions	Balance
Asheville ABC Board				
<u>Capital Assets, Non-depreciable:</u>				
Land	\$ 3,025,379	\$ -	\$ 20,750	\$ 3,004,629
Construction in progress	2,336	-	-	2,336
Total Capital Assets, Non-Depreciable	3,027,715	-	20,750	3,006,965
<u>Capital assets, being depreciated:</u>				
Buildings	5,088,444	185,496	171,914	5,102,026
Leasehold improvements	229,761	688	-	230,449
Furniture and equipment	1,161,485	81,117	59,742	1,182,860
Vehicles	234,238	-	-	234,238
Total Capital Assets, Depreciable	6,713,928	267,301	231,656	6,749,573
<u>Less accumulated depreciation for:</u>				
Buildings	1,614,327	160,530	117,152	1,657,705
Leasehold improvements	169,461	3,046	-	172,507
Furniture and equipment	540,763	143,623	55,774	628,612
Vehicles	177,168	18,539	-	195,707
Total Accumulated Depreciation	2,501,719	325,738	172,926	2,654,531
Total Capital Assets, Depreciable, Net	4,212,209	(58,437)	58,730	5,095,042
Capital assets, net	\$ 7,239,924	\$ (58,437)	\$ 79,480	\$ 7,102,007

During the year, the City recorded capital contributions for \$3,810,272, which represents the value of water lines turned over to the City for operation from completed housing developments, Pack Square Pavilion, aspects of Pack Square Park infrastructure, 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	\$ 650,646
Public Safety	2,051,886
Transportation	10,107,010
Public Works	299,408
Economic and Physical Development	2,672
Cultural and Recreation	1,564,153
Total Depreciation - Governmental Activities	<u>\$ 14,675,775</u>
Business-Type Activities:	
Water Resources	\$ 7,448,412
Parking Services	431,226
Mass Transit	318,605
Non-Major Enterprise Funds	1,607,985
Total Depreciation - Business-Type Activities	<u>\$ 9,806,228</u>

The City has numerous construction projects as of June 30, 2013. The amounts the City is contractually committed to spend at June 30, 2013 are the following:

Project	Spent to Date	Remaining Commitments
City Hall Renovations	\$ 1,615,963	\$ 2,077,238
Sewer	756,508	102,623
Streets and Sidewalks	321,737	1,670,284
Parks and Recreations	170,585	132,415
Governmental	2,864,793	3,982,561
Water-lines	2,121,801	2,535,452
Parking Garage/Lots	360,534	24,560
Civic Center Renovations	1,239,089	1,165,577
Transit Roof	148,555	4,370
Proprietary	3,869,979	3,729,959
Total Construction Commitments	\$ 6,734,771	\$ 7,712,520

Capitalized interest for Enterprise Funds for the year ended June 30, 2013 was comprised of:

Water Fund	\$ 47,244
Parking Fund	54,323
Stormwater	27,910
Civic Center	5,077
Total Capitalized Interest	\$ 134,554

As of year-end, the City closed the Golf Course Fund and transferred all assets of \$2,195,749 and remaining accumulated depreciation of \$461,893 to the General Fund under the Cultural and Recreation function. The amounts are shown as transfers in and out in the Capital Assets Activity chart.

6. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Due From Other Funds</u>	<u>Due to General Fund</u>	<u>Due to Water Fund</u>
Non-major governmental funds:		
Grant Programs Special Revenue Fund	\$ 2,419	\$ -
Community Development Special Revenue Fund	6,299	-
Section 108 Rehabilitation Special Revenue Fund	352	-
Affordable Home Ownership Revenue Fund	1,446	-
Total Due From Other Funds - General Fund	10,516	-
Non-major enterprise funds:		
Street Cut Utility Fund	-	290,614
Total Due From Other Funds - Water Fund	-	290,614
Total Due From Other Funds	\$10,516	\$ 290,614

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

	<u>Transfer In</u>						<u>Transfers Out</u>
	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Non-major Governmental</u>	<u>Water Resources Fund</u>	<u>Mass Transit</u>	<u>Non-major Proprietary</u>	
General fund	\$ -	\$ 803,032	\$ 7,735	\$ -	\$ 1,732,974	\$ 713,967	\$ 3,257,708
General Capital Projects fund	548,303	-	-	335,115	-	53,823	937,241
Non-major governmental funds	37,839	110,089	-	-	-	26,982	174,910
Water Resources fund	309,337	-	-	-	-	-	309,337
Parking Services fund	120,000	-	-	-	-	616,875	736,875
Total	\$1,015,479	\$ 913,121	\$ 7,735	\$ 335,115	\$ 1,732,974	\$ 1,411,647	\$ 5,416,071

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.

7. Long-term Obligations

A. General Obligation Bonds, Limited Obligation Bonds, Revenue Bonds and Installment Financing Contracts

- 1) 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 bonds 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 bonds 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, 2013 and are comprised of the following individual issues:

	Issue Date	Final Maturity	Interest Rate	Original Issue	Principal Balance June 30, 2013	Principal and Unamortized Balances at June 30, 2013	GO	Business
1. General Obligation Bonds:								
1993 Street, sidewalk and storm drainage - Series A	07/01/1993	02/01/2013	5.25%	\$ 1,300,000	\$ -	\$ -	-	-
1993 Street, sidewalk and storm drainage - Series B	07/01/1993	02/01/2013	5.25%	500,000	-	-	-	-
2000 Sewer lines and fire fighting equipment	12/01/2000	12/01/2020	4.90% - 5.0%	1,970,000	770,000	770,000	770,000	-
				<u>3,770,000</u>	<u>770,000</u>	<u>770,000</u>	<u>770,000</u>	<u>-</u>
2. Installment Financing Contracts:								
2002 Installment financing (Fire trucks)	12/03/2002	11/15/2012	3.06%	1,546,308	-	-	-	-
2008 Installment financing (Fire & sanitation trucks and information technology)	06/25/2008	06/01/2013	2.49%	5,000,000	-	-	-	-
2010 Installment financing (Fire trucks)	05/07/2010	05/01/2015	3.58%	1,300,000	520,000	520,000	520,000	-
2010 Installment financing (Parks & Recreation)	07/12/2010	07/12/2025	4.55%	1,100,000	916,667	916,667	916,667	-
2012 Limited Obligation Bonds	06/27/2012	04/01/2032	3.00% - 5.00%	39,160,000	36,060,000	39,947,192	23,485,000	12,575,000
2013 Installment financing (Green CIP)	06/13/2013	07/1/2023	1.44%	998,000	998,000	998,000	998,000	-
2013 Installment financing (Equipment)	06/13/2013	05/1/2018	0.92%	1,150,000	1,150,000	1,150,000	1,150,000	-
				<u>50,254,308</u>	<u>39,644,667</u>	<u>43,531,859</u>	<u>27,069,667</u>	<u>12,575,000</u>
3. Revenue Bonds:								
2005 Water System Refunding Revenue Bonds	12/06/2005	08/01/2025	4.0% - 5.0%	41,800,000	31,205,000	32,273,688	-	31,205,000
2007 Water System Revenue Bonds	11/14/2007	08/01/2032	4.0% - 5.0%	39,025,000	34,365,000	34,692,029	-	34,365,000
				<u>80,825,000</u>	<u>65,570,000</u>	<u>66,965,717</u>	<u>-</u>	<u>65,570,000</u>
4. Other Long-Term Indebtedness								
1996 NC DENR, Water Quality Revolving Fund	11/01/1996	05/01/2017	3.43%	3,000,000	600,000	600,000	-	600,000
2001 Metropolitan Sewerage District	04/22/1985	06/30/2024	5.00%	615,000	266,910	266,910	266,910	-
2003 Section 108 Loan	08/07/2003	08/01/2022	4.66% - 5.64%	800,000	580,000	580,000	580,000	-
2005 Utility Agreement, Capital Improvements	7/28/2005	6/29/2014	0.00%	918,851	306,284	306,284	-	306,284
2011 NC DENR, Drinking Water Revolving Loan	06/22/2011	05/01/2031	0.00%	198,194	178,375	178,375	-	178,375
				<u>5,532,045</u>	<u>1,931,569</u>	<u>1,931,569</u>	<u>846,910</u>	<u>1,084,659</u>
Total General Obligation Bonds, Limited Obligation Bonds, Revenue Bonds and Other Long-Term Obligations				<u>\$ 107,916,236</u>	<u>\$ 113,199,145</u>	<u>\$ 113,199,145</u>	<u>28,686,577</u>	<u>79,229,659</u>

2) The preceding long-term obligations are included in Note 7.A.1 as follows:

	Governmental		Business-type		Total
	Activities		Activities		
General Obligation Bonds	\$ 770,000	\$ -	\$ -	\$ -	\$ 770,000
Installment Financing Contracts	27,069,667		12,575,000		39,644,667
Revenue Bonds	-		65,570,000		65,570,000
Other Long-term Indebtedness	846,910		1,084,659		1,931,569
	<u>\$ 28,686,577</u>	<u>\$ -</u>	<u>\$ 79,229,659</u>	<u>\$ -</u>	<u>\$ 107,916,236</u>

3) The table in Note 7.A.1 differs from the long-term obligations in Note 7.A.2 due to the following:

	Unamortized Premium/ (Discount)
Limited Obligation Bonds, Series 2012	\$ 3,887,192
Revenue Bonds:	
2005 Water System Revenue Refunding Bonds	1,068,688
2007 Water System Revenue Bonds	327,029
	<u>\$ 5,282,909</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								
2014	\$ 100,000	\$ 36,000	\$ 3,352,610	\$ 1,124,099	\$ 63,780	\$ 43,422	\$ 3,516,390	\$ 1,203,521
2015	100,000	31,000	3,571,883	1,006,088	65,010	40,364	3,736,893	1,077,452
2016	100,000	26,000	3,361,883	847,545	71,240	36,904	3,533,123	910,449
2017	100,000	21,000	3,306,883	722,882	76,240	33,154	3,483,123	777,036
2018	100,000	16,000	2,940,008	571,570	81,240	29,089	3,121,248	616,659
2019-2023	270,000	18,750	5,578,167	1,721,591	481,200	73,240	6,329,367	1,813,581
2024-2028	-	-	2,858,233	816,122	8,200	410	2,866,433	816,532
2029-2032	-	-	2,100,000	236,250	-	-	2,100,000	236,250
	<u>\$ 770,000</u>	<u>\$ 148,750</u>	<u>\$ 27,069,667</u>	<u>\$ 7,046,147</u>	<u>\$ 846,910</u>	<u>\$ 256,583</u>	<u>\$ 28,686,577</u>	<u>\$ 7,451,480</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							
2014	\$ 2,885,000	\$ 3,047,625	\$ 730,000	\$ 557,675	\$ 466,194	\$ 20,580	\$ 4,081,194	\$ 3,625,880
2015	3,005,000	2,920,575	725,000	528,475	159,910	15,435	3,889,910	3,464,485
2016	3,145,000	2,778,625	730,000	492,225	159,910	10,290	4,034,910	3,281,140
2017	3,290,000	2,630,025	725,000	463,025	159,910	5,145	4,174,910	3,098,195
2018	3,445,000	2,474,425	645,000	426,775	9,910	-	4,099,910	2,901,200
2019-2023	19,805,000	9,743,187	3,230,000	1,720,475	128,825	-	23,163,825	11,463,662
2024-2028	18,265,000	4,730,900	3,225,000	983,413	-	-	21,490,000	5,714,313
2029-2033	11,730,000	1,521,850	2,565,000	288,187	-	-	14,295,000	1,810,037
	\$ 65,570,000	\$ 29,847,212	\$ 12,575,000	\$ 5,460,250	\$ 1,084,659	\$ 51,450	\$ 79,229,659	\$ 35,358,912

C. Installment Financing Contracts

- 1) In December 2002, the City entered into an Installment Financing Contract with Wachovia Bank to provide financing for an aerial fire truck and two regular fire trucks. The loan was for \$1,546,308 and is payable over ten years with semi-annual payments of principal and interest at an interest rate of 3.06%. This was paid off during fiscal year 2013.
- 2) In June 2008, the City entered into an Installment Financing Contract with Regions Bank to provide funding for two fire trucks, a sanitation truck and new financial reporting system software. The \$5,000,000 loan is payable over five years with semi-annual payments of principal and interest at an interest rate of 2.49%. At June 30, 2013, bond proceeds of \$21,201 remain. This was paid off during fiscal year 2013.
- 3) In May 2010, the City entered into an Installment Financing Contract with RBC Bank to finance the purchase of two fire trucks. The \$1,300,000 loan is payable over five years with semi-annual payments of principal and interest at an interest rate of 3.58%.
- 4) 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 \$1,100,000 loan is payable over fifteen years with semi-annual payments of principal at an interest rate of 4.55%.
- 5) In June 2012, the City, through the Asheville Public Financing Corporation, a blended component unit, issued Limited Obligation Bonds in the amount of \$39,160,000 to (1) finance the 2012 Projects (as described below), (2) refinance in advance of their maturities (a) the 1997A and 1997B Certificates of Participation, the proceeds of which were used to finance and refinance improvements to various City facilities, (b) the City's obligations under a 2006 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 Civic Center and (3) the acquisition and installation of vehicles and equipment for the City's general governmental purposes.

At June 30, 2013, \$6,864,160 in unspent debt proceeds remain available for the 2012 Projects.

- 6) 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%. At June 30, 2013 \$144,829 in unspent debt proceeds remain available for these projects.
- 7) 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 \$1,150,000 loan is payable over fifty-nine months with semi-annual payments of principal at an interest rate of 0.92%. At June 30, 2013, \$453,811 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, 2013, 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 \$41,800,000 in Series 2005 Revenue Bonds. The bonds are payable solely from water customer new revenue and are payable through 2026. At June 30, 2013, the total principal and interest remaining to be paid on the bonds is \$42,392,250.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$39,025,000 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, 2013, the total principal and interest remaining to be paid on the bonds is \$53,024,962.

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, 2013. 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, 2013 is as follows:

Revenues	\$ 33,633,825
Current expenses	<u>21,090,933</u>
Net revenues available for debt service	<u>\$ 12,542,892</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 5,932,856
Add: 20% of senior debt service	1,186,571
Subordinate debt service:	
Debt service, principal and interest paid	<u>491,919</u>
Total debt service (plus 20%)	<u>\$ 7,611,346</u>
Rate coverage test	1.65

F. Other Long-Term Indebtedness

- 1) In 1996, the City received a \$3,000,000 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, 2013, the outstanding balance is \$600,000.
- 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, 2013, the City has an outstanding balance of \$266,910.
- 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 nineteen years with annual principal payments and semi-annual interest payments. At June 30, 2013, the City has an outstanding balance of \$580,000.
- 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 0% per annum.
- 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 0% per annum and is payable over twenty years. At June 30, 2013, the outstanding balance is \$178,375.

G. Changes in Long Term Liabilities

	Restated Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
Installment financing contracts	\$ 28,766,748	\$ 2,148,000	\$ 3,845,081	\$ 27,069,667	\$ 3,352,610
General obligation bonds	960,000	-	190,000	770,000	100,000
Other long-term indebtedness	904,460	-	57,550	846,910	63,780
Unamortized bond premiums	2,887,819	-	325,659	2,562,160	325,660
Total Bonds and Loans Payable, net	33,519,027	2,148,000	4,418,290	31,248,737	3,842,050
Compensated absences payable	4,812,605	3,468,388	3,128,285	5,152,708	3,232,190
Net pension obligation	1,235,585	494,022	546,061	1,183,546	-
Net OPEB obligation	1,501,044	2,830,765	1,926,673	2,405,136	-
Total governmental activities	<u>\$ 41,068,261</u>	<u>\$ 8,941,175</u>	<u>\$ 10,019,309</u>	<u>\$ 39,990,127</u>	<u>\$ 7,074,240</u>
<u>Business-type Activities</u>					
Bonds and Notes Payable:					
Revenue bonds	\$ 68,340,000	-	\$ 2,770,000	\$ 65,570,000	\$ 2,885,000
Installment financing contracts	13,290,063	-	715,063	12,575,000	730,000
Unamortized bond premiums	2,895,397	-	174,648	2,720,749	174,646
Other long-term indebtedness	1,550,852	-	466,193	1,084,659	466,193
Total Bonds and Loans Payable, net	86,076,312	-	4,125,904	81,950,408	4,255,839
Compensated absences payable	1,130,775	720,771	961,835	889,711	657,521
Net OPEB obligation	348,480	413,154	346,343	415,291	-
Total business-type activities	<u>\$ 87,555,567</u>	<u>\$ 1,133,925</u>	<u>\$ 5,434,082</u>	<u>\$ 83,255,410</u>	<u>\$ 4,913,360</u>

The Business-type Activities beginning balance of Other Long-term Indebtedness has been restated by \$612,568 as this was debt previously reported as accounts payable.

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):

	Restated Beginning Balance	Additions	Retirements	Ending Balance	Current Portion Of Balance
<u>Water System Activities</u>					
Bonds and Notes Payable:					
Revenue bonds	\$ 68,340,000	\$ -	\$ 2,770,000	\$ 65,570,000	\$ 2,885,000
Unamortized bond premiums	1,494,693	-	98,977	1,395,716	98,977
Other long-term indebtedness	1,550,852	-	466,193	1,084,659	466,193
Total Bonds and Loans Payable, net	71,385,545	-	3,335,170	68,050,375	3,450,170
Compensated absences payable	686,323	463,965	609,032	541,256	416,343
Net OPEB obligation	211,510	243,515	202,383	252,642	-
Total water system activities	<u>\$ 72,283,378</u>	<u>\$ 707,480</u>	<u>\$ 4,146,585</u>	<u>\$ 68,844,273</u>	<u>\$ 3,866,513</u>

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 8 percent of the appraised value of property subject to taxation. At June 30, 2013, such statutory limit for the City was approximately \$890,147,000 providing a legal debt margin of approximately \$845,084,000.

I. Component Unit Debt

The ABC Board has a \$500,000 line of credit with a bank for working capital bearing interest at the bank index which was 3.25% plus 0.75%. The interest rate will fluctuate monthly based on the index but under no circumstances will it be less than 4%. 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%.

Future maturities of the debt are as follows:

2014	\$	108,042
2015		112,363
2016		116,856
2017		121,530
2018		126,389
Thereafter		1,772,632
		<u>\$ 2,357,812</u>

8. Net Assets and Fund Balance

A. Net Assets - The portion of net assets invested in capital assets, consists of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets, net of depreciation	\$ 162,857,340	\$ 212,683,668
Less: Capital asset-related debt	(31,248,737)	(81,950,408)
Add: Unspent bond proceeds	7,484,001	-
Invested in capital assets	<u>\$ 139,092,604</u>	<u>\$ 130,733,260</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	\$ 24,044,575
Less:	
Inventories and prepaids	470,575
Stabilization by State Statute	7,196,115
	<hr/>
Available for appropriation	16,377,885
Less:	
Committed	892,451
Unassigned	15,485,434
	<hr/>
Remaining fund balance	<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 \$2,428,019 and \$4,560,071 in the General Fund and General Capital Projects Fund, respectively.

9. **Risk Management**

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

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

For all of the self-insured retention 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 purchases excess liability insurance with limits of \$15,000,000 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 \$224,327,749. Coverage limits include \$10,000,000 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 retains out-of-pocket costs up to \$550,000 per event for workers’ compensation claims. Excess insurance with statutory limits is maintained for any claims exceeding the \$550,000 self-insured retention.

One workers’ compensation claim that occurred in December 2012 will exceed the City’s \$550,000 self-insured retention limit (SIR) during this reporting period. The reinsurer will be responsible for payment of that portion of the claim in excess of the City’s SIR.

With the exception of one liability claim, settlement of claims in all classes of liability except the City’s health program has not exceeded the City’s self-insured retention limits (SIR) of \$500,00 during this reporting period. The liability claim exceeded the \$500,000 self-insured retention limit with the reinsurer responsible for payment of that portion of the claim in excess of the City’s SIR. Liability insurance recoveries from the reinsurer are credited to the Property and Casualty Fund.

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 2012 and 2013, three cases, respectively, exceeded the \$150,000 self-insured retention level. Recoveries for healthcare claims paid over the specific stop-loss are credited to the health program within the Health Fund.

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

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 3,171,256	\$ 4,449,445
Plus incurred claims and changes in IBNR	11,351,953	14,066,922
Less claim payments	<u>(11,204,144)</u>	<u>(15,345,111)</u>
Ending balance	<u>\$ 3,319,065</u>	<u>\$ 3,171,256</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.

10. **Pension Plan Obligations:**

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

Plan Description. The City of Asheville 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 6.74 percent and 6.77 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 of Asheville 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, 2013, 2012, and 2011 were \$3,364,633, \$3,476,866, and \$3,123,710, respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$111,625, \$123,859, and \$111,399, 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 of Asheville 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

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 .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, 2012, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	33	1
Active plan members	216	1
	<hr/>	<hr/>
Total	249	2
	<hr/>	<hr/>

Summary of Significant Accounting Policies

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.

Contributions

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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5 percent investment rate of return; (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 18 years remaining. Both (a) and (b) included an inflation component of 3 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	\$ 508,061
Interest on net pension obligation	57,389
Adjustment to annual required contribution	(71,428)
Annual pension cost	<u>494,022</u>
Contributions made	(546,061)
Decrease in net pension obligation	<u>(52,039)</u>
Net pension obligation beginning of year	<u>1,235,585</u>
Net pension obligation end of year	<u><u>\$ 1,183,546</u></u>

Three-Year Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 526,036	82.87%	\$ 1,201,944
6/30/2012	470,270	93.24%	1,235,585
6/30/2013	494,022	110.05%	1,183,546

Funded Status and Funding Progress. As of December 31, 2012, 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 \$5,327,272. The covered payroll (annual payroll of active employees covered by the plan) was \$10,152,159, and the ratio of the UAAL to the covered payroll was 52.47 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear 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, 2013 was \$496,567 and the officers' voluntary contributions were approximately \$208,558. The City's contribution for non-police personnel was \$1,994,907 with the voluntary contributions of approximately \$1,129,867. The ABC Board's required contribution for the years ended June 30, 2013 and 2012 were \$5,584 and \$7,381, 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, 2013 was \$233,670 and the employees' voluntary contributions were \$233,670.

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 6/30/2012. 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% 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. 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 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(b) (1-6) and (8). At June 30, 2013, the Plan assets totaled \$3,587,535. At year-end, the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Long Term Investment Fund (LTIF) 46% and

BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 54% (the equities were split with 75% in domestic securities and 25% 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 \$59,393 and \$44,172 for the years ended June 30, 2013 and 2012, respectively. As of June 30, 2013 and 2012, none of this cost was contributed, which resulted in a net OPEB obligation of \$59,393 and \$44,172, respectively.

Membership of the City's HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement/ Fire</u>
Retirees and dependents receiving benefits	181	-
Active plan members	580	424
Total	<u>761</u>	<u>424</u>

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, the retirees who elect to remain in the plan pay 100% of the estimated cost. Spouses and dependents are eligible to participate in the City's Retiree health care plan but the retiree must pay approximately 100% of the estimated cost for dependent coverage, if enrolled at the time of the employee's retirement.

The current ARC rate is 7.09% of annual covered payroll. For the current year, the City contributed \$2,273,016 or 4.93% of annual covered payroll toward actual benefit payments and deposits in the OPEB Trust. There was \$510,542 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, 2013. 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	\$ 3,272,783
Interest on net OPEB obligation	73,980
Adjustment to annual required contribution	(102,844)
Annual OPEB cost	<u>3,243,919</u>
Contributions made	(2,273,016)
Increase in net OPEB obligation	<u>970,903</u>
Net OPEB obligation beginning of year	<u>1,849,524</u>
Net OPEB obligation end of year	<u>\$ 2,820,427</u>

The City's net OPEB obligation is comprised of \$2,405,136 and \$415,292 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 2011-2013 are as follows:

<u>For Year Ended June</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 3,008,762	77.34%	\$ 3,025,866
6/30/2012	\$ 3,124,908	137.60%	\$ 1,849,524
6/30/2013	\$ 3,243,919	70.10%	\$ 2,820,427

Funded Status and Funding Progress. As of December 31, 2012, 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 \$31,909,734 and \$28,638,170, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$46,139,737, and the ratio of the UAAL to the covered payroll was 62.1 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 multiyear 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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included 4% 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 3% inflation rate. The medical cost trend rate varied between 8.5 and 5 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, 2012 was 29 years.

11. Unearned Revenues

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

	<u>Unearned Revenue</u>
General Fund:	
Prepaid privilege licenses	\$ 1,026,760
Festivals	136,255
BC 911 Communications	221,742
Other	23,995
General Capital Projects:	
Azalea soccer	71,337
Other	34,333
Non-major governmental funds:	
Grants	<u>70,505</u>
Total governmental	<u>\$ 1,584,927</u>

12. 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.

13. Subsequent Events

On September 24, 2013, the City Council authorized the Mayor to enter into an urban redevelopment and loan agreement for the Eagle Market Street Redevelopment Project, anticipated total cost approximately \$3.8 million.

On October 4, 2013, the City of Asheville, State of North Carolina and the Metropolitan Sewerage District signed a Case Management Order which sets out the time line for completing discover (120 days), filing dispositive motions (30 days thereafter) and authorizes the City to file an amended complaint, which has been completed.

A series of weather events between July 3-13, 2013, resulted in significant landslides and some road failures within the City. The State of North Carolina received a federal disaster declaration dated September 25, 2013 for Public Assistance for an area of western NC that includes Buncombe County. The disaster number is: FEMA-4146-DR-NC. The estimated cost of eligible repairs totals \$2,542,604. An additional necessary road repair, estimated to cost \$510,758 resulted from prior weather events and has therefore been determined ineligible under the declaration. All construction should be completed by end of FY 2014 and will require a FY 2014 budget amendment.

14. Change in Accounting Principles

Effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement 63). This implementation required the City to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the City's basic financial statements. The City's implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following total assets and total liabilities section, respectively. In practice, Statement No. 63 only impacts activities related to derivative instruments or service concession arrangements. In the case of the City, the implementation of this standard was isolated to reclassification of derivative instrument activities to the appropriate outflow and/or inflow sections of the Statement of Net Position.

Effective July 1, 2012, the City adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (Statement No. 65). The provisions of Statement No. 65 relevant to the City related to changes in the account and reporting of bonded debt activities. Specifically, bond issuance costs incurred are recorded as current period expenditures as opposed to being deferred and amortized over the maturity period of the debt. Statement No. 65 also required that deferred charges (credits) resulting from the refunding of debt be presented as a deferred outflow (inflow) of resources and not as assets or liabilities. As the provisions of Statement No. 65 were effective July 1, 2012, net position as of that date has been adjusted as accordingly:

	Government Activities	Business-type Activities	Total
Net position, as previously reported	\$ 181,497,493	\$ 177,780,607	\$ 359,278,100
Adjustments:			
Debt issuance costs		(808,366)	(808,366)
Net position, as adjusted	<u>\$ 181,497,493</u>	<u>\$ 176,972,241</u>	<u>\$ 358,469,734</u>

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, 2013

<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>
2003	\$ -	\$ 2,739,109	- %	\$ 2,739,109	\$ 6,482,367	42.25 %
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

CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
JUNE 30, 2013

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2004	\$ 259,805	\$ 155,762	59.95 %
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	508,061	546,061	107.48

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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 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 POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2013**

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

**CITY OF ASHEVILLE
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
JUNE 30, 2013**

<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

NOTES TO THE ABOVE SCHEDULE:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level Dollar Amount, closed
Remaining amortization period	29 Years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	5.00% - 8.50%
Year of ultimate trend rate	2018
*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, 2013**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>
REVENUES			
Intergovernmental revenue	\$ 6,074,197	\$ 6,721,477	\$ 712,440
Licenses and permits	484,668	439,219	148,483
Charges for services	259,566	250,742	144,036
Investment earnings	-	441,524	15,267
Miscellaneous	2,527,584	3,668,009	1,915,884
Total revenues	<u>9,346,015</u>	<u>11,520,971</u>	<u>2,936,110</u>
EXPENDITURES			
General government:			
General Capital Projects	811,466	-	21,887
Building security enhancement	358,000	204,442	60,636
HTE software replacement	1,939,400	1,905,895	12,304
Develop revenue improvement	650,000	349,186	119,043
Tower management	173,600	106,727	12,666
ARRA CNG Station - Blue Skies	-	342,105	(185)
Integrated Document Management System	107,600	-	24,600
Roof Replacement Program 2013	62,000	-	4,950
Public Safety Radios	-	-	199,946
Total general government	<u>4,102,066</u>	<u>2,908,355</u>	<u>455,847</u>
Public safety:			
Fire station 11	-	2,835,192	-
Hazmat grant 2009	-	115,297	20,412
Medical ambulance bus	-	357,000	-
Vehicle Replacements 2013	329,732	1,920	295,385
Buffer Zone Protection Program 2008	-	51,363	-
NCACCPS emerg mgt wireless telephone equip	550,000	413,829	130,206
Aerial ladder truck	-	1,085,506	-
ARRA CNG Vehicles - Blue Skies	-	80,155	-
ARRA JAG 2009 Byrne Loc Sol	-	308,497	63,188
Municipal Building Chiller	125,000	90,764	28,959
Fire Extinguishing for Data Center	-	49,564	1,153
Vehicle Replacements 2012	-	718,560	92,138
Roof Replacement Program 2013	100,000	-	40,850
Green Projects	1,598,405	776,244	21,212
City Hall repairs	6,001,833	366,412	1,698,339
McCormick Field Resurface	300,000	-	223,918
National Guard Armory	60,000	32,721	12,383
HVAC Conversion	370,000	31,052	122,588
General Facility Maintenance	35,309	455	2,700
McCormick Field Tourists lease	187,577	197,286	11,867

<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
\$ (2,523,526)	\$ 4,910,391	\$ (1,163,806)
-	587,702	103,034
-	394,778	135,212
(192,295)	264,496	264,496
(869,149)	4,714,744	2,187,160
<u>(3,584,970)</u>	<u>10,872,111</u>	<u>1,526,096</u>
-	21,887	789,579
-	265,078	92,922
-	1,918,199	21,201
-	468,229	181,771
-	119,393	54,207
(341,920)	-	-
-	24,600	83,000
-	4,950	57,050
<u>(199,946)</u>	<u>-</u>	<u>-</u>
<u>(541,866)</u>	<u>2,822,336</u>	<u>1,279,730</u>
(2,835,192)	-	-
(135,709)	-	-
(357,000)	-	-
-	297,305	32,427
(51,363)	-	-
-	544,035	5,965
(1,085,506)	-	-
(80,155)	-	-
(371,685)	-	-
-	119,723	5,277
(50,717)	-	-
(810,698)	-	-
-	40,850	59,150
-	797,456	800,949
-	2,064,751	3,937,082
-	223,918	76,082
-	45,104	14,896
-	153,640	216,360
-	3,155	32,154
-	209,153	(21,576)

**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, 2013**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>
Roof Replacements	-	83,727	15,708
One Stop Shop	-	382,773	-
Government television equipment	105,500	86,088	-
Radio upgrades	-	134,507	-
Radio replacements	335,000	139,707	-
ARRA CNG Vehicles - Blue Skies	-	-	-
Service Elevator Repairs	-	94,898	-
COPS 97A issuance costs	-	31	-
Fleet Building Vehicle Exhaust	-	61,566	15,758
Interest	-	572,239	14,128
Total public safety	<u>10,098,356</u>	<u>9,067,353</u>	<u>2,810,892</u>
Environmental services:			
Northwood Drive Street Improvements	-	56,689	-
SWR-SCA-Sardis Road	1,633,690	430,516	548,284
SWR-SCMP-Long Shoals Road	116,500	4,080	-
Airport Road sewer annex	252,356	3,467	165,881
Airport Road sewer annex 2	180,000	7,874	766
ARRA CNG Vehicles - Blue Skies	-	80,953	-
Recycling Carts	1,512,659	1,439,850	-
Azalea Road street improvements	357,448	111,003	156,555
TIP Enhance-Patton Avenue	-	301,059	1,361
Vehicle Replacements 2012	-	700,610	322,651
Total environmental services	<u>4,052,653</u>	<u>3,136,101</u>	<u>1,195,498</u>
Transportation:			
Dogwood Grove	-	70,646	-
South Lexington	-	9,240	-
TIP Enhance-East Oakview Bridge	-	1,342,694	-
Vehicle Replacement 2013	137,956	-	137,956
College/Charlotte street signal	-	9,570	-
Jail annex paving	-	138,586	-
Traffic safety projects	155,000	73,027	71,515
Sidewalks East	-	195,201	-
North Louisiana Avenue phase 2	117,000	-	-
Clingman streetscape	-	1,059,894	-
General sidewalks 2008	-	199,456	-
General sidewalks 2009	-	200,000	-
General streets 2009	-	699,754	-
General sidewalks 2010	-	199,346	-
General streets 2010	745,300	727,633	4,598
General sidewalks 2011	-	190,817	-

<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
(99,435)	-	-
(382,773)	-	-
-	86,088	19,412
(134,507)	-	-
-	139,707	195,293
-	-	-
(94,898)	-	-
(31)	-	-
(77,324)	-	-
(586,367)	-	-
<u>(7,153,360)</u>	<u>4,724,885</u>	<u>5,373,471</u>
(56,689)	-	-
-	978,800	654,890
-	4,080	112,420
-	169,348	83,008
-	8,640	171,360
(80,953)	-	-
-	1,439,850	72,809
-	267,558	89,890
(302,420)	-	-
<u>(1,023,261)</u>	<u>-</u>	<u>-</u>
<u>(1,463,323)</u>	<u>2,868,276</u>	<u>1,184,377</u>
(70,646)	-	-
(9,240)	-	-
(1,342,694)	-	-
-	137,956	-
(9,570)	-	-
(138,586)	-	-
-	144,542	10,458
(195,201)	-	-
-	-	117,000
(1,059,894)	-	-
(199,456)	-	-
(200,000)	-	-
(699,754)	-	-
(199,346)	-	-
-	732,231	13,069
(190,817)	-	-

**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, 2013**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>
General streets 2011	-	726,216	
Green Projects	921,558	-	921,558
ARRA sidewalks	-	458,525	-
Sidewalks West	-	173,220	-
ARRA CNG Vehicles - Blue Skies	-	-	20,596
Dearview Bridge	-	264,692	-
Azalea Road street improvements	1,382,566	-	75,505
JARC traffic signals	99,920	-	-
Craven Street Improvements	310,513	-	163,327
Vehicle Replacements 2012	-	1,599	455,378
New Sidewalk Construction 2012	1,427,881	409,256	378,256
Melrose Avenue - Sullivan Act	100,244	-	-
Cherokee Sunset Wall	475,468	41,938	281,648
Kennilworth Knoll Sidewalk	-	90,294	
Tunnel Road Sidewalk 2012	-	2,936	201,125
Patton Avenue Sidewalk 2012	-	162,454	225,441
Overlook Road Sidewalk 2012	51,733	26,674	30,630
Lakeshore Drive #2	117,346	1,079	587
Montford Street Rebuild 2012	-	240,489	7,463
Wild Cherry Bridge 2012	706,597	72,174	541,037
Street Maintenance 2012	-	393,621	-
CBD Signal Poles	111,131	30,064	-
Total transportation	<u>6,860,213</u>	<u>8,211,095</u>	<u>3,516,620</u>
Culture and recreation:			
WNC Nature Center Approp 2011	-	105,664	-
French Broad River-Hominy Crk Grnwy	890,000	845,072	35,500
Livingston Street Center	2,430,000	2,386,958	4,240
Town Branch Greenway	100,000	-	2,373
Vehicle Replacement 2013	146,312	-	146,312
Richmond Hill Park	430,800	395,478	-
Reed Creek Grnwy II	783,000	760,077	17,419
Reed Creek Grnwy IV	-	1,076	-
Roof Replacement Program 2013	52,000	-	36,200
Public art maintenance	114,469	49,200	800
Public art allocation	-	46,292	-
Grant Splash Pad	454,500	89,727	545
Azalea Park	-	4,832,964	-
Rec Center improvements 2011	800,000	85,747	855
Red Wolf Exhibit improvements	166,479	55,398	128,576
Park/facilities improvements 2011	226,761	235,474	-
Public art at Riverbend Park	25,000	-	-

<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
(726,216)	-	-
-	921,558	-
(458,525)	-	-
(173,220)	-	-
(20,596)	-	-
(264,692)	-	-
-	75,505	1,307,061
-	-	99,920
-	163,327	147,186
(456,977)	-	-
-	787,512	640,369
-	-	100,244
-	323,586	151,882
(90,294)	-	-
(204,061)	-	-
(387,895)	-	-
-	57,304	(5,571)
-	1,666	115,680
(247,952)	-	-
-	613,211	93,386
(393,621)	-	-
-	30,064	81,067
<u>(7,739,253)</u>	<u>3,988,462</u>	<u>2,871,751</u>

(105,664)	-	-
-	880,572	9,428
-	2,391,198	38,802
-	2,373	97,627
-	146,312	-
-	395,478	35,322
-	777,496	5,504
(1,076)	-	-
-	36,200	15,800
-	50,000	64,469
(46,292)	-	-
-	90,272	364,228
(4,832,964)	-	-
-	86,602	713,398
-	183,974	(17,495)
-	235,474	(8,713)
-	-	25,000

**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, 2013**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>
Land acquisition	199,315	22,084	46,792
Public art at Reed Creek Greenway	20,150	20,000	-
Public artist of the year	25,000	7,500	15,000
WNC Nature Center special approp	88,593	-	44,055
WNC Nature Center playground	182,580	12,728	41,277
McCormick Field Lights	90,000	85,788	-
Craven Street Improvements	50,000	-	68,251
ARRA CNG Vehicles - Blue Skies	-	95,084	-
Vehicle Replacements 2012	-	276,328	110,770
Beaucatcher Greenway	1,261,781	16,955	11,070
Public Art Acquisition	95,614	-	-
2012 WNC Nature Center Special Approp	92,630	13,972	69,716
Total culture and recreation	<u>8,724,984</u>	<u>10,439,566</u>	<u>779,751</u>
 Total expenditures	<u>33,838,272</u>	<u>33,762,470</u>	<u>8,758,608</u>
 Revenues under expenditures	<u>(24,492,257)</u>	<u>(22,241,499)</u>	<u>(5,822,498)</u>
 OTHER FINANCING SOURCES (USES)			
Transfers from other funds	768,507	18,215,842	913,121
Transfers to other funds	(374,702)	(374,702)	(937,241)
Proceeds from the sale of capital assets	24,000	24,000	-
Long-term debt issued	22,332,221	22,256,016	-
Premiums on long-term debt issued	1,742,231	1,758,153	-
Total other financing sources (uses)	<u>24,492,257</u>	<u>41,879,309</u>	<u>(24,120)</u>
 Net change in fund balance	<u>\$ -</u>	<u>\$ 19,637,810</u>	<u>(5,846,618)</u>
 Fund balance - beginning			<u>19,471,864</u>
Fund balance - ending			<u>\$ 13,625,246</u>

Project Closure	Total To Date	Variance Positive (Negative)
-	68,876	130,439
-	20,000	150
-	22,500	2,500
-	44,055	44,538
-	54,005	128,575
-	85,788	4,212
-	68,251	(18,251)
(95,084)	-	-
(387,098)	-	-
-	28,025	1,233,756
-	-	95,614
-	83,688	8,942
<u>(5,468,178)</u>	<u>5,751,139</u>	<u>2,973,845</u>
<u>(22,365,980)</u>	<u>20,155,098</u>	<u>13,683,174</u>
<u>18,781,010</u>	<u>(9,282,987)</u>	<u>15,209,270</u>
(18,386,907)	742,056	(26,451)
-	(1,311,943)	(937,241)
-	24,000	-
(394,103)	21,861,913	(470,308)
-	1,758,153	15,922
<u>(18,781,010)</u>	<u>23,074,179</u>	<u>(1,418,078)</u>
<u>\$ -</u>	<u>\$ 13,791,192</u>	<u>\$ 13,791,192</u>

**CITY OF ASHEVILLE
WATER RESOURCES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 33,374,052	\$ 33,173,807	\$ (200,245)
Other operating revenue	-	423,252	423,252
Interest earned	112,500	72,711	(39,789)
Total revenues	<u>33,486,552</u>	<u>33,669,770</u>	<u>183,218</u>
EXPENDITURES			
Administration	1,048,627	1,001,741	46,886
Operations	18,203,884	15,283,453	2,920,431
Capital outlay	747,678	759,859	(12,181)
Debt service:			
Principal	2,947,441	2,929,910	17,531
Interest and other charges	3,210,591	3,095,729	114,862
Total expenditures	<u>26,158,221</u>	<u>23,070,692</u>	<u>3,087,529</u>
Revenue over expenditures	<u>7,328,331</u>	<u>10,599,078</u>	<u>3,270,747</u>
OTHER FINANCING SOURCES (USES)			
Transfers to Water Capital Projects Fund	(7,438,564)	(7,438,564)	-
Transfers (to) from other funds	(1,005,946)	(309,337)	696,609
Miscellaneous	112,200	67,200	
Proceeds from disposal of capital assets	-	80,174	80,174
Appropriated fund balance	1,003,979	-	(1,003,979)
Total other financing sources (uses)	<u>(7,328,331)</u>	<u>(7,600,527)</u>	<u>(272,196)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 2,998,551</u>	<u>\$ 2,998,551</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources (uses):			
Water Resources Fund		\$ 2,998,551	
Water Capital Projects Fund		788,913	
Total		<u>3,787,464</u>	
Reconciling items:			
Unbilled revenue adjustment		(2,983)	
Capital contribution		423,850	
Change in allowance for doubtful accounts		(242,278)	
Reduction of principal on long-term debt		2,929,910	
Capitalized assets		3,191,202	
Depreciation		(7,448,412)	
Change in interest payable		48,800	
Change in compensated absences		145,068	
Change in OPEB obligation		(41,132)	
Change in net position		<u>\$ 2,791,489</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, 2013

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
REVENUES						
Capital grants and contributions	\$ 168,347	\$ 2,518,127	\$ 111,823	\$ (2,626,104)	\$ 3,846	\$ (164,501)
Interest earned	-	1,167,028	-	(997,806)	169,222	169,222
Other revenue	35,940	403,524	39,750	-	443,274	407,334
Total revenues	<u>204,287</u>	<u>4,088,679</u>	<u>151,573</u>	<u>(3,623,910)</u>	<u>616,342</u>	<u>412,055</u>
EXPENDITURES						
Critical needs II	-	1,965,304	-	(1,965,304)	-	-
Treatment plant upgrades	-	8,290,140	-	(8,290,140)	-	-
Treatment upgrades	-	3,944,586	-	(3,944,586)	-	-
NCDOT I-26 Patton Avenue	282,000	-	-	-	-	282,000
NCDOT US70-74/Tunnel- Kenilworth	-	58,660	-	(58,660)	-	-
Viewmont Acres	-	358,580	-	(358,580)	-	-
NC191 Sardis Road	-	965,429	-	(965,429)	-	-
Brevard Road I-40 & I-26	-	1,698	-	(1,698)	-	-
Brevard Road	-	129,449	4,195	(133,644)	-	-
Long Shoals I-26 to US 25	-	2,082,557	-	(2,082,557)	-	-
Sand Hill - Enka Lake	-	2,040	-	(2,040)	-	-
NCDOT I-40 Exit 44	-	538,572	-	(538,572)	-	-
I-240 Widening to N. Haywood	488,760	-	-	-	-	488,760
Long Shoals to I-26	-	918,851	-	(918,851)	-	-
Matching funds \$3M grant	-	144,290	-	(144,290)	-	-
Fairview Reservoir	500,000	-	6,761	-	6,761	493,239
McIntosh Road WL Replacement	700,000	-	503,982	-	503,982	196,018
Peach Knob Pump Station	50,000	-	11,130	-	11,130	38,870
Meter testing	500,000	42,395	845	-	43,240	456,760
Affordable Infill	714,268	187,925	35,217	-	223,142	491,126
Auto meter readers	9,087,490	6,210,946	1,890,924	-	8,101,870	985,620
NCDOT Brevard Rd I-40 & I-26	4,230,000	3,369,167	-	-	3,369,167	860,833
NCDOT Sand Hill Road	-	1,670,714	-	(1,670,714)	-	-
West Asheville/Wood Avenue	-	2,294,083	-	(2,294,083)	-	-
Riceville Reservoir	-	326,373	-	(326,373)	-	-
New maintenance facility	764,264	-	-	-	-	764,264
Hendersonville/Rosscraggon Rd.	-	6,552,899	-	(6,552,899)	-	-
NC191 Clayton Road	-	2,134,615	-	(2,134,615)	-	-
Royal Pines	-	2,206,605	-	(2,206,605)	-	-
Central Business District	-	12,187,997	-	(12,187,997)	-	-
Town Mountain tank shop	-	1,575,290	-	(1,575,290)	-	-
White Fawn Junction	-	3,508,900	-	(3,508,900)	-	-
Valve installations	-	1,720,853	-	(1,720,853)	-	-
2005 Annexation	176,640	18,595	-	-	18,595	158,045
Pump St/MR standby	-	5,248,848	-	(5,248,848)	-	-
Bee Tree Junction	-	1,914,106	-	(1,914,106)	-	-
ARRA pump system improvement	-	336,533	-	(336,533)	-	-
Fairview tank	-	2,328,409	-	(2,328,409)	-	-
Reynolds water system improve.	-	242,774	-	(242,774)	-	-
Upgrade contingency	-	681,698	-	(681,698)	-	-
Allen Mountain	156,590	-	-	-	-	156,590

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, 2013

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
EXPENDITURES, CONTINUED						
Beaucatcher tank demolition	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ 125,000
NCDOT I-40	40,429	-	-	-	-	40,429
NCDOT I-26 widening project	2,000,000	-	-	-	-	2,000,000
Mills River WTP SCADA System	-	81,563	-	(81,563)	-	-
Maximo Upgrade	350,000	223,469	121,139	-	344,608	5,392
Walnut Cove pump replacement	350,000	-	-	-	-	350,000
Old Haw Creek Road	-	-	-	-	-	-
Water storage tank maintenance	550,000	379,671	148,183	-	527,854	22,146
Goodson Cove Reservoir	800,000	-	-	-	-	800,000
Rate study	-	73,314	-	(73,314)	-	-
Water quality treatment study	55,000	-	-	-	-	55,000
Walnut Cove tank repair	35,940	29,475	-	-	29,475	6,465
Main Transmission Line Eval.	2,698,450	147,452	1,954,215	-	2,101,667	596,783
North Fork WTP Dam/ Tunnel Repairs	1,305,000	128,190	324,748	-	452,938	852,062
NF & WD WTP Road Resurfacing	-	386,702	-	(386,702)	-	-
Calledon Subdivision Water Line Replacement	-	37,057	302,995	(340,052)	-	-
Grovemont Development Water Line Replacement	3,068,337	5,789	765,834	-	771,623	2,296,714
Old Haw Creek Road Water Line Replacement	1,069,169	35,529	996,648	-	1,032,177	36,992
Riddle Road Water Line Replace.	62,900	26,051	2,797	-	28,848	34,052
Franam Acres/Oakbrook Water Line Replacement	-	74,966	-	(74,966)	-	-
Azalea Road Street Improvements	203,396	12,592	(474)	-	12,118	191,278
Automated Valve Lowes on Tunnel Road	50,000	-	-	-	-	50,000
Bulk Water Stations	159,225	-	-	-	-	159,225
Spillway Gate Inspection and Repairs	140,000	-	-	-	-	140,000
Chatham Road WL Replacement	-	-	-	-	-	-
Horizon Hill WL Replacement	482,598	-	-	-	-	482,598
Craven Street Improvements	10,500	-	-	-	-	10,500
ARRA - CNG Vehicles - Blue Skies	-	56,524	-	(56,524)	-	-
NCDOT Pond Roads Bridge WL	50,000	-	-	-	-	50,000
Spring 2013 NEP	886,319	-	-	-	-	886,319
Dogwood Road South WL Replacement	50,000	-	-	-	-	50,000
Innsbrook and Maplewood Roads WL	100,000	-	-	-	-	100,000
Mountain Crest/Patton Cementary WI	325,000	-	-	-	-	325,000
Mount Carmel WL Replacement	250,000	-	-	-	-	250,000
Pearson Bridge WL Replacement	100,000	-	-	-	-	100,000
Monte Vista/Sand Hill Road WI Replacement	625,000	-	-	-	-	625,000
Cost of issuance	-	580,846	-	(580,846)	-	-
Total expenditures	<u>33,592,275</u>	<u>76,439,071</u>	<u>7,069,139</u>	<u>(65,929,015)</u>	<u>17,579,195</u>	<u>16,013,080</u>
Revenues under expenditures	<u>(33,387,988)</u>	<u>(72,350,392)</u>	<u>(6,917,566)</u>	<u>62,305,105</u>	<u>(16,962,853)</u>	<u>16,425,135</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, 2013**

	<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>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	\$ 34,077,091	\$ 51,225,328	\$ 7,706,479	\$ (34,684,031)	\$ 24,247,776	\$ (9,829,315)
Transfers to other funds	(689,103)	(779,993)	-	-	(779,993)	(90,890)
Proceeds from sale of bonds	-	39,460,923	-	(27,621,074)	11,839,849	11,839,849
Proceeds from State loan	-	198,194	-	-	198,194	198,194
Total other financing sources (uses)	<u>33,387,988</u>	<u>90,104,452</u>	<u>7,706,479</u>	<u>(62,305,105)</u>	<u>35,505,826</u>	<u>2,117,838</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 17,754,060</u>	<u>\$ 788,913</u>	<u>\$ -</u>	<u>\$ 18,542,973</u>	<u>\$ 18,542,973</u>

* - Project is scheduled to be closed in 2014.

**CITY OF ASHEVILLE
PARKING SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 2,851,300	\$ 3,134,959	\$ 283,659
Rents	22,300	25,252	2,952
Other operating revenue	652,754	705,916	53,162
Interest earned	20,000	4,127	(15,873)
Total revenues	3,546,354	3,870,254	323,900
EXPENDITURES			
Operations	2,033,524	1,683,888	349,636
Capital outlay	1,065,000	971,222	93,778
Debt service:			
Principal	480,864	480,864	-
Interest and other charges	320,421	320,420	1
Total expenditures	3,899,809	3,456,394	443,415
Revenues over (under) expenditures	(353,455)	413,860	767,315
OTHER FINANCING SOURCES (USES)			
Transfer to Parking Services Capital Project Fund	(29,630)	(29,630)	-
Transfers to other funds	(736,875)	(736,875)	-
Miscellaneous			
Appropriated fund balance	1,119,960	-	(1,119,960)
Total other financing sources (uses)	353,455	(766,505)	(1,119,960)
Revenues under expenditures and other financing sources (uses)	\$ -	\$ (352,645)	\$ (352,645)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues under expenditures and other financing sources (uses):			
Parking Services Fund		\$ (352,645)	
Parking Services Capital Projects Fund		(933,324)	
Total		(1,285,969)	
Reconciling items:			
Reduction of principal on long-term debt		480,864	
Depreciation		(431,226)	
Capitalized assets		2,050,096	
Amortization of debt issuance costs		46,567	
Change in interest payable		(97,253)	
Change in compensated absences		12,692	
Change in OPEB obligation		(4,148)	
Change in net position		\$ 771,623	

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, 2013

	<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	\$ 61,833	\$ 80,411	\$ 10,171	\$ -	\$ 90,582	\$ 28,749
Interest earned	60	1,304	-	-	1,304	1,244
Total revenues	<u>61,893</u>	<u>81,715</u>	<u>10,171</u>	<u>-</u>	<u>91,886</u>	<u>29,993</u>
EXPENDITURES						
Battery Park parking deck	20,900,000	4,046,632	-	-	4,046,632	16,853,368
Biltmore Avenue garage	14,100,000	12,790,648	928,116	-	13,718,764	381,236
Cushman	-	14,129	-	(14,129)	-	-
General Parking Capital Projects	60	2,030	-	-	2,030	(1,970)
Wayfinding Signs	-	90,000	-	(90,000)	-	-
Streetline Smart Parking	-	-	-	-	-	-
AT&T Parking Lot	-	47,865	-	(47,865)	-	-
Parking Lot 16	-	118,066	22,624	(140,690)	-	-
Craven Street Improvements	36,630	-	22,386	-	22,386	14,244
Debt Service Interest	215,854	217,824	-	-	217,824	(1,970)
Total expenditures	<u>35,252,544</u>	<u>17,327,194</u>	<u>973,125</u>	<u>(292,684)</u>	<u>18,007,635</u>	<u>17,244,909</u>
Revenues under expenditures	<u>(35,190,651)</u>	<u>(17,245,479)</u>	<u>(962,954)</u>	<u>292,684</u>	<u>(17,915,749)</u>	<u>17,274,902</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt	31,230,603	10,600,000	-	(292,684)	10,307,316	(20,923,287)
Transfers from other funds	4,540,349	4,905,393	29,630	-	4,935,023	394,674
Transfers to Parking Services Fund	(580,301)	(580,301)	-	-	(580,301)	-
Total other financing sources (uses)	<u>35,190,651</u>	<u>14,925,092</u>	<u>29,630</u>	<u>(292,684)</u>	<u>14,662,038</u>	<u>(20,528,613)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (2,320,387)</u>	<u>\$ (933,324)</u>	<u>\$ -</u>	<u>\$ (3,253,711)</u>	<u>\$ (3,253,711)</u>

**CITY OF ASHEVILLE
MASS TRANSIT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 883,000	\$ 801,996	\$ (81,004)
Other operating revenue	336,200	334,805	(1,395)
Intergovernmental revenue	2,934,819	2,824,160	(110,659)
Total revenues	4,154,019	3,960,961	(193,058)
OPERATING EXPENDITURES			
Administration	923,956	693,312	230,644
Operations	4,876,307	5,149,896	(273,589)
Interest and other charges	-	4,317	(4,317)
Total expenditures	5,800,263	5,847,525	(47,262)
Revenues under expenditures	(1,646,244)	(1,886,564)	(240,320)
OTHER FINANCING SOURCES			
Transfer from other funds	1,646,244	1,643,679	(2,565)
Transfer to Transit Capital Projects Fund	-	(56,325)	(56,325)
Total other financing sources	1,646,244	1,587,354	(58,890)
Revenues over expenditures and other financing sources	\$ -	\$ (299,210)	\$ (299,210)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources:			
Mass Transit Fund		\$ (299,210)	
Mass Transit Capital Projects Fund		(125,093)	
Total		(424,303)	
Reconciling items:			
Capitalized assets		4,048,828	
Depreciation		(789,848)	
Change in compensated absences		(963)	
Change in OPEB obligation		(3,365)	
Change in net position		\$ 2,830,349	

**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, 2013**

	<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	\$ 8,189,771	\$ 316,926	\$ 4,794,867	\$ (2,022,316)	\$ 3,089,477	\$ (5,100,294)
Other revenue	13,000	-	-	-	-	(13,000)
Total revenues	<u>8,202,771</u>	<u>316,926</u>	<u>4,794,867</u>	<u>(2,022,316)</u>	<u>3,089,477</u>	<u>(5,113,294)</u>
EXPENDITURES						
ARRA-FTA bus purchases	2,604,966	43,602	2,498,646	-	2,542,248	62,718
Bus purchases - 2 diesel and 2 hybrid	-	-	1,930,728	(1,930,728)	-	-
Transit Reserve	107,040	39,437	-	-	39,437	67,603
Transit Shelters and Signage	40,000	9,426	9,586	-	19,012	20,988
Two Support Vehicles	-	-	47,370	(47,370)	-	-
Transit garage project	177,000	51,551	106,546	-	158,097	18,903
Transit master plan	150,000	116,011	33,989	-	150,000	-
Street Furniture Improvement 2	-	14,671	29,547	(44,218)	-	-
New Freedom Grant	283,317	-	13,649	-	13,649	269,668
Transit Security Cameras	150,000	-	74,167	-	74,167	75,833
Transit AVL System	450,000	-	-	-	-	450,000
Bus Purchase - 2 CNG for HC use	390,523	-	321,352	-	321,352	69,171
Total expenditures	<u>4,352,846</u>	<u>274,698</u>	<u>5,065,580</u>	<u>(2,022,316)</u>	<u>3,317,962</u>	<u>1,034,884</u>
Revenues under expenditures	<u>3,849,925</u>	<u>42,228</u>	<u>(270,713)</u>	<u>-</u>	<u>(228,485)</u>	<u>(4,078,410)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	(3,742,885)	482,199	145,620	-	627,819	4,370,704
Transfers to other funds	(107,040)	(39,437)	-	-	(39,437)	67,603
Total other financing sources (uses)	<u>(3,849,925)</u>	<u>442,762</u>	<u>145,620</u>	<u>-</u>	<u>588,382</u>	<u>4,438,307</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 484,990</u>	<u>\$ (125,093)</u>	<u>\$ -</u>	<u>\$ 359,897</u>	<u>\$ 359,897</u>



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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, 2013**

	Special Revenue Funds			
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 782,016
Receivables:				
Due from other governments	373,445	10,177	5,370	-
Accounts receivable	-	-	-	-
Notes receivable	-	1,955,700	1,417,367	1,127,662
Total assets	<u>\$ 373,445</u>	<u>\$ 1,965,877</u>	<u>\$ 1,422,737</u>	<u>\$ 1,909,678</u>
LIABILITIES				
Accounts payable	\$ 86,835	\$ 612	\$ 575	\$ 64
Other accrued liabilities	2,872	3,266	3,349	-
Due to other funds	2,419	6,299	1,446	352
Unearned revenue	70,505	-	-	-
Total liabilities	<u>162,631</u>	<u>10,177</u>	<u>5,370</u>	<u>416</u>
DEFERRED INFLOWS OF RESOURCES				
Notes receivable		1,955,700	1,417,367	1,127,662
Advances from other governments	166,704			
Total deferred inflows of resources	<u>166,704</u>	<u>1,955,700</u>	<u>1,417,367</u>	<u>1,127,662</u>
FUND BALANCES				
Non-spendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Grant programs	44,110	-	-	781,600
Total fund balances	<u>44,110</u>	<u>-</u>	<u>-</u>	<u>781,600</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 373,445</u>	<u>\$ 1,965,877</u>	<u>\$ 1,422,737</u>	<u>\$ 1,909,678</u>

Permanent Fund	Total Non-major Governmental Funds
\$ 315,415	\$ 1,097,431
-	388,992
2,037	2,037
-	4,500,729
<u>\$ 317,452</u>	<u>\$ 5,989,189</u>
\$ -	\$ 88,086
-	9,487
-	10,516
-	70,505
<u>-</u>	<u>178,594</u>
	4,500,729
	166,704
<u>-</u>	<u>4,667,433</u>
317,452	317,452
-	825,710
<u>317,452</u>	<u>1,143,162</u>
<u>\$ 317,452</u>	<u>\$ 5,989,189</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation
REVENUES				
Intergovernmental revenue	\$ 1,222,422	\$ 1,229,964	\$ 643,319	\$ -
Charges for services	1,072	46,460	-	-
Investment earnings	371	-	-	-
Miscellaneous	77,071	43,200	23,803	64,689
Total revenues	<u>1,300,936</u>	<u>1,319,624</u>	<u>667,122</u>	<u>64,689</u>
EXPENDITURES				
Current:				
General government	40,788	-	-	-
Public safety	395,347	-	-	-
Community development	473,134	1,166,861	667,122	416
Transportation	490,627	-	-	-
Culture and recreation	3,500	-	-	-
Debt service:				
Principal	-	-	-	35,000
Interest and other charges	-	-	-	31,858
Total expenditures	<u>1,403,396</u>	<u>1,166,861</u>	<u>667,122</u>	<u>67,274</u>
Revenues over (under) expenditures	<u>(102,460)</u>	<u>152,763</u>	<u>-</u>	<u>(2,585)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	(7,903)	(152,763)	-	-
Total other financing sources (uses)	<u>(7,903)</u>	<u>(152,763)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(110,363)	-	-	(2,585)
Fund balances - beginning	154,473	-	-	784,185
Fund balances - ending	<u>\$ 44,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781,600</u>

<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
\$ -	\$ 3,095,705
-	47,532
284	655
-	208,763
<u>284</u>	<u>3,352,655</u>
-	40,788
-	395,347
-	2,307,533
-	490,627
404	3,904
-	35,000
-	31,858
<u>404</u>	<u>3,305,057</u>
<u>(120)</u>	<u>47,598</u>
<u>(6,509)</u>	<u>(167,175)</u>
<u>(6,509)</u>	<u>(167,175)</u>
(6,629)	(119,577)
<u>324,081</u>	<u>1,262,739</u>
<u>\$ 317,452</u>	<u>\$ 1,143,162</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, 2013**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>
REVENUES			
Restricted intergovernmental	\$ 10,842,872	\$ 10,735,108	\$ 1,222,422
Charges for services	124,708	126,702	1,072
Investment earnings	62,757	64,402	371
Private donations	4,894,969	2,489,015	77,071
Total revenues	<u>15,925,306</u>	<u>13,415,227</u>	<u>1,300,936</u>
EXPENDITURES			
General government:			
21st Century Comm Learn Ctr Year 3	104,000	103,354	-
21st Century Comm Learn Ctr Year 4	78,000	31,649	-
City Hall Bell	26,400	20,500	-
ARRA LEAP	-	180,650	29,290
ARRA EECBG Administration Project	-	97,127	11,498
Total general government	<u>208,400</u>	<u>433,280</u>	<u>40,788</u>
Public safety:			
Fire and Life Safety Education	25,609	13,252	6,740
Hazmat Grant 2010	-	-	51,429
Assistance to Firefighters DHS-FEMA	70,197	61,872	-
HIDTA ONDCP 2010	150,000	88,575	15,748
HIDTA ONDCP 2011	150,000	-	-
Weed & Seed Initiative Year 4	142,000	127,410	-
Weed & Seed Initiative Year 5	-	152,022	-
Federal Forfeitures	765,540	700,671	54,268
State Forfeitures	401,794	337,555	42,655
NCGCC Gang Violence Prevention	-	9,314	10,785
JAG 2009 BYRNE Local Solicitation	-	26,044	64,516
JAG 2010 Local Solicitation	-	25,492	64,376
JAG 2011	-	47,319	24,387
EOD NCDCCPS Grant 2011	7,547	-	7,088
Police Private Donations	16,137	-	11,285
OCDETF Overtime Reimbursement	10,000	-	1,692
Bullet Proof Vest	-	12,465	8,678
Bullet Proof Vest Partnership	-	2,408	29,547
Bullet Proof Vest Partnership 2012	15,470	-	2,153
Total public safety	<u>1,754,294</u>	<u>1,604,399</u>	<u>395,347</u>
Environmental services:			
Interactive Recycling Center - DENR	12,000	12,000	-
Senate Bill 7 - Flood Damage	2,796,012	2,779,721	-
River Dist Brownfields	400,000	377,641	-
Total environmental services	<u>3,208,012</u>	<u>3,169,362</u>	<u>-</u>

<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
\$ (2,998,071)	\$ 8,959,459	\$ (1,883,413)
-	127,774	3,066
-	64,773	2,016
-	2,566,086	(2,328,883)
<u>(2,998,071)</u>	<u>11,718,092</u>	<u>(4,207,214)</u>
-	103,354	646
-	31,649	46,351
-	20,500	5,900
(209,940)	-	-
(108,625)	-	-
<u>(318,565)</u>	<u>155,503</u>	<u>52,897</u>
-	19,992	5,617
(51,429)	-	-
-	61,872	8,325
-	104,323	45,677
-	-	150,000
-	127,410	14,590
(152,022)	-	-
-	754,939	10,601
-	380,210	21,584
(20,099)	-	-
(90,560)	-	-
(89,868)	-	-
(71,706)	-	-
-	7,088	459
-	11,285	4,852
-	1,692	8,308
(21,143)	-	-
(31,955)	-	-
-	2,153	13,317
<u>(528,782)</u>	<u>1,470,964</u>	<u>283,330</u>
-	12,000	-
-	2,779,721	16,291
-	377,641	22,359
<u>-</u>	<u>3,169,362</u>	<u>38,650</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, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>
EXPENDITURES, CONTINUED			
Community development:			
ARRA CDBG	\$ -	\$ 208,333	\$ 60,693
ARRA Homeless Prevent Rapid Response	-	509,460	-
HUD Emergency Solutions Grant	451,256	-	126,618
HUD SPG - Special Projects Grant	-	-	137,200
TIGER II East of the Riverway	846,500	127,876	124,571
Architectural Study	-	26,783	-
Downtown Asheville National Register	7,700	7,700	-
RENCI - Grove Arcade Lease	124,708	121,667	-
Fair Housing Assistance Program 10-11	100,000	47,134	-
Fair Housing Assistance Program 11-12	-	11,000	24,052
Total community development	<u>1,530,164</u>	<u>1,059,953</u>	<u>473,134</u>
Transportation:			
Emma Infrastructure	-	161,598	252,603
TIP - Dykeman Riverway	-	442,078	164,461
N. Louisiana Phase 1	27,492	22,640	-
ARRA S Slope bike lanes	196,625	19,906	-
TDM Plan Creation	-	26,057	73,563
Total transportation	<u>224,117</u>	<u>672,279</u>	<u>490,627</u>
Culture and recreation:			
TIP Enhance - Pack Square	8,240,523	8,125,584	-
Asheville Parks and Greenway Foundation	151,750	8,661	-
Harvest House 2010	-	12,287	-
Harvest House 2011	-	13,965	-
Senior Opportunity Center 2010	-	10,563	-
Senior Opportunity Center 2011	-	16,028	-
Cultural Ren Art Program	64,500	64,500	-
WNC Nature Center Special Approp 10	113,056	110,621	-
Parks Direct Private Donations	14,267	-	-
Friends of the Nature Center	277,696	90,588	3,500
Total culture and recreation	<u>8,861,792</u>	<u>8,452,797</u>	<u>3,500</u>
Total expenditures	<u>15,786,779</u>	<u>15,392,070</u>	<u>1,403,396</u>
Revenues over (under) expenditures	<u>138,527</u>	<u>(1,976,843)</u>	<u>(102,460)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	256,374	2,448,527	-
Transfers to other funds	<u>(394,901)</u>	<u>(317,211)</u>	<u>(7,903)</u>
Total other financing sources (uses)	<u>(138,527)</u>	<u>2,131,316</u>	<u>(7,903)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 154,473</u>	<u>(110,363)</u>
Fund balance - beginning			<u>154,473</u>
Fund balance - ending			<u>\$ 44,110</u>

<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
\$ (269,026)	\$ -	\$ -
(509,460)	-	-
	126,618	324,638
(137,200)	-	-
-	252,447	594,053
(26,783)	-	-
-	7,700	-
-	121,667	3,041
-	47,134	52,866
(35,052)	-	-
<u>(977,521)</u>	<u>555,566</u>	<u>974,598</u>
(414,201)	-	-
(606,539)	-	-
-	22,640	4,852
-	19,906	176,719
(99,620)	-	-
<u>(1,120,360)</u>	<u>42,546</u>	<u>181,571</u>
-	8,125,584	114,939
-	8,661	143,089
(12,287)	-	-
(13,965)	-	-
(10,563)	-	-
(16,028)	-	-
-	64,500	-
-	110,621	2,435
-	-	14,267
-	94,088	183,608
<u>(52,843)</u>	<u>8,403,454</u>	<u>458,338</u>
<u>(2,998,071)</u>	<u>13,797,395</u>	<u>1,989,384</u>
<u>-</u>	<u>(2,079,303)</u>	<u>(2,217,830)</u>
-	2,448,527	2,192,153
-	(325,114)	69,787
-	2,123,413	2,261,940
<u>\$ -</u>	<u>\$ 44,110</u>	<u>\$ 44,110</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, 2013

	<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	\$12,534,618	\$ 10,084,951	\$ 1,229,964	\$ -	\$11,314,915	\$(1,219,703)
Miscellaneous	2,095,250	1,823,594	89,660	-	1,913,254	(181,996)
Total revenues	<u>14,629,868</u>	<u>11,908,545</u>	<u>1,319,624</u>	<u>-</u>	<u>13,228,169</u>	<u>(1,401,699)</u>
EXPENDITURES						
Community development:						
CDBG Conversion Project	4,637,916	4,356,345	-	-	4,356,345	281,571
Fair Housing Assistance Program - 2008	131,000	131,248	-	-	131,248	(248)
ACT-Asheville Go Employment and Training	463,038	312,018	134,226	-	446,244	16,794
ACT-Renaissance Phase I	50,000	50,000	-	-	50,000	-
ACT-Finance & Ed Counseling	143,529	130,951	12,578	-	143,529	-
ACT-Down Payment Assistance - CDBG	630,716	574,156	52,240	-	626,396	4,320
ACT-Emergency Repair I	924,003	844,003	80,000	-	924,003	-
ACT-Habitat Housing Services	227,500	210,615	-	-	210,615	16,885
ACT-Helpmate Domestic Violence Services	41,149	31,360	9,789	-	41,149	-
ACT-Homebase Housing Services	219,301	179,301	-	-	179,301	40,000
ACT-Homeless Initiative Coord	133,256	42,895	-	-	42,895	90,361
ACT-Homeless Program	455,492	368,300	87,192	-	455,492	-
ACT-Homeless Prevention Prog	341,801	281,801	60,000	-	341,801	-
ACT-Housing Services	850,610	711,361	128,805	-	840,166	10,444
ACT-Micro-Business	682,004	607,004	75,000	-	682,004	-
ACT-Emergency Repair II	503,003	423,003	70,990	-	493,993	9,010
ACT-Program Admin CDBG	1,674,403	1,420,775	146,696	-	1,567,471	106,932
ACT-Resources Development	86,000	86,000	-	-	86,000	-
ACT-SPS Redevelopment	31,531	9,315	-	-	9,315	22,216
ACT-Supportive Housing Services	268,202	183,202	85,000	-	268,202	-
ACT-McCormick Heights Relocation	59,459	59,458	-	-	59,458	1
ACT-Transit Infrastructure Improvements	155,000	95,000	-	-	95,000	60,000
ACT-Technical Assist - Weed and Seed	9,987	9,987	-	-	9,987	-
ACT-Burton Street Traffic Calming	15,000	15,000	-	-	15,000	-
ACT-Burton St Community Cntr	155,000	-	-	-	-	155,000
ACT-Small Business Loan	185,000	129,248	40,000	-	169,248	15,752
ACT-Emma sidewalks	98,436	-	-	-	-	98,436
ACT-Hillcrest youth enrichment	28,200	28,200	-	-	28,200	-
ACT-N. Louisiana Street sidewalk	117,000	-	-	-	-	117,000
ACT-World changers home repair	19,435	19,434	-	-	19,434	1
ACT-GO Energy Team Weather Assistance	214,003	126,390	72,670	-	199,060	14,943

**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, 2013**

	<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>
EXPENDITURES, CONTINUED						
Community development:						
ACT-Woodland Court Housing Service	\$ 203,806	\$ 143,260	\$ 60,826	\$ -	\$ 204,086	\$ (280)
ACT-Section 108 Debt Service	133,539	-			-	133,539
ACT-Housing Service Homeless School Age	87,616	42,947	27,712	-	70,659	16,957
ACT-Workforce Housing Development Service	63,000	43,768	6,232	-	50,000	13,000
ACT-Moog Music Relocation	50,000	-	-	-	-	50,000
ACT- Beulah Chapel Storm Drainage	50,000	-	-	-	-	50,000
ACT-Adult Day Activity Building	35,000	35,000	-	-	35,000	-
ACT-Walker Heights	40,037	-	-	-	-	40,037
Students-at-Risk	11,000	-	-	-	-	11,000
ACT-Homeless Prevent & Rapid Rehsg	20,920	-	16,905	-	16,905	4,015
ACT-Rose St Facility Expansion	40,000	-	-	-	-	40,000
ACT-Contingency	10,906	-	-	-	-	10,906
Total expenditures	<u>14,296,798</u>	<u>11,701,345</u>	<u>1,166,861</u>	<u>-</u>	<u>12,868,206</u>	<u>1,428,592</u>
Revenues over expenditures	<u>333,070</u>	<u>207,200</u>	<u>152,763</u>	<u>-</u>	<u>359,963</u>	<u>26,893</u>
OTHER FINANCING SOURCES (USES)						
Transfer to other funds	(562,235)	(665,435)	(152,763)	-	(818,198)	(255,963)
Proceeds from sale of capital assets	229,165	458,235	-	-	458,235	229,070
Total other financing sources (uses)	<u>(333,070)</u>	<u>(207,200)</u>	<u>(152,763)</u>	<u>-</u>	<u>(359,963)</u>	<u>(26,893)</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, 2013

	<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	\$ 9,620,266	\$ 10,903,784	\$ 643,319	\$ -	\$ 11,547,103	\$ 1,926,837
Miscellaneous	471,196	335,708	23,803	-	359,511	(111,685)
Total revenues	<u>10,091,462</u>	<u>11,239,492</u>	<u>667,122</u>	<u>-</u>	<u>11,906,614</u>	<u>1,815,152</u>
EXPENDITURES						
Community development:						
ACT-MHO Direct Homebuyer HOME	736,128	560,128	98,000	-	658,128	78,000
ACT-Direct Homebuyer HOME	252,068	212,867	38,500	-	251,367	701
ACT-Program Administration HOME	1,171,540	950,960	144,196	-	1,095,156	76,384
ACT-HC Habitat Shuey Knolls	596,076	595,076	1,000	-	596,076	-
ACT-Homebuyer Assistance	129,076	129,076	-	-	129,076	-
ACT-Member Administration	98,450	84,321	-	-	84,321	14,129
ACT-Tenant Based Rental Assistance	697,428	501,345	83,485	-	584,830	112,598
ACT-Three Seed Development	209,276	209,276	-	-	209,276	-
ACT-Glen Rock Apartments	549,076	549,076	-	-	549,076	-
ACT-American Dream Downpayment Initiative	59,923	59,923	-	-	59,923	-
ACT-Self Help Homeownership	326,641	325,641	-	-	325,641	1,000
ACT-Affordable Rental Housing	60,000	60,000	-	-	60,000	-
ACT-Single Family Home Construct.	80,000	80,000	-	-	80,000	-
ACT-Westmore Apartments	225,000	225,000	-	-	225,000	-
ACT-CHDO Operating Expenses	335,540	333,535	2,003	-	335,538	2
ACT-VOA Skyland Apts	164,077	164,077	-	-	164,077	-
ACT-Brotherton Subdivision	33,765	33,765	-	-	33,765	-
ACT-Rosman Apartments	20,000	19,950	-	-	19,950	50
ACT-English Hills Development	136,200	125,748	-	-	125,748	10,452
WCCA - TBRA	17,325	899	16,426	-	17,325	-
ACT-Habitat Enka Development HOME	103,338	103,338	-	-	103,338	-
ACT-Our Next Generation SFNC	91,000	91,000	-	-	91,000	-
ACT-Site Rehabilitation	47,800	47,800	-	-	47,800	-
ACT-Baker Heights	17,500	17,500	-	-	17,500	-
ACT-Crowell Parks	499,183	499,183	-	-	499,183	-
ACT-Single Family Construction	30,000	30,000	-	-	30,000	-
ACT-Clingman Loft	166,605	153,500	-	-	153,500	13,105
ACT-East Riverside Development	264,734	229,595	-	-	229,595	35,139
ACT-Predevelopment Loan HOME	48,076	44,304	-	-	44,304	3,772
Community development:						
ACT-Rural Home Rehabilitation	398,150	283,026	27,757	-	310,783	87,367
ACT-Tenant Based Rental Assistance	81,967	19,807	47,541	-	67,348	14,619
ACT-Dodd Meadows	196,500	-	-	-	-	196,500
ACT-Stacys House	24,500	-	-	-	-	24,500
ACT-Ridgecrest Single Family Development	82,320	-	54,544	-	54,544	27,776

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, 2013

	<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>
EXPENDITURES, CONTINUED						
ACT-Single Family Scattered Site Development	\$ 49,000	\$ -	\$ 15,913	\$ -	\$ 15,913	\$ 33,087
ACT-Eagle Market Place Housing Development	462,600	-	-	-	-	462,600
ACT-Predevelopment Rental Housing	54,400	28,400	-	-	28,400	26,000
ACT-Predevelopment Multi-Family Housing	17,640	12,883	3,757	-	16,640	1,000
ACT-Woodland Court Subdivision	113,917	113,917	-	-	113,917	-
ACT-Mapleton/Ridgecrest	150,000	150,000	-	-	150,000	-
ACT-Oak Haven Development	445,000	444,000	1,000	-	445,000	-
ACT-Self Help Housing Development - Black Mountain	70,000	70,000	-	-	70,000	-
ACT-Larchmont Development	175,000	175,000	-	-	175,000	-
ACT-Residences Glen Rock Hotel-BC	140,000	-	133,000	-	133,000	7,000
ACT-CHC-MC-Single Family Home	50,000	-	-	-	-	50,000
ACT- Braeburn Apartments	389,459	-	-	-	-	389,459
ACT-Unallocated	25,184	-	-	-	-	25,184
Total expenditures	<u>10,091,462</u>	<u>7,733,916</u>	<u>667,122</u>	<u>-</u>	<u>8,401,038</u>	<u>1,690,424</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,505,576</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,505,576</u>	<u>\$ 3,505,576</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, 2013

	<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	\$2,300,005	\$ -	\$ -	\$ 2,300,005	\$ 5
Miscellaneous	996,478	1,012,135	64,689	-	1,076,824	80,346
Total revenues	<u>3,296,478</u>	<u>3,312,140</u>	<u>64,689</u>	<u>-</u>	<u>3,376,829</u>	<u>80,351</u>
EXPENDITURES						
Community development:						
Loan 1	1,021,817	1,502,479	-	-	1,502,479	(480,662)
Loan 2	1,285,374	8,531	416	-	8,947	1,276,427
Debt service:						
Principal	1,230,908	1,235,908	35,000	-	1,270,908	(40,000)
Interest and other charges	370,936	388,043	31,858	-	419,901	(48,965)
Total expenditures	<u>3,909,035</u>	<u>3,134,961</u>	<u>67,274</u>	<u>-</u>	<u>3,202,235</u>	<u>706,800</u>
Revenues over (under) expenditures	(612,557)	177,179	(2,585)	-	174,594	787,151
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>\$ 784,185</u>	<u>(2,585)</u>	<u>\$ -</u>	<u>\$ 781,600</u>	<u>\$ 781,600</u>
Fund balance - beginning			<u>784,185</u>			
Fund balance - ending			<u>\$ 781,600</u>			

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.
- **Civic Center** – This fund accounts for the revenues and expenses related to the City’s civic center operations.
- **Golf Course** – This fund accounts for the revenues and expenses related to the City’s Municipal golf course.

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2013

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ 3,366,229	\$ 790,073
Cash and investments - restricted	-		
Accounts receivable (net of allowance for uncollectibles)	251,255	171,434	79,733
Due from other governments	-	42,601	-
Other receivables	-	-	-
Inventories and prepaids	-	-	30,956
Total current assets	<u>251,255</u>	<u>3,580,264</u>	<u>900,762</u>
Capital assets:			
Assets not being depreciated	-	1,213,097	1,785,459
Assets being depreciated, net	338,307	4,080,652	8,807,790
Net capital assets	<u>338,307</u>	<u>5,293,749</u>	<u>10,593,249</u>
Total assets	<u>589,562</u>	<u>8,874,013</u>	<u>11,494,011</u>
LIABILITIES			
Current liabilities:			
Accounts payable	32,673	23,877	625,158
Interest payable	-	3,600	33,888
Other accrued liabilities	16,774	40,157	25,997
Due to other funds	290,614	-	-
Unearned revenue	-	13,489	4,750
Current portion of long-term liabilities	34,447	172,750	247,115
Total current liabilities	<u>374,508</u>	<u>253,873</u>	<u>936,908</u>
Non-current liabilities:			
Long-term liabilities, less current portion	<u>43,877</u>	<u>374,874</u>	<u>3,268,152</u>
Total liabilities	<u>418,385</u>	<u>628,747</u>	<u>4,205,060</u>
NET POSITION			
Net investment in capital assets	338,307	4,943,704	7,210,271
Unrestricted	<u>(167,130)</u>	<u>3,301,562</u>	<u>78,680</u>
Total net position	<u>\$ 171,177</u>	<u>\$ 8,245,266</u>	<u>\$ 7,288,951</u>

<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ -	\$ 4,156,302
-	-
-	502,422
-	42,601
-	-
-	30,956
<u>-</u>	<u>4,732,281</u>
-	2,998,556
-	13,226,749
<u>-</u>	<u>16,225,305</u>
-	20,957,586
-	681,708
-	37,488
-	82,928
-	290,614
-	18,239
-	454,312
<u>-</u>	<u>1,565,289</u>
-	3,686,903
<u>-</u>	<u>5,252,192</u>
-	12,492,282
-	3,213,112
<u>\$ -</u>	<u>\$ 15,705,394</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, 2013

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
OPERATING REVENUES			
Charges for services	\$ 1,445,793	\$ 3,168,334	\$ 794,421
Rents	-	-	667,508
Concessions	-	-	728,359
Other operating revenue	78	3,944	129,390
Total operating revenues	<u>1,445,871</u>	<u>3,172,278</u>	<u>2,319,678</u>
OPERATING EXPENSES			
Administration	-	779,022	841,101
Operations	1,243,250	1,645,894	1,488,637
Other operating expenses	-	-	166,393
Depreciation	93,068	369,594	608,050
Total operating expenses	<u>1,336,318</u>	<u>2,794,510</u>	<u>3,104,181</u>
Operating income (loss)	<u>109,553</u>	<u>377,768</u>	<u>(784,503)</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	-	-	-
Interest earned	-	4,362	1,857
Interest and other charges	(844)	198,416	(32,299)
Gain (loss) on disposal of capital assets	-	-	-
Total non-operating revenues (expenses)	<u>(844)</u>	<u>202,778</u>	<u>(30,442)</u>
Income (loss) before transfers and capital grants and contributions	108,709	580,546	(814,945)
Transfers:			
Transfers from other funds	-	-	792,596
Transfers to other funds	-	-	-
Capital grants and contributions	-	263,531	642,001
Changes in net position	108,709	844,077	619,652
Total net position - beginning	<u>62,468</u>	<u>7,401,189</u>	<u>6,669,299</u>
Total net position - ending	<u>\$ 171,177</u>	<u>\$ 8,245,266</u>	<u>\$ 7,288,951</u>

<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 151,118	\$ 5,559,666
85,967	753,475
17,781	746,140
-	133,412
<u>254,866</u>	<u>7,192,693</u>
-	1,620,123
280,728	4,658,509
	166,393
<u>66,030</u>	<u>1,136,742</u>
<u>346,758</u>	<u>7,581,767</u>
<u>(91,892)</u>	<u>(389,074)</u>
-	-
-	6,219
-	165,273
<u>(1,732,926)</u>	<u>(1,732,926)</u>
<u>(1,732,926)</u>	<u>(1,561,434)</u>
(1,824,818)	(1,950,508)
619,051	1,411,647
-	-
<u>-</u>	<u>905,532</u>
(1,205,767)	366,671
<u>1,205,767</u>	<u>15,338,723</u>
<u>\$ -</u>	<u>\$ 15,705,394</u>

**CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
Cash flows from operating activities:			
Cash received from customers, users and others	\$ 1,334,868	\$ 3,128,474	\$ 2,319,995
Cash paid for goods and services	(496,167)	(843,788)	(694,999)
Cash paid to employees	(737,078)	(1,638,851)	(1,427,744)
Net cash provided by (used for) operating activities	<u>101,623</u>	<u>645,835</u>	<u>197,252</u>
Cash flows from non-capital financing activities:			
Receipts from operating grants	-	298,815	-
Transfers from other funds	-	-	792,594
Advances received from other funds	(21,683)	-	-
Net cash provided by (used for) non-capital financing activities	<u>(21,683)</u>	<u>298,815</u>	<u>792,594</u>
Cash flows from capital and related financing activities:			
Receipts from capital grants or contributions	-	-	642,001
Proceeds from disposal of capital assets	13,970	-	-
Acquisition and construction of assets	(93,068)	(896,781)	(1,391,104)
Proceeds from long-term debt issued	-	-	-
Premiums on long-term debt issued	-	-	-
Principal paid on debt	-	-	(174,975)
Interest other charges paid on debt	(842)	201,849	(32,299)
Net cash provided by (used for) capital and related financing activities	<u>(79,940)</u>	<u>(694,932)</u>	<u>(956,377)</u>
Cash flows from investing activities:			
Interest earned	-	4,362	1,857
Net increase in cash and cash equivalents	-	254,080	35,326
Cash and cash equivalents:			
Beginning of year, July 1	-	3,112,149	754,747
End of year, June 30	<u>\$ -</u>	<u>\$ 3,366,229</u>	<u>\$ 790,073</u>

<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 252,026	\$ 7,035,363
(133,929)	(2,168,883)
(214,947)	(4,018,620)
<u>(96,850)</u>	<u>847,860</u>
-	298,815
619,051	1,411,645
(523,831)	(545,514)
<u>95,220</u>	<u>1,164,946</u>
-	642,001
930	14,900
-	(2,380,953)
-	-
-	-
-	(174,975)
-	168,708
<u>930</u>	<u>(1,730,319)</u>
<u>-</u>	<u>6,219</u>
(700)	288,706
<u>700</u>	<u>3,867,596</u>
<u>\$ -</u>	<u>\$ 4,156,302</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$109,553	\$ 377,768	\$(784,503)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	93,068	369,594	608,050
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(111,003)	(62,825)	(4,436)
(Increase) decrease in inventories	-	30,000	(6,637)
Increase in prepaids	-	-	-
Increase (decrease) in accounts payable	21,070	(42,790)	358,571
Increase (decrease) in accrued expenses	5,037	12,407	35,395
Increase (decrease) in unearned revenue	-	(16,363)	4,753
Increase (decrease) in compensated absences	6,177	(453)	(21,592)
Increase (decrease) in OPEB obligation	(22,279)	(21,503)	7,651
Net cash provided by (used for) operating activities	<u>\$101,623</u>	<u>\$ 645,835</u>	<u>\$ 197,252</u>
 Reconciliation of cash and cash equivalents:			
Cash and investments:			
Unrestricted	\$ -	\$3,366,229	\$ 790,073
Restricted	-	-	-
Total cash and cash equivalents	<u>\$ -</u>	<u>\$3,366,229</u>	<u>\$ 790,073</u>
 Non-cash investing, capital, and financing activities:			
Donated capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$(91,892)	\$ (389,074)
66,030	1,136,742
-	(178,264)
8,156	31,519
-	-
(9,445)	327,406
(8,843)	43,996
(2,840)	(14,450)
(44,349)	(60,217)
(13,667)	(49,798)
<u>\$(96,850)</u>	<u>\$ 847,860</u>

\$ -	\$ 4,156,302
-	-
<u>\$ -</u>	<u>\$ 4,156,302</u>

<u>\$ -</u>	<u>\$ -</u>
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**CITY OF ASHEVILLE
STREET CUT UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 1,618,280	\$ 1,445,793	\$ (172,487)
Other operating revenue	-	78	78
Total revenues	1,618,280	1,445,871	(172,409)
EXPENDITURES			
Operations	1,924,818	1,259,352	665,466
Debt service:			
Interest and other charges	3,261	844	2,417
Total expenditures	1,928,079	1,260,196	667,883
Revenues under expenditures	(309,799)	185,675	495,474
OTHER FINANCING SOURCES			
Proceeds from long-term debt issued	216,643	-	(216,643)
Appropriated fund balance	93,156	-	(93,156)
Total other financing sources	309,799	-	(309,799)
Revenues under expenditures and other financing sources	\$ -	\$ 185,675	\$ 185,675
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Capitalized assets		\$ -	
Depreciation		(93,068)	
Change in compensated absences		(6,177)	
Change in OPEB obligation		22,279	
Change in net position		\$ 108,709	

**CITY OF ASHEVILLE
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 2,969,723	\$ 3,111,988	\$ 142,265
Other operating revenue	20,000	3,944	(16,056)
Interest earned	11,000	4,362	(6,638)
Total revenues	3,000,723	3,120,294	119,571
EXPENDITURES			
Administration	1,225,805	923,115	302,690
Operations	1,749,252	1,411,895	337,357
Debt service:			-
Principal	75,327	76,224	(897)
Interest and other charges	11,880	11,449	431
Total expenditures	3,062,264	2,422,683	639,581
Revenues over (under) expenditures	(61,541)	697,611	759,152
OTHER FINANCING SOURCES (USES)			
Transfer to Stormwater Capital Projects Fund	(413,079)	(414,028)	(949)
Appropriated fund balance	474,620	-	(474,620)
Total other financing sources (uses)	61,541	(414,028)	(475,569)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ 283,583	\$ 283,583
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources:			
Stormwater Fund		\$ 283,583	
Stormwater Capital Projects Fund		(79,981)	
Total		203,602	
Reconciling items:			
Depreciation		(369,594)	
Other revenue adjustment		60	
Capitalized assets		951,663	
Interest payable		(3,433)	
Reduction of principal on long-term debt		83,735	
Change in compensated absences		(453)	
Change in OPEB obligation		(21,503)	
Change in net position		\$ 844,077	

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, 2013

	<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	\$ 2,644,020	\$ 710,495	\$ 263,531	\$ -	\$ 974,026	\$ (1,669,994)
EXPENDITURES						
ARRA and NCCWMTF -						
Dingle Creeck		263,597		(263,597)	-	-
Blair Street Stormwater System	155,720		183,300		183,300	(27,580)
Old Toll Retaining Wall	-	308,898		(308,898)	-	-
Stormwater Vehicles	-	285,027	149,704	(434,731)	-	-
Victoria Road	700,000	-	104,426	-	104,426	595,574
Craven Street Improvements	155,000	-	70,802	-	70,802	84,198
Azalea Road Improvements	2,153,239	595,336	249,308	-	844,644	1,308,595
Total expenditures	<u>3,163,959</u>	<u>1,452,858</u>	<u>757,540</u>	<u>(1,007,226)</u>	<u>1,203,172</u>	<u>1,960,787</u>
Revenues under expenditures	<u>(519,939)</u>	<u>(742,363)</u>	<u>(494,009)</u>	<u>1,007,226</u>	<u>(229,146)</u>	<u>290,793.00</u>
OTHER FINANCING SOURCES						
Transfers from Stormwater Fund	(141,092)	1,219,833	414,028	(743,629)	890,232	1,031,324
Proceeds from long-term debt issued	396,224	396,224	-	-	396,224	-
Premium on long-term debt issued	37,557	37,557	-	-	37,557	-
Proceeds from State loan	<u>227,250</u>	<u>129,382</u>	<u>-</u>	<u>-</u>	<u>129,382</u>	<u>(97,868)</u>
Total other financing sources	<u>519,939</u>	<u>1,782,996</u>	<u>414,028</u>	<u>(743,629)</u>	<u>1,453,395</u>	<u>933,456</u>
Revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ 1,040,633</u>	<u>\$ (79,981)</u>	<u>\$ 263,597</u>	<u>\$ 1,224,249</u>	<u>\$ 1,224,249</u>

**CITY OF ASHEVILLE
CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 350,000	\$ 757,188	\$ 407,188
Rents	624,860	667,508	42,648
Concessions	909,033	765,591	(143,442)
Other operating revenue	93,500	129,390	35,890
Interest earned	5,000	1,857	(3,143)
Total revenues	1,982,393	2,321,534	339,141
EXPENDITURES			
Administration	913,148	842,388	70,760
Operations	1,484,017	1,414,518	69,499
Debt service:			
Principal	160,000	157,976	2,024
Interest and other charges	143,091	108,846	34,245
Total expenditures	2,700,256	2,523,728	176,528
Revenues under expenditures	(717,863)	(202,194)	515,669
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	695,685	662,594	(33,091)
Appropriated fund balance	22,178	-	(22,178)
Total other financing sources (uses)	717,863	662,594	(55,269)
Revenues under expenditures and other financing sources (uses)	\$ -	\$ 460,400	\$ 460,400
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues under expenditures and other financing sources (uses):			
Civic Center Fund		\$ 460,400	
Civic Center Capital Projects Fund		(780,420)	
Total		(320,020)	
Reconciling items:			
Depreciation		(608,050)	
Long-term debt issued - Civic Center Capital Projects Fund		157,976	
Premium on long-term debt - Civic Center Capital Projects Fund		16,999	
Capitalized assets		1,391,105	
Change in interest payable		(32,299)	
Change in compensated absences		21,592	
Change in OPEB obligation		(7,651)	
Book value of capital assets disposed		-	
Change in net position		\$ 619,652	

**CITY OF ASHEVILLE
CIVIC CENTER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ 2,183,000	\$ 2,152,815	\$ 642,001	\$ -	\$ 2,794,816	\$ 611,816
Other revenue	712,000	784,117	-	-	784,117	72,117
Total revenues	<u>2,895,000</u>	<u>2,936,932</u>	<u>642,001</u>	<u>-</u>	<u>3,578,933</u>	<u>683,933</u>
EXPENDITURES						
Southern Conference renovations	7,447,964	7,281,571	166,393	-	7,447,964	-
Arena roof replacement	-	1,746,059	-	(1,746,059)	-	-
General improvements	98,374	90,667	-	-	90,667	7,707
Wolfe fire exit	90,000	10,108	-	-	10,108	79,892
Southern Conference renovations Phase 3	2,980,810	-	1,380,382	-	1,380,382	1,600,428
Main banquet hall renovations	-	42,318	5,646	(47,964)	-	-
EECBG banquet hall HVAC	-	82,815	-	(82,815)	-	-
Total expenditures	<u>10,617,148</u>	<u>9,253,538</u>	<u>1,552,421</u>	<u>(1,876,838)</u>	<u>8,929,121</u>	<u>1,688,027</u>
Revenues under expenditures	<u>(7,722,148)</u>	<u>(6,316,606)</u>	<u>(910,420)</u>	<u>1,876,838</u>	<u>(5,350,188)</u>	<u>2,371,960</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt issued	3,735,590	3,217,976	130,000	(1,876,838)	1,471,138	(2,264,452)
Premium on long-term debt	339,977	339,977	-	-	339,977	-
Transfers from Civic Center Fund	394,296	313,296	-	-	313,296	(81,000)
Transfers from other funds	3,352,285	3,334,428	-	-	3,334,428	(17,857)
Transfers to other funds	(100,000)	(100,000)	-	-	(100,000)	-
Total other financing sources (uses)	<u>7,722,148</u>	<u>7,105,677</u>	<u>130,000</u>	<u>(1,876,838)</u>	<u>5,358,839</u>	<u>(2,363,309)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 789,071</u>	<u>\$ (780,420)</u>	<u>\$ -</u>	<u>\$ 8,651</u>	<u>\$ 8,651</u>

* - Project is completed and scheduled to be closed in 2013.

**CITY OF ASHEVILLE
GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 509,554	\$ 151,118	\$ (358,436)
Rents	225,000	85,967	(139,033)
Concessions	50,000	17,781	(32,219)
Total revenues	784,554	254,866	(529,688)
EXPENDITURES			
Operations	925,777	338,864	586,913
Interest and other charges	-	94	(94)
Total expenditures	925,777	338,958	586,819
Revenues under expenditures	(141,223)	(84,092)	57,131
OTHER FINANCING SOURCES			
Transfer from other funds	140,000	619,051	479,051
Transfer to Golf Capital Projects Fund	-	(305)	(305)
Proceeds from disposal of capital assets	-	930	930
Appropriated fund balance	1,223	-	(1,223)
Total other financing sources	141,223	619,676	478,453
Revenues under expenditures and other financing sources	\$ -	\$ 535,584	\$ 535,584
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues (under) over expenditures and other financing sources:			
Golf Course Fund		\$ 535,584	
Golf Course Capital Projects Fund		(30)	
Total		535,554	
Reconciling items:			
Depreciation		(66,030)	
Loss on disposal of assets		(1,733,307)	
Change in compensated absences		44,349	
Change in OPEB obligation		13,667	
Change in net position		\$ (1,205,767)	

**CITY OF ASHEVILLE
GOLF COURSE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<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>
EXPENDITURES						
Golf Course irrigation	\$ 550,000	\$ 250,275	\$ 30	\$ -	\$ 250,305	\$ 299,695
OTHER FINANCING SOURCES						
Transfers from other funds	250,000	250,000	-	-	250,000	-
Issuance of installment financing	300,000	-	-	-	-	(300,000)
Total other financing sources	550,000	250,000	-	-	250,000	(300,000)
Expenditures over (under) other financing sources	\$ -	\$ (275)	\$ (30)	\$ -	\$ (305)	\$ (305)

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, 2013

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,193,802	\$ 2,877,059	\$ 2,530,605
Accounts receivable (net of allowance for uncollectibles)	-	198,032	20,451
Prepays	-	63,341	-
Other receivables		149,895	
Total assets	<u>1,193,802</u>	<u>3,288,327</u>	<u>2,551,056</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	849,327	87,042
Other accrued liabilities	-	-	-
Estimated claims payable, current	-	38,912	-
Deferred revenue		967	
Total current liabilities	<u>-</u>	<u>889,206</u>	<u>87,042</u>
Non-current liabilities:			
Estimated claims payable, long-term	<u>-</u>	<u>-</u>	<u>1,622,870</u>
Total liabilities	<u>-</u>	<u>889,206</u>	<u>1,709,912</u>
NET POSITION			
Unrestricted	<u>\$ 1,193,802</u>	<u>\$ 2,399,121</u>	<u>\$ 841,144</u>

<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
\$ 488,679	\$ 7,090,145
-	218,483
-	63,341
	149,895
<u>488,679</u>	<u>7,521,864</u>
107,122	1,043,491
1,434	1,434
-	38,912
378	1,345
<u>108,934</u>	<u>1,085,182</u>
<u>1,657,283</u>	<u>3,280,153</u>
<u>1,766,217</u>	<u>4,365,335</u>
<u>\$ (1,277,538)</u>	<u>\$ 3,156,529</u>

**CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ 12,041,809	\$ 1,186,811
Other operating revenue	<u>-</u>	<u>631,739</u>	<u>-</u>
Total operating revenues	<u>-</u>	<u>12,673,548</u>	<u>1,186,811</u>
OPERATING EXPENSES			
Administration	-	640,048	75,203
Benefits	<u>200,000</u>	<u>10,853,848</u>	<u>1,217,971</u>
Total operating expenses	<u>200,000</u>	<u>11,493,896</u>	<u>1,293,174</u>
Operating income (loss)	(200,000)	1,179,652	(106,363)
NON-OPERATING REVENUE (USES)			
Interest earned (charges)	<u>-</u>	<u>24,611</u>	<u>4,591</u>
Changes in net assets	(200,000)	1,204,263	(101,772)
Total net position - beginning	<u>1,393,802</u>	<u>1,194,858</u>	<u>942,916</u>
Total net position - ending	<u>\$ 1,193,802</u>	<u>\$ 2,399,121</u>	<u>\$ 841,144</u>

<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
\$ 1,375,272	\$ 14,603,892
116,411	748,150
1,491,683	15,352,042
279,169	994,420
2,083,050	14,354,869
2,362,219	15,349,289
(870,536)	2,753
(244)	28,958
(870,780)	31,711
(406,758)	3,124,818
\$ (1,277,538)	\$ 3,156,529

**CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>
Cash flows from operating activities:			
Cash received from customers, users and others	\$ -	\$ 12,756,828	\$ 1,203,313
Cash paid for goods and services	(200,000)	(11,811,529)	(1,420,320)
Cash paid to employees	-	(293,762)	(26,881)
Net cash provided by (used for) operating activities	<u>(200,000)</u>	<u>651,537</u>	<u>(243,888)</u>
Cash flows from investing activities:			
Interest earned	-	24,611	4,591
Net increase (decrease) in cash and cash equivalents	(200,000)	676,148	(239,297)
Cash and cash equivalents:			
Beginning of year, July 1	<u>1,393,802</u>	<u>2,200,911</u>	<u>2,769,902</u>
End of year, June 30	<u>\$ 1,193,802</u>	<u>\$ 2,877,059</u>	<u>\$ 2,530,605</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (200,000)	\$ 1,179,652	\$ (106,363)
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	-	83,280	16,502
Increase in prepaids	-	(44,251)	-
Increase (decrease) in accounts payable	-	(100,415)	58,613
Increase in other accrued liabilities	-	(270,549)	(1,393)
Increase (decrease) in estimated claims payable	-	(197,147)	(211,247)
Increase (decrease) in deferred revenue	-	967	-
Net cash provided by (used for) operating activities	<u>\$ (200,000)</u>	<u>\$ 651,537</u>	<u>\$ (243,888)</u>

<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
\$ 2,922,848	\$ 16,882,989
(3,525,677)	(16,957,526)
<u>(27,739)</u>	<u>(348,382)</u>
(630,568)	(422,919)
<u>(244)</u>	<u>28,958</u>
(630,812)	(393,961)
<u>1,119,491</u>	<u>7,484,106</u>
<u>\$ 488,679</u>	<u>\$ 7,090,145</u>

\$ (870,536) \$ 2,753

1,431,165	1,530,947
-	(44,251)
(1,748,530)	(1,790,332)
752	(271,190)
556,203	147,809
<u>378</u>	<u>1,345</u>
<u>\$ (630,568)</u>	<u>\$ (422,919)</u>

**CITY OF ASHEVILLE
INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Benefits	\$ 200,000	\$ 200,000	\$ -
OTHER FINANCING SOURCES			
Appropriated fund balance	-	-	-
Expenditures under other financing sources	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>

**CITY OF ASHEVILLE
HEALTH FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 13,577,544	\$ 12,041,809	\$ (1,535,735)
Other operating revenue	463,620	631,739	168,119
Interest earned	10,000	24,611	14,611
Total revenues	14,051,164	12,698,159	(1,353,005)
EXPENDITURES			
Administration	861,705	640,048	221,657
Benefits	13,268,174	11,050,995	2,217,179
Total expenditures	14,129,879	11,691,043	2,438,836
Revenues over (under) expenditures	(78,715)	1,007,116	1,085,831
OTHER FINANCING SOURCES			
Appropriated fund balance	78,715	-	(78,715)
Revenues over expenditures and other financing sources	\$ -	1,007,116	\$ 1,007,116
Reconciling items:			
Change in estimate for claims incurred but not reported		197,147	
Change in net position		\$ 1,204,263	

**CITY OF ASHEVILLE
WORKERS' COMPENSATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 1,157,774	\$ 1,186,811	\$ 29,037
Other operating revenue	-	-	-
Interest earned	-	4,591	4,591
Total revenues	1,157,774	1,191,402	33,628
EXPENDITURES			
Administration	99,000	75,203	23,797
Benefits	1,558,774	1,429,218	129,556
Total expenditures	1,657,774	1,504,421	153,353
Revenues over (under) expenditures	(500,000)	(313,019)	186,981
OTHER FINANCING SOURCES			
Appropriated fund balance	500,000	-	(500,000)
Revenues over expenditures and other financing sources	\$ -	(313,019)	\$ (313,019)
Reconciling items:			
Change in estimate for claims incurred but not reported		211,247	
Change in net position		\$ (101,772)	

**CITY OF ASHEVILLE
PROPERTY AND CASUALTY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 1,375,270	\$ 1,375,272	\$ 2
Other operating revenue	1,585,000	116,411	(1,468,589)
Total revenues	2,960,270	1,491,683	(1,468,587)
EXPENDITURES			
Administration	330,116	279,169	50,947
Benefits	4,030,270	1,526,847	2,503,423
Interest	-	244	(244)
Total expenditures	4,360,386	1,806,260	2,554,126
Revenues under expenditures	(1,400,116)	(314,577)	1,085,539
OTHER FINANCING SOURCES			
Appropriated fund balance	1,400,116	-	(1,400,116)
Revenues under expenditures and other financing sources	\$ -	(314,577)	\$ (314,577)
Reconciling items:			
Change in estimate for claims incurred but not reported		(556,203)	
Change in net position		\$ (870,780)	



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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.

- **Civic Center Agency Fund** – This fund is used to segregate Civic 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, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
CIVIC CENTER AGENCY FUND:				
ASSETS				
Cash and investments	\$ 215,123	\$ 3,162,436	\$ 3,178,023	\$ 199,536
LIABILITIES				
Due to others	\$ 215,123	\$ 3,162,436	\$ 3,178,023	\$ 199,536
MSD AGENCY FUND:				
ASSETS				
Cash and investments	\$ 436,822	\$ 20,950,058	\$ 20,933,551	\$ 453,329
Due from customers	1,439,270	21,339,495	21,324,660	1,454,105
	<u>\$ 1,876,092</u>	<u>\$ 42,289,553</u>	<u>\$ 42,258,211</u>	<u>\$ 1,907,434</u>
LIABILITIES				
Due to other governments	<u>\$ 1,876,092</u>	<u>\$ 42,289,553</u>	<u>\$ 42,258,211</u>	<u>\$ 1,907,434</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash and investments	\$ 651,945	\$ 24,112,494	\$ 24,111,574	\$ 652,865
Due from customers	1,439,270	21,339,495	21,324,660	1,454,105
Total assets	<u>\$ 2,091,215</u>	<u>\$ 45,451,989</u>	<u>\$ 45,436,234</u>	<u>\$ 2,106,970</u>
LIABILITIES				
Due to others	\$ 215,123	\$ 3,162,436	\$ 3,178,023	\$ 199,536
Due to other governments	1,876,092	42,289,553	42,258,211	1,907,434
Total liabilities	<u>\$ 2,091,215</u>	<u>\$ 45,451,989</u>	<u>\$ 45,436,234</u>	<u>\$ 2,106,970</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, 2013

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Receivable July 1, 2012</u>	<u>Additions</u>	<u>Collections and Other Reductions</u>	<u>Taxes Receivable June 30, 2013</u>
2003	\$ 57,291	\$ -	\$ 55,468	\$ 1,823
2004	51,619	-	2,407	49,212
2005	50,517	-	598	49,919
2006	56,903	-	6,218	50,685
2007	44,266	-	4,483	39,783
2008	47,015	-	8,076	38,939
2009	60,541	-	9,007	51,534
2010	62,946	-	12,575	50,371
2011	96,823	-	27,187	69,636
2012	322,602	-	227,725	94,877
2013	<u>-</u>	<u>46,837,344</u>	<u>46,532,493</u>	<u>304,851</u>
Totals	<u>\$ 850,523</u>	<u>\$ 46,837,344</u>	<u>\$ 46,886,237</u>	801,630
Less: Allowance for uncollectible accounts:				
General Fund				<u>471,549</u>
Ad valorem taxes receivable-net				<u>\$ 330,081</u>
Reconciliation to revenues collected:				
Revenue - General Fund				\$ 46,891,866
Penalties and interest				(126,398)
Other adjustments				<u>120,770</u>
Collections and other reductions				<u>\$ 46,886,237</u>

CITY OF ASHEVILLE
ANALYSIS OF CURRENT TAX LEVY AND SECONDARY MARKET DISCLOSURES
CITY - WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	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	\$ 11,107,622	0.42	\$ 46,652,012	\$ 44,276,208	\$ 2,375,804
Discoveries:					
Current year taxes	72,348	0.42	303,861	303,861	-
Penalties			58,553	58,553	-
Releases	(42,162)	0.42	(177,082)	(126,231)	(50,851)
Total Property Valuation	<u>\$ 11,137,808</u>				
Net Levy			46,837,344	44,512,391	2,324,953
Uncollected taxes at June 30, 2013			(304,851)	(131,033)	(173,818)
Current year's taxes collected (a)			<u>\$ 46,532,493</u>	<u>\$ 44,381,358</u>	<u>\$ 2,151,135</u>
Current levy collection percentage			<u>99.35%</u>	<u>99.71%</u>	<u>92.52%</u>
<u>Secondary Market Disclosures:</u>					
Assessed Valuation: (dollars in thousands)					
Assessment Ratio				100%	
Real Property				\$ 9,696,841	
Personal Property				1,250,732	
Public Service Companies				190,235	
Total Assessed Valuation (dollars in thousands)				11,137,808	
Tax Rate per \$100				0.42	
Total Tax Levy				<u>\$ 46,837,344</u>	

(a) Excludes interest and cost collections

Source: Buncombe County Tax Collector



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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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:				
Net investment capital assets	\$ 173,149	\$ 168,990	\$ 173,599	\$ 166,595
Restricted	5,750	5,774	12,076	7,272
Unrestricted	<u>25,714</u>	<u>28,301</u>	<u>27,118</u>	<u>44,754</u>
Total governmental activities net assets	<u>\$ 204,613</u>	<u>\$ 203,065</u>	<u>\$ 212,793</u>	<u>\$ 218,621</u>
Business-type activities:				
Net investment capital assets	\$ 75,087	\$ 80,280	\$ 92,519	\$ 99,339
Restricted	-	-	-	-
Unrestricted	<u>24,981</u>	<u>25,480</u>	<u>29,832</u>	<u>39,540</u>
Total business-type activities net assets	<u>\$ 100,068</u>	<u>\$ 105,760</u>	<u>\$ 122,351</u>	<u>\$ 138,879</u>
Primary government:				
Net investment capital assets	\$ 248,236	\$ 249,270	\$ 266,118	\$ 265,934
Restricted	5,750	5,774	12,076	7,272
Unrestricted	<u>50,695</u>	<u>53,781</u>	<u>56,950</u>	<u>84,294</u>
Total primary government net position	<u>\$ 304,681</u>	<u>\$ 308,825</u>	<u>\$ 335,144</u>	<u>\$ 357,500</u>

2008	2009	2010	2011	2012	2013
\$ 165,821	\$ 163,616	\$ 164,710	\$ 154,318	\$ 145,401	\$ 139,093
6,362	4,642	3,904	13,358	16,287	13,044
40,338	37,208	32,114	19,880	19,810	24,067
<u>\$ 212,521</u>	<u>\$ 205,466</u>	<u>\$ 200,728</u>	<u>\$ 187,556</u>	<u>\$ 181,498</u>	<u>\$ 176,204</u>
\$ 133,002	\$ 119,193	\$ 124,758	\$ 125,135	\$ 126,834	\$ 130,733
-	-	-	-	-	-
21,917	43,206	40,800	45,807	50,947	52,999
<u>\$ 154,919</u>	<u>\$ 162,399</u>	<u>\$ 165,558</u>	<u>\$ 170,942</u>	<u>\$ 177,781</u>	<u>\$ 183,732</u>
\$ 298,823	\$ 282,809	\$ 289,468	\$ 279,453	\$ 272,235	\$ 269,826
6,362	4,642	3,904	13,358	16,287	13,044
62,255	80,414	72,914	65,687	70,757	77,066
<u>\$ 367,440</u>	<u>\$ 367,865</u>	<u>\$ 366,286</u>	<u>\$ 358,498</u>	<u>\$ 359,279</u>	<u>\$ 359,936</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses:				
Governmental activities:				
General government	\$ 10,699	\$ 14,685	\$ 15,907	\$ 18,338
Public safety	30,513	31,480	33,384	34,454
Environmental services	20,958	22,399	20,076	21,239
Community development	3,533	5,181	4,785	5,920
Transportation	-	-	-	-
Culture and recreation	5,120	7,347	7,783	9,767
Interest on long-term debt	1,341	1,182	1,179	1,243
Total governmental activities expenses	<u>72,164</u>	<u>82,274</u>	<u>83,114</u>	<u>90,961</u>
Business-type activities:				
Water resources	20,624	21,093	20,194	20,617
Parking services	1,348	1,364	1,249	1,330
Street Cut Utility	-	-	-	-
Stormwater	-	-	1,995	2,500
Civic Center	2,669	2,361	2,252	2,220
Mass transit	3,775	3,928	4,262	4,633
Golf Course	-	-	884	997
Festivals	1,121	1,067	1,270	1,315
Total business-type activities expenses	<u>29,537</u>	<u>29,813</u>	<u>32,106</u>	<u>33,612</u>
 Total primary government expenses	 <u>\$ 101,701</u>	 <u>\$ 112,087</u>	 <u>\$ 115,220</u>	 <u>\$ 124,573</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	21,871	\$ 14,206	\$ 21,245	\$ 18,381	\$ 17,924	\$ 15,049
	39,465	43,305	44,282	44,323	46,574	49,988
	21,571	28,754	17,481	10,111	9,834	9,869
	5,046	2,941	6,016	6,493	5,193	5,389
	-	-	9,328	14,233	16,154	14,693
	10,122	12,626	7,359	10,932	11,708	10,665
	977	1,125	930	861	975	662
	<u>99,052</u>	<u>102,957</u>	<u>106,641</u>	<u>105,334</u>	<u>108,362</u>	<u>106,315</u>
	22,202	24,823	27,490	31,045	30,810	31,539
	1,769	1,106	1,669	1,920	2,177	2,446
	-	-	-	1,073	1,423	1,337
	2,919	3,382	3,055	2,771	2,618	2,596
	2,259	2,374	2,147	2,510	2,855	3,137
	5,086	5,475	5,542	5,751	6,042	7,654
	1,050	1,114	1,031	979	925	2,081
	1,170	2,013	758	654	-	-
	<u>36,455</u>	<u>40,287</u>	<u>41,692</u>	<u>46,703</u>	<u>46,850</u>	<u>50,790</u>
\$	<u>135,507</u>	<u>\$ 143,244</u>	<u>\$ 148,333</u>	<u>\$ 152,037</u>	<u>\$ 155,212</u>	<u>\$ 157,105</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 6,720	\$ 8,002	\$ 9,255	\$ 8,766
Public safety	5,074	3,415	2,881	3,747
Other activities	213	186	3,029	3,140
Operating grants and contributions	6,786	9,553	6,645	6,578
Capital grants and contributions	463	346	2,897	2,374
Total governmental activities program revenues	<u>19,256</u>	<u>21,502</u>	<u>24,707</u>	<u>24,605</u>
Business-type activities:				
Charges for services:				
Water resources	22,795	23,174	23,992	30,465
Parking services	2,594	2,520	2,383	2,870
Street Cut Utility	-	-	-	-
Stormwater	-	-	2,357	3,035
Civic center	1,302	1,798	1,526	1,556
Mass transit	689	671	752	968
Golf Course	-	-	839	894
Festivals	425	701	1,033	868
Operating grants and contributions	1,884	2,501	2,171	2,374
Capital grants and contributions	2,077	2,165	4,137	3,571
Total business-type activities program revenues	<u>31,766</u>	<u>33,530</u>	<u>39,190</u>	<u>46,601</u>
Total primary government program revenues	<u>\$ 51,022</u>	<u>\$ 55,032</u>	<u>\$ 63,897</u>	<u>\$ 71,206</u>
Net (expense) revenue:				
Governmental activities	\$ (52,908)	\$ (60,772)	\$ (58,407)	\$ (66,356)
Business-type activities	<u>2,229</u>	<u>3,717</u>	<u>7,084</u>	<u>12,989</u>
Total primary government net expense	<u>\$ (50,679)</u>	<u>\$ (57,055)</u>	<u>\$ (51,323)</u>	<u>\$ (53,367)</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	9,568	\$ 6,180	\$ 10,974	\$ 7,999	\$ 9,849	\$ 7,682
	4,358	4,467	4,382	3,750	4,385	4,572
	3,120	1,705	3,239	3,149	3,874	4,116
	8,114	8,690	6,152	5,422	6,762	7,275
	103	5,639	8,942	8,616	6,159	4,474
	<u>25,263</u>	<u>26,681</u>	<u>33,689</u>	<u>28,936</u>	<u>31,029</u>	<u>28,119</u>
	31,535	30,841	31,276	33,617	34,354	33,634
	3,009	771	2,802	2,928	3,253	3,876
	-	-	-	40	1,388	1,446
	3,050	2,901	3,188	3,131	3,036	3,172
	1,671	1,730	1,418	2,594	1,696	2,320
	1,178	1,136	1,145	1,253	1,152	1,121
	966	870	728	742	794	255
	860	2,850	638	492	-	-
	2,076	2,554	3,049	2,983	3,541	2,840
	3,751	1,044	640	3,310	2,991	6,198
	<u>48,096</u>	<u>44,697</u>	<u>44,884</u>	<u>51,090</u>	<u>52,205</u>	<u>54,862</u>
\$	<u>73,359</u>	<u>71,378</u>	<u>78,573</u>	<u>80,026</u>	<u>83,234</u>	<u>82,981</u>
\$	(73,789)	\$ (76,276)	\$ (72,952)	\$ (76,398)	\$ (77,333)	\$ (78,196)
	11,641	4,410	3,192	4,387	5,355	4,072
\$	<u>(62,148)</u>	<u>(71,866)</u>	<u>(69,760)</u>	<u>(72,011)</u>	<u>(71,978)</u>	<u>(74,124)</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes				
Property taxes	\$ 33,947	\$ 35,079	\$ 36,914	\$ 41,254
Sales taxes	13,571	14,545	16,107	17,399
Other taxes	6,656	8,257	6,086	6,163
Unrestricted grants and contributions	290	222	1,059	1,513
Investment earnings and miscellaneous	1,513	2,407	2,724	3,127
Special item	-	-	7,189	5,044
Transfers out	(1,883)	(1,941)	(1,943)	(2,317)
Total governmental activities	<u>54,094</u>	<u>58,569</u>	<u>68,136</u>	<u>72,183</u>
Business-type activities:				
Miscellaneous	741	34	559	1,222
Special item	-	-	7,004	-
Transfers in	<u>1,883</u>	<u>1,941</u>	<u>1,943</u>	<u>2,317</u>
Total business-type activities	<u>2,624</u>	<u>1,975</u>	<u>9,506</u>	<u>3,539</u>
Total primary government	<u>\$ 56,718</u>	<u>\$ 60,544</u>	<u>\$ 77,642</u>	<u>\$ 75,722</u>
Change in net position:				
Governmental activities	\$ 1,186	\$ (2,203)	\$ 9,729	\$ 5,827
Business-type activities	<u>4,853</u>	<u>5,692</u>	<u>16,590</u>	<u>16,528</u>
Total primary government	<u>\$ 6,039</u>	<u>\$ 3,489</u>	<u>\$ 26,319</u>	<u>\$ 22,355</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	42,119	\$ 43,971	\$ 45,238	\$ 45,979	\$ 46,521	\$ 46,836
	16,548	15,036	14,173	14,718	15,752	16,569
	7,456	8,054	389	956	735	741
	1,242	1,771	8,308	8,511	8,661	10,415
	3,025	2,254	232	585	784	95
	-	-	-	-	-	680
	(2,701)	(1,865)	(125)	(2,333)	(1,179)	(2,434)
	<u>67,689</u>	<u>69,221</u>	<u>68,215</u>	<u>68,416</u>	<u>71,274</u>	<u>72,902</u>
	1,700	1,205	403	200	305	175
	-	-	-	-	-	79
	<u>2,701</u>	<u>1,865</u>	<u>125</u>	<u>2,333</u>	<u>1,179</u>	<u>2,434</u>
	<u>4,401</u>	<u>3,070</u>	<u>528</u>	<u>2,533</u>	<u>1,484</u>	<u>2,688</u>
\$	<u>72,090</u>	<u>72,291</u>	<u>68,743</u>	<u>70,949</u>	<u>72,758</u>	<u>75,590</u>
\$	(6,100)	\$ (7,055)	\$ (4,737)	\$ (7,982)	\$ (6,059)	\$ (5,294)
	<u>16,042</u>	<u>7,480</u>	<u>3,720</u>	<u>6,920</u>	<u>6,839</u>	<u>5,952</u>
\$	<u>9,942</u>	<u>425</u>	<u>(1,017)</u>	<u>(1,062)</u>	<u>780</u>	<u>658</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund:				
Reserved	\$ 14,649	\$ 15,529	\$ 13,834	\$ 19,762
Unreserved	17,833	17,276	23,792	21,852
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>\$ 32,482</u>	<u>\$ 32,805</u>	<u>\$ 37,626</u>	<u>\$ 41,614</u>
All other governmental funds:				
Reserved	\$ 573	\$ 3,978	\$ 7,793	\$ 5,462
Unreserved, reported in:				
Special revenue funds	1,563	(54)	1,362	834
Capital projects funds	1,030	613	1,543	3,343
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>\$ 3,166</u>	<u>\$ 4,537</u>	<u>\$ 10,698</u>	<u>\$ 9,639</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 no longer applicable.

2008 ^(a)	2009	2010	2011 ^(b)	2012	2013
\$ 10,460	\$ 8,665	\$ 10,150	N/A	N/A	N/A
18,232	16,697	11,163	N/A	N/A	N/A
N/A	N/A	N/A	465	448	471
N/A	N/A	N/A	5,995	6,663	7,196
N/A	N/A	N/A	-	-	893
N/A	N/A	N/A	73	1,052	-
N/A	N/A	N/A	13,102	13,626	15,485
<u>\$ 28,692</u>	<u>\$ 25,362</u>	<u>\$ 21,313</u>	<u>\$ 19,635</u>	<u>\$ 21,789</u>	<u>\$ 24,045</u>
\$ 5,682	\$ 7,884	\$ 5,931	N/A	N/A	N/A
830	(438)	(694)	N/A	N/A	N/A
7,470	4,485	4,582	N/A	N/A	N/A
N/A	N/A	N/A	324	324	317
N/A	N/A	N/A	3,978	5,489	5,530
N/A	N/A	N/A	4,006	14,920	8,921
N/A	N/A	N/A	-	-	-
N/A	N/A	N/A	-	-	-
<u>\$ 13,982</u>	<u>\$ 11,931</u>	<u>\$ 9,819</u>	<u>\$ 8,308</u>	<u>\$ 20,733</u>	<u>\$ 14,768</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)

	2004 ^(a)	2005 ^(a)	2006 ^(a)	2007 ^(a)
Revenues:				
Taxes	\$ 49,713	\$ 51,259	\$ 53,356	\$ 59,123
Intergovernmental	13,336	14,875	15,440	14,969
Licenses and Permits	5,074	4,677	4,948	5,878
Charges for services	6,933	8,188	9,023	9,775
Private donations	247	562	1,059	1,360
Investment earnings	181	663	1,833	1,930
Miscellaneous	1,055	1,320	891	876
Total revenues	<u>76,539</u>	<u>81,544</u>	<u>86,550</u>	<u>93,911</u>
Expenditures:				
Current:				
General government	8,637	11,132	13,686	14,796
Public safety	26,164	29,692	31,003	32,550
Environmental Services	11,625	12,009	10,058	11,125
Community development	3,391	5,181	3,450	3,720
Planning	1,364	1,503	1,319	2,199
Engineering	1,673	1,924	1,761	2,632
Transportation	-	-	-	-
Culture and recreation	5,240	6,334	6,622	8,477
Capital outlay	5,598	5,198	10,137	7,729
Debt service:				
Principal	4,120	3,820	3,803	4,408
Interest	1,367	1,213	1,128	1,283
Total expenditures	<u>69,179</u>	<u>78,006</u>	<u>82,967</u>	<u>88,919</u>
Revenues over (under) expenditures	<u>7,360</u>	<u>3,538</u>	<u>3,583</u>	<u>4,992</u>
Other financing sources (uses):				
Transfer from other funds	1,889	3,548	4,254	4,099
Transfer to other funds	(3,772)	(5,489)	(6,197)	(6,416)
Long term debt issued	2,191	-	8,030	-
Payment to defease long-term debt	-	-	-	-
Sale of capital assets	163	97	1,312	254
Total other financing sources (uses)	<u>471</u>	<u>(1,844)</u>	<u>7,399</u>	<u>(2,063)</u>
Net change in fund balance	<u>\$ 7,831</u>	<u>\$ 1,694</u>	<u>\$ 10,982</u>	<u>\$ 2,929</u>
Debt service as a percentage of non-capital expenditures	<u>8.63%</u>	<u>6.91%</u>	<u>6.77%</u>	<u>7.01%</u>

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

	2008 ^(a)	2009 ^(a)	2010	2011	2012	2013
\$	59,073	\$ 59,313	\$ 59,814	\$ 61,595	\$ 63,024	\$ 64,201
	16,590	18,313	19,681	17,637	16,938	14,979
	5,187	5,497	4,290	5,224	4,542	5,213
	10,319	7,359	7,828	6,114	7,491	7,267
	122	1,883				
	1,588	1,243	77	116	151	85
	1,038	1,231	2,003	2,467	2,222	3,741
	<u>93,917</u>	<u>94,839</u>	<u>93,693</u>	<u>93,153</u>	<u>94,368</u>	<u>95,486</u>
	17,258	10,451	11,196	13,851	13,459	10,502
	35,826	39,699	41,734	41,743	42,038	47,174
	10,483	13,954	5,231	9,734	13,286	9,504
	3,074	2,941	7,547	6,457	5,127	5,349
	1,872	1,748	-	-	-	-
	2,502	2,413	-	-	-	-
	-	-	7,359	4,246	2,241	4,542
	5,935	11,079	8,320	9,253	9,973	9,048
	13,819	10,904	11,707	5,740	6,892	6,289
	3,892	4,207	4,313	3,654	3,168	4,093
	1,122	1,105	959	841	1,010	723
	<u>95,782</u>	<u>98,501</u>	<u>98,366</u>	<u>95,519</u>	<u>97,194</u>	<u>97,224</u>
	<u>(1,865)</u>	<u>(3,662)</u>	<u>(4,673)</u>	<u>(2,366)</u>	<u>(2,826)</u>	<u>(1,738)</u>
	5,156	3,442	6,041	3,651	3,570	1,936
	(16,906)	(5,307)	(6,166)	(5,984)	(4,749)	(4,369)
	5,000	-	131	64	28,758	350
	-	-	-	-	(10,506)	
	35	147	1,300	1,100	332	111
	<u>(6,715)</u>	<u>(1,718)</u>	<u>1,306</u>	<u>(1,169)</u>	<u>17,405</u>	<u>(1,972)</u>
\$	<u>(8,580)</u>	<u>(5,380)</u>	<u>(3,367)</u>	<u>(3,535)</u>	<u>14,579</u>	<u>(3,710)</u>
	6.12%	6.06%	6.08%	5.01%	4.63%	5.30%

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</u>	<u>Ad Valorem Taxes</u>	<u>Local Option Sales Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
2004	\$ 34,617	\$ 13,571	\$ 1,525	\$ 49,713
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

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)
2004	\$ 3,083,292	\$ 2,197,518	\$ 5,280,810	\$ 158,730	\$ 531,994	\$ 565,156
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

^(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.

^(d)Information not available

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
\$ 1,097,150	\$ 6,536,690	0.53	88.48%	\$ 7,224,246	90.48%
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	90.00%	12,083,914	91.14%
1,239,766	11,126,843	0.42	96.91%	11,436,029	97.30%

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

<u>Fiscal Year</u>	<u>City of Asheville</u>			<u>Buncombe County</u>	<u>Asheville City Schools</u>	<u>Total Direct & Overlapping Rates</u>
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total Millage</u>	<u>Total County Millage (b)</u>	<u>Total District Millage (b)</u>	
2004	0.488	0.042	0.53	0.590	0.20	1.320
2005	0.496	0.034	0.53	0.590	0.20	1.320
2006	0.498	0.032	0.53	0.590	0.20	1.320
2007	0.393	0.027	0.42	0.530	0.15	1.100
2008	0.397	0.023	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

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)**

	<u>2012 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>2003 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Grove Park Inn Resort, Inc. (formerly, Jack Tar Hotels)	\$ 132,625	1	1.19%	\$ 80,364	1	1.23%
Town Square West, LLC	114,808	2	1.03%			
Progress Energy/CP & L	92,614	3	0.83%	58,723	2	0.90%
Asheville LLC	78,531	4	0.71%	56,830	4	0.87%
Ingles Markets, Inc.	70,399	5	0.63%	46,765	5	0.72%
Day International, Inc.	36,504	6	0.33%			
Bellsouth Telephone Co.	33,443	7	0.30%	57,500	3	0.88%
Unison Engine Components	26,280	8	0.24%	-		
Weirbridge Village Apartments, LLC	25,201	9	0.23%	-		
The Forest at Asheville Prop Etal	24,391	10	0.22%	-		
Biltmore Square	-		-	34,481	6	0.53%
Colbond	-		-	22,670	7	0.35%
Pechiney Plastic Packaging, Inc	-		-	20,281	8	0.31%
CRIT-NC LLC	-		-	18,554	9	0.28%
Simpson Financing, LLC	-		-	18,111	10	0.28%
	<u>\$ 634,796</u>		<u>5.71%</u>	<u>\$ 414,279</u>		<u>6.35%</u>

Source: Buncombe County Tax Collector

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

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Current Outstanding Balance</u>	<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>			<u>Amount</u>	<u>Percentage of Levy</u>
2004	\$ 34,273	\$ 33,921	99.0%	\$ 49	\$ 303	\$ 34,224	99.9%
2005	35,443	35,091	99.0%	50	302	35,393	99.9%
2006	36,870	36,557	99.2%	51	262	36,819	99.9%
2007	41,675	41,414	99.4%	40	221	41,635	99.9%
2008	42,044	41,749	99.3%	39	256	42,005	99.9%
2009	43,737	43,272	98.9%	52	413	43,685	99.9%
2010	45,310	44,749	98.8%	50	511	45,260	99.9%
2011	45,857	45,556	99.3%	70	231	45,787	99.8%
2012	46,261	46,166	99.8%	95	-	46,166	99.8%
2013	46,837	46,532	99.3%	305	-	46,532	99.3%



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CITY OF ASHEVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts 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		
2004	\$ 9,101	\$ 19,652	\$ 28,753	0.44%	\$ 396
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%	(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
\$ 9,289	\$ 44,090	\$ 4,063	\$ 86,195	4.11%	\$ 1,186
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	(a)	1,313
-	65,570	13,353	107,610	(a)	(a)

CITY OF ASHEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2013
(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	\$ 28,687 (a)	100.00%	\$ 28,687
Overlapping Debt ^(b) :			
Buncombe County	<u>257,377</u>	37.11%	<u>95,505</u>
Total direct and overlapping debt:	<u><u>\$ 286,064</u></u>		<u><u>\$ 124,192</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)

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Debt Limit (8% of Total Assessed Value)</u>	<u>Outstanding Debt (a)</u>	<u>Legal Debt Margin</u>	<u>Net Debt as a % of Debt Limit</u>
2004	\$ 6,536,690	\$ 522,935	\$ 28,821	\$ 494,114	5.51%
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	45,063	845,084	5.06%

(a) Excludes debt not applicable to the limit.

Notes:

(1)	Net Outstanding Debt Calculation:	<u>FY 2012</u>	<u>FY 2013</u>
	General Government General Obligation Bonds	\$ 960	\$ 770
	Water System General Obligation Bonds	-	-
	Installment Financing Contracts	42,057	43,446
	Other debt agreements	<u>1,843</u>	<u>1,625</u>
	Gross Outstanding Debt	44,860	45,841
	Statutory Deductions:		
	Incurred for Water Enterprise System	<u>(938)</u>	<u>(778)</u>
	Net Outstanding Debt	<u>\$ 43,922</u>	<u>\$ 45,063</u>

(2) There were no General Obligation Bonds Authorized, Unissued at June 30, 2013.

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

Fiscal Year	Revenues	Current Expenses	Net Revenues Available for Debt Service	Revenue Bond Debt Service	
				Principal	Interest
2004	\$ 22,910	\$ 13,876	\$ 9,034	\$ 1,020	\$ 2,376
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	33,634	21,091	12,543	2,770	3,163

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
\$ 3,396	2.66	\$ 2,109	\$ 5,505	1.64
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	2.11	492	6,425	1.95

**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)
2004	72,669	\$ 28,864	\$ 2,097,518	3,826	4.5%
2005	73,739	30,131	2,221,830	3,789	4.6%
2006	74,599	31,881	2,378,291	3,753	3.6%
2007	75,947	33,531	2,546,579	3,750	3.5%
2008	77,838	34,533	2,687,980	3,683	5.0%
2009	79,395	32,597	2,588,039	3,946	9.2%
2010	83,559	32,928	2,751,431	3,834	8.5%
2011	85,145	34,122	2,905,318	3,958	8.3%
2012	86,207	(e)	(e)	4,048	8.2%
2013	(e)	(e)	(e)	4,218	7.2%

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	2013			2004		
		Rank	Employees Range	Percent of Total Employed	Rank	Employees Range	Percent of Total Employed
Memorial Mission Hospitals Inc.	Education and Health Services	1	1,000 +	.8%+	1	1,000 +	0.9%+
Buncombe County Schools	Education and Health Services	2	1,000 +	.8%+	2	1,000 +	0.9%+
Ingles Market Inc.	Trade, Transportation, and Utilities	3	1,000 +	.8%+	4	1,000 +	0.9%+
Veterans Administration	Public Administration	4	1,000 +	.8%+	6	1,000 +	0.9%+
Buncombe County Government	Public Administration	5	1,000 +	.8%+	5	1,000 +	0.9%+
City of Asheville	Public Administration	6	1,000 +	.8%+	7	1,000 +	0.9%+
Wal-Mart	Trade, Transportation, and Utilities	7	1,000 +	.8%+			
AB Technical Community College	Education Services	8	1,000 +	.8%+	9	500-999	0.5% - .9%
Eaton Corporation-Cutler Hammer Inc.	Manufacturing	9	1,000 +	.8%+			
Community Carepartners Inc.	Education and Health Services	10	500-999	.4% - .8%			
The Biltmore Company	Leisure and Hospitality	11	500-999	.4% - .8%	8	1,000 +	0.9%+
Asheville City Schools	Education and Health Services	12	500-999	.4% - .8%			
UNC at Asheville	Education Services	13	500-999	.4% - .8%			
NC Department of Health & Human	Public Administration	14	500-999	.4% - .8%			
The Grove Park Inn Resort & Spa	Leisure and Hospitality	15	500-999	.4% - .8%	10	500-999	0.5% - .9%
Kendro Laboratory Products LP	Manufacturing	16	500-999	.4% - .8%			
Sitel, A Subsidiary of Onex Corp.	Administrative and Support Services	17	500-999	.4% - .8%			
Borg-Warner Turbo Systems	Manufacturing	18	500-999	.4% - .8%			
Lowes Home Centers	Trade, Transportation, and Utilities	19	500-999	.4% - .8%			
Mission Medical Associates	Education and Health Services	20	500-999	.4% - .8%			
State of North Carolina	Public Administration	(a)			3	1,000 +	0.9%+

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

^(a) Fiscal year 2004 data not comparable to fiscal year 2013, as State employment is currently reported by department.

CITY OF ASHEVILLE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Eight 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>Primary Government:</u>								
General Government	196	198	197	281	227	223	103	110
Public Safety	465	472	473	461	489	482		
Fire Department							258	244
Police Department							251	242
Building Safety							42	40
Environmental Services	36	37	36	37	29	27	58	47
Community and Economic Development							28	24
Transportation	160	162	163	79	58	97	42	47
Culture and Recreation	146	144	143	126	157	92	96	83
<u>Business Type:</u>								
Water Resources	136	135	130	137	148	142	139	139
Parking Services							15	17
Street Cut Utility							12	9
Stormwater							27	22
Civic Center							16	14
Mass Transit							3	3
Golf Course ^(c)							10	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>

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 1st, 2012.



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CITY OF ASHEVILLE
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:				
Number of police personnel and officers	235	239	249	251
Number of calls for service	87,343	96,775	108,491	112,594
Number of law violations:				
Uniform Crime Report Part I crimes reported	5,892	6,238	5,186	4,453
Uniform Crime Report Part II crimes reported	3,978	4,222	4,495	4,903
Accidents investigated	6,840	7,081	3,270	7,781
Number of physical arrests	(a)	(a)	5,862	9,757
Number of traffic violations	(a)	(a)	9,315	14,061
Number of incident reports	(a)	(a)	9,612	9,551
Fire:				
Number of fire personnel and officers	207	207	221	224
Number of calls answered	12,049	13,820	13,067	15,339
Inspections	4,474	6,292	5,508	5,477
Water:				
Number of service connections	47,290	48,332	50,415	51,109
Maximum daily capacity of plants in gallons	41,000,000	43,000,000	44,000,000	43,500,000
Daily average consumption in gallons	21,400,000	20,900,000	21,200,000	21,500,000
Education:				
Number of preschool school instructors	(a)	(a)	(a)	(a)
Number of elementary school instructors	153	155	150	112
Number of middle school instructors	61	57	60	63
Number of secondary school instructors	98	99	95	98
Miscellaneous:				
Number of full-time equivalent employees	919	928	1,148	1,148
Area in square miles	43.13	43.15	43.64	43.77

Sources: Various City departments and Asheville City Schools.

^(a) Not available

2008	2009	2010	2011	2012	2013
254	261	259	254	251	242
114,228	113,313	110,353	110,059	111,230	115,348
4,844	4,263	4,210	3,804	5,194	5,304
4,135	4,027	3,720	3,518	5,076	5,172
7,280	6,517	6,554	6,240	6,565	6,771
6,523	6,196	5,661	5,904	6,352	6,218
5,468	17,951	13,157	9,304	7,278	5,056
9,941	9,401	8,000	7,308	10,280	10,476
233	239	239	239	258	244
13,532	13,394	13,585	14,110	14,216	15,012
8,900	12,740	6,569	10,480	11,215	8,077
51,769	55,171	55,538	55,921	56,419	56,900
44,000,000	43,500,000	43,500,000	43,500,000	43,500,000	43,500,000
20,950,000	20,470,000	21,600,000	20,600,000	21,050,000	20,130,000
17	15	15	13	12	11
149	114	167	152	176	158
65	64	67	63	71	65
86	86	88	83	112	97
1,142	1,121	1,108	1,063	1,100	1,041
44.44	45.24	45.25	45.52	45.79	45.73

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

Function	2004	2005	2006	2007
Public safety:				
Police Stations/resource centers	1/6	1/5	1/3	1/4
Police patrol districts	5	5	3	3
Police patrol units (beats)	(a)	(a)	12	12
Fire stations	9	9	9	9
Highways and streets:				
Streets (miles)	281	390	394	395
Street lights	12,531	12,581	12,585	9,790
Traffic lights	218	218	270	295
Culture and recreation:				
Parks acreage	728	755	942	972
Parks and playgrounds	55	56	43	54
Swimming pools	2	2	3	3
Tennis courts	22	34	29	32
Community centers	11	11	11	11
Water:				
Water mains (miles)	1,550	1,550	1,600	1,625
Fire hydrants	6,000	6,130	6,355	6,178
Number of treatment plants	3	3	3	
City Schools ^(a) :				
Number of preschools	1	1	1	1
Number of elementary school	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)	1,032	1,032	1,032	1,032

Sources: Various City departments and Asheville City Schools.

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

2008	2009	2010	2011	2012	2013
1/4	1/5	1/6	1/6	1/6	1/6
3	3	3	3	3	3
13	13	13	13	13	13
11	11	12	12	12	12
398	399	401	402	403	404
9,809	9,856	9,885	9,868	9,872	9,810
295	295	295	295	295	295
987	987	769	872	874	874
57	57	59	59	59	59
3	3	3	3	3	3
32	32	28	26	26	26
11	11	11	11	11	11
1,643	1,653	1,658	1,661	1,666	1,673
6,307	6,470	6,530	6,644	6,736	6,780
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
1,032	1,054	1,054	1,054	1,054	1,057

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

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Water Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Street and Sidewalk Bonds	500	370	235	90	-
Refunding Bonds	1,501	523	60	-	-
General Government Bonds	<u>1,170</u>	<u>1,070</u>	<u>970</u>	<u>870</u>	<u>770</u>
Total Debt Outstanding	<u>\$ 3,171</u>	<u>\$ 1,963</u>	<u>\$ 1,265</u>	<u>\$ 960</u>	<u>\$ 770</u>

**CITY OF ASHEVILLE
GENERAL OBLIGATION DEBT RATIOS
Last Seven 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%	(d)	(d)	(d)

(a) Real property in the City was revalued as of 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, 2013

Fiscal Year	SEWER LINES		FIREFIGHTING EQUIPMENT		TOTAL	
	Existing Debt		Existing Debt		Existing Debt	
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
2000-01		\$ 32,021.57		\$ 16,503.43		\$ 48,525.00
2001-02	\$ 65,989.85	128,465.74	\$ 34,010.15	66,209.26	\$ 100,000.00	194,675.00
2002-03	65,989.85	125,314.72	34,010.15	64,585.28	100,000.00	189,900.00
2003-04	65,989.85	122,114.21	34,010.15	62,935.79	100,000.00	185,050.00
2004-05	65,989.85	118,880.71	34,010.15	61,269.29	100,000.00	180,150.00
2005-06	65,989.85	115,647.21	34,010.15	59,602.79	100,000.00	175,250.00
2006-07	65,989.85	112,413.71	34,010.15	57,936.29	100,000.00	170,350.00
2007-08	65,989.85	109,180.20	34,010.15	56,269.80	100,000.00	165,450.00
2008-09	65,989.85	105,946.70	34,010.15	54,603.30	100,000.00	160,550.00
2009-10	65,989.85	102,713.20	34,010.15	52,936.80	100,000.00	155,650.00
2010-11	65,989.85	99,479.70	34,010.15	51,270.30	100,000.00	150,750.00
2011-12	65,989.85	96,246.19	34,010.15	49,603.81	100,000.00	145,850.00
2012-13	65,989.85	93,012.69	34,010.15	47,937.31	100,000.00	140,950.00
2013-14	65,989.85	89,746.19	34,010.15	46,253.81	100,000.00	136,000.00
2014-15	65,989.85	86,446.70	34,010.15	44,553.30	100,000.00	131,000.00
2015-16	65,989.85	83,147.21	34,010.15	42,852.79	100,000.00	126,000.00
2016-17	65,989.85	79,847.72	34,010.15	41,152.28	100,000.00	121,000.00
2017-18	65,989.85	76,548.22	34,010.15	39,451.78	100,000.00	116,000.00
2018-19	65,989.85	73,248.73	34,010.15	37,751.27	100,000.00	111,000.00
2019-20	65,989.85	69,949.24	34,010.15	36,050.76	100,000.00	106,000.00
2020-21	46,192.85	47,347.72	23,807.11	24,402.28	70,000.00	71,750.00
	<u>\$1,300,000.00</u>	<u>\$1,967,718.28</u>	<u>\$ 669,999.96</u>	<u>\$1,014,131.73</u>	<u>\$ 1,970,000.00</u>	<u>\$ 2,981,850.00</u>

CITY OF ASHEVILLE
SCHEDULE OF PAYMENTS FOR OUTSTANDING FINANCINGS
As of June 30, 2013

<u>Fiscal Year</u>	<u>Principal</u>	<u>Total Principal and Interest Payments</u>
2013-14	\$ 3,516,390	\$ 4,719,911
2014-15	3,736,893	4,814,345
2015-16	3,533,123	4,443,572
2016-17	3,483,123	4,260,159
2017-18	3,121,248	3,737,907
2018-19	1,541,873	2,014,286
2019-20	1,454,373	1,879,006
2020-21	1,429,373	1,796,360
2021-22	1,099,373	1,399,993
2022-23	804,375	1,053,304
2023-24	656,433	870,772
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	616,873
2029-30	525,000	597,188
2030-31	525,000	570,938
2031-32	525,000	551,250
Total Remaining Payments	\$ 28,686,577	\$ 36,138,057

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, 2014

	<u>General Fund</u>	<u>Enterprise Funds</u>
Estimated Revenues:		
Ad Valorem taxes	\$ 51,867,389	\$ -
Other taxes	18,084,277	-
Intergovernmental revenues	11,250,660	2,844,911
Licenses and permits	4,706,690	507,000
Sales and services	5,387,387	40,723,524
Investment earnings	150,000	182,677
Miscellaneous revenues	1,180,063	4,009,495
Total estimated revenues	<u>92,626,466</u>	<u>48,267,607</u>
Appropriations:		
Current:		
General government	12,843,143	-
Public safety	46,994,454	-
Transportation	6,613,555	3,297,118
Environmental services	7,477,268	2,821,154
Economic & physical development	1,782,765	-
Culture and recreation	9,376,097	-
Civic Center	-	2,385,100
Water	-	15,855,340
Mass transit	-	5,727,978
Debt service	5,387,021	7,440,194
Total appropriations	<u>90,474,303</u>	<u>37,526,884</u>
Estimated revenues over (under) appropriations	2,152,163	10,740,723
Other financing sources (uses):		
Operating transfers from other funds:		
General fund	-	2,043,429
Enterprise funds	2,841,518	661,875
Grant fund	38,780	-
Capital Project Fund	5,000	-
Operating transfers to other funds:		
Capital project fund	(2,794,032)	(18,921,021)
Enterprise funds	(2,043,429)	(661,875)
General fund	-	(2,841,518)
Other Funds	(550,000)	-
Proceeds of capital leases	350,000	206,000
Appropriated fund balances	-	8,772,387
Total other financing sources (uses)	<u>(2,152,163)</u>	<u>(10,740,723)</u>
Estimated revenues and other sources over appropriations and other uses	<u>\$ -</u>	<u>\$ -</u>

CITY OF ASHEVILLE
CURRENT WATER RATE INFORMATION
Effective 7/1/2012

Consumption Charge Rate Increase

<u>Per CCF (Hundred Cubic Feet or 748 gallons per unit of water)</u>	<u>Current CCF Rate</u>
Single Family Residential and all Irrigation Meters:	\$ 3.77
Multi-Family:	\$ 3.19
Commercial (<= 1,000 CCF monthly):	\$ 3.19
Commercial (> 1,000 CCF's monthly):	\$ 1.69
Commercial (<= 2,000 CCF bimonthly):	\$ 3.19
Commercial (> 2,000 CCF bimonthly):	\$ 1.69
Wholesale Consumption:	\$ 0.95
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	\$ 3.82	3 inch	\$ 480.48
3/4 inch	\$ 4.37	4 inch	\$ 840.84
1 inch	\$ 52.42	6 inch	\$ 1,081.08
1 1/2 inch	\$ 87.36	8 inch	\$ 1,321.32
2 inch	\$ 152.88	10 inch	\$ 1,561.56

Note: All Single Family Residential customers are charged \$3.82 per month for their domestic water use. 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)	Multiple Services ^(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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total # of Accounts:					
Residential single family	41,575	42,525	43,660	44,899	45,706
Residential multi-family	1,488	1,494	1,509	1,523	1,546
Non-residential	4,057	4,172	4,377	4,481	4,524
Total # of Accounts:	<u>47,120</u>	<u>48,191</u>	<u>49,546</u>	<u>50,903</u>	<u>51,776</u>
Total # of Bills:					
Residential single family	246,672	251,782	253,411	258,111	267,134
Residential multi-family	9,746	9,930	9,456	9,039	9,249
Non-residential	26,109	26,649	25,826	24,918	26,111
Total # of Bills:	<u>282,527</u>	<u>288,361</u>	<u>288,693</u>	<u>292,068</u>	<u>302,494</u>
Annual Usage Volume:					
Residential single family	2,570,229	2,572,856	2,642,539	2,772,653	2,844,103
Residential multi-family	958,236	971,231	975,238	982,227	999,955
Non-residential	3,389,719	3,326,140	3,274,229	3,209,849	2,832,160
Total Volume of Usage:	<u>6,918,184</u>	<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.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
45,968	46,329	46,683	47,149	47,589
1,568	1,576	1,580	1,537	1,487
4,573	4,573	4,633	4,712	4,763
<u>52,109</u>	<u>52,478</u>	<u>52,896</u>	<u>53,398</u>	<u>53,839</u>
276,263	280,518	282,423	282,330	290,669
10,069	10,262	10,242	9,562	9,474
28,089	28,437	28,572	28,104	28,757
<u>314,421</u>	<u>319,217</u>	<u>321,237</u>	<u>319,996</u>	<u>328,900</u>
2,796,210	2,663,582	2,699,304	2,757,400	2,774,177
990,837	987,162	983,663	936,952	946,852
2,590,537	2,479,587	2,669,466	2,669,541	2,691,711
<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>

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

Last Five Fiscal Years
(amounts in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Revenues	\$ 30,841	\$ 31,276	\$ 33,617	\$ 34,354	\$ 34,058
Operation and Maintenance Expense	<u>(16,855)</u>	<u>(16,993)</u>	<u>(20,652)</u>	<u>(20,022)</u>	<u>(21,092)</u>
Operating Income Before Depreciation	13,986	14,283	12,965	14,332	12,966
Depreciation	<u>(4,818)</u>	<u>(7,744)</u>	<u>(7,206)</u>	<u>(7,584)</u>	<u>(7,448)</u>
Operating Income	<u>9,168</u>	<u>6,539</u>	<u>5,759</u>	<u>6,748</u>	<u>5,518</u>
Non-operating Revenues/(Expenses):					
Investment Income	1,091	310	143	191	73
Non-operating Income/(Expenses)	2	(95)	48	93	174
Bond Interest Expense	<u>(3,150)</u>	<u>(2,624)</u>	<u>(3,187)</u>	<u>(3,204)</u>	<u>(3,808)</u>
Net Income	<u>7,111</u>	<u>4,130</u>	<u>2,763</u>	<u>3,828</u>	<u>1,957</u>
Adjustments to Net Income					
Depreciation	4,818	7,744	7,206	7,584	7,448
Non-operating Expenses	<u>3,150</u>	<u>2,624</u>	<u>3,187</u>	<u>3,204</u>	<u>3,808</u>
Net Revenues (Revenue available for debt service)	<u>\$ 15,079</u>	<u>\$ 14,498</u>	<u>\$ 13,156</u>	<u>\$ 14,616</u>	<u>\$ 13,213</u>
<u>Debt Service Coverage</u>					
Total Senior Lien Obligations Debt Service	<u>\$ 5,949</u>	<u>\$ 5,947</u>	<u>\$ 5,939</u>	<u>\$ 5,939</u>	<u>\$ 5,933</u>
Senior Debt Service Coverage	<u>2.53</u>	<u>2.44</u>	<u>2.22</u>	<u>2.46</u>	<u>2.23</u>
Subordinated Debt Service	<u>\$ 1,708</u>	<u>\$ 1,702</u>	<u>\$ 1,170</u>	<u>\$ 254</u>	<u>\$ 186</u>
Subordinated Debt Service Coverage ^(a)	<u>4.65</u>	<u>4.33</u>	<u>5.15</u>	<u>29.49</u>	<u>32.76</u>
Total System Debt Service	<u>\$ 7,657</u>	<u>\$ 7,649</u>	<u>\$ 7,109</u>	<u>\$ 6,193</u>	<u>\$ 6,119</u>
Total System Debt Service Coverage	<u>1.97</u>	<u>1.90</u>	<u>1.85</u>	<u>2.36</u>	<u>2.16</u>

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

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

Last Five Fiscal Years

(amounts in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Revenues	\$ 30,841	\$ 31,276	\$ 33,617	\$ 34,354	\$ 33,634
Operation and Maintenance Expense	(16,855)	(16,993)	(20,652)	(20,022)	(21,091)
Operating Income Before Depreciation	13,986	14,283	12,965	14,332	12,543
Depreciation	(4,818)	(7,744)	(7,206)	(7,584)	(7,448)
Operating Income	9,168	6,539	5,759	6,748	5,095
Non-operating Revenues/(Expenses):					
Investment Income	1,091	310	143	191	73
Non-operating Income/(Expenses)	2	(95)	48	93	174
Bond Interest Expense	(3,150)	(2,624)	(3,187)	(3,204)	(3,000)
Net Income	7,111	4,130	2,763	3,828	2,342
Adjustments to Net Income					
Depreciation	4,818	7,744	7,206	7,584	7,448
Non-operating Expenses	3,150	2,624	3,187	3,204	3,000
Net Revenues (Revenue available for debt service)	\$ 15,079	\$ 14,498	\$ 13,156	\$ 14,616	\$ 12,790
Debt Service Coverage					
Total Senior Lien Obligations Debt Service	\$ 5,949	\$ 5,947	\$ 5,939	\$ 5,939	\$ 5,933
Senior Debt Service Coverage	2.53	2.44	2.22	2.46	2.16
Subordinated Debt Service	\$ 1,708	\$ 1,702	\$ 1,170	\$ 254	\$ 492
Subordinated Debt Service Coverage ^(a)	4.65	4.33	5.15	29.49	11.53
Total System Debt Service	7,657	7,649	7,109	6,193	6,425
Total System Debt Service Coverage	1.97	1.90	1.85	2.36	1.99

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



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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.



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**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, 2013, 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 29, 2013. 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.

 Cherry Rickett LLP

Raleigh, North Carolina
October 29, 2013

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, 2013. 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; 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 which are described in the accompanying schedule of findings and questioned costs as items 13-01, 13-02 and 13-03. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 29, 2013

**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, 2013. 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; 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, 2013.

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 R. Ricketts LLP

Raleigh, North Carolina
October 29, 2013

CITY OF ASHEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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? ___X___yes ___no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
14.218	CDBG - Entitlement Grants Cluster:
14.253	Community Development Block Grant
	ARRA – CDBG Entitlement
16.738	JAG Program Cluster:
16.804	Justice Assistant Grant
	ARRA – Justice Assistance Grant
20.500	Federal Transit Cluster:
20.507	Federal Transit Authority – ARRA Capital Investment
	Federal Transit Authority – Formula Grants

CITY OF ASHEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Dollar threshold used to distinguish
between Type A and Type B Programs \$340,370

Auditee qualified as low-risk auditee? ___ yes X 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

CITY OF ASHEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

Finding 13-01

Non-Material Non-Compliance

Davis-Bacon Act

U.S. Department of Transportation
Program: Federal Transit Cluster
CFDA #20.500 & 20.507

Criteria: The City is required to comply with the requirements of the Davis-Bacon Act that are applicable to the construction work financed with a Federal grant or loan. The Davis-Bacon Act requires that the City obtain and review certified payroll from construction contractors, for applicable projects, to ensure that the prevailing wage rates are being paid to sub-contractors. If the prevailing rate is not being paid, the City must report to the U.S. Department of Transportation.

Context & Condition: During testing, it was noted that the City did not obtain and review the certified payroll from the contractor for the entire year and there were instances where the contractor did not pay the prevailing wage rate.

Questioned Costs: The known questioned costs were determined to be below the amount that must be reported.

Effect: The City was not in compliance with the Davis-Bacon Act.

Cause: Misunderstanding of what projects were subject to the requirements of the Davis-Bacon Act.

Recommendation: Adopt a policy consistent to the requirements of the Davis-Bacon Act and implement controls to ensure the policy is in place throughout the City.

Management Response: In order to ensure proper oversight and monitoring of the Davis-Bacon Act requirements, the City does have a policy in place that requires weekly certified payroll submittals for review and verification of prevailing wage rates. Also, current bid documents, where Davis-Bacon Act requirements are applicable, include specific language of the responsibility of the contractor to provide the Weekly Certified Payrolls to the City of Asheville on a weekly basis.

City of Asheville personnel have audited, reviewed, and verified that prevailing wage rates were paid for current certified payroll submittals and have enforced any necessary corrections. In addition, we have implemented a periodic interview process with all prime contractor's employees and subcontractor employees per Davis-Bacon Act requirements. Interview documentation will be placed in the City's project files.

CITY OF ASHEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 13-02

Non-Material Non-Compliance

Allowable Costs / Cost Principles

U.S. Department of Housing and Urban Development
Program: Community Development Block Grant
CFDA #14.218 & 14.253

Criteria: Per 24 CFR Part 225 Cost Principals for State, Local, and Tribal Governments the City is required to obtain certifications, at least semiannually, for employees working on a single federal award and a personnel activity report or equivalent documentation, at least monthly, for employees working on multiple federal awards.

Context & Condition: During testing of the Community Development Block Grant (“CDBG”) expenditures, it was noted that the City did not maintain personnel activity reports on CDBG employees that are allocated between multiple federal programs.

Questioned Costs: Not applicable as they were determined to be immaterial.

Effect: The City may charge CDBG for ineligible planning and administrative costs.

Cause: The City used percentages to determine the employees’ salary that would be charged to each grant but these percentages were not supported by personnel activity reports.

Recommendation: The City should establish written procedures that will require all costs charged to the CDBG program to be properly supported by personnel activity reports or certifications.

Management Response: The City is in the process of updating its grant policy and procedures manual and will certainly ensure specific wording is added that requires all salary and benefit costs charged to specific grant programs be properly supported by personnel activity reports and certified by management.

CITY OF ASHEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 13-03

Non-Material Non-Compliance

Subrecipient Monitoring

U.S. Department of Housing and Urban Development
Program: Community Development Block Grant
CFDA #14.218 & 14.253

Criteria: OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations Subpart D requires that the City ensure that sub-recipients expending \$500,000 or more in federal awards during the sub-recipient's fiscal year meet the single audit requirements for the fiscal year.

Context & Condition: During testing, it was noted that the City obtained the audit reports for the subrecipients that require an audit. However, the City did not follow up with these sub-recipients by monitoring the single audit submission to the Federal Clearing House or obtaining certifications that they there were not subject to single audit requirements.

Questioned Costs: Not applicable.

Effect: The City's subrecipients could be out of compliance by not timely submitting the required single audit information.

Cause: Due to staffing turnover, the City's previous monitoring system was abandoned.

Recommendation: The City should establish written policies and procedures that will ensure that all monitoring requirements are in place and functioning.

Management Response: The City is in the process of updating its grant policy and procedures manual and will certainly ensure specific language is added regarding processes and controls to ensure that all sub-recipient monitoring requirements are in place and functioning.

Section IV – State Award Findings and Questioned Costs

None reported

CITY OF ASHEVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

Finding 13-01

Name of contact person: Mariate Echeverry

Corrective action plan: See Management Response in Finding

Proposed completion date: Immediately

Finding 13-02

Name of contact person: Jeff Staudinger

Corrective action plan: See Management Response in Finding

Proposed completion date: In process

Finding 13-03

Name of contact person: Jeff Staudinger

Corrective action plan: See Management Response in Finding

Proposed completion date: In process

Section IV – State Award Findings and Questioned Costs

None reported

CITY OF ASHEVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Grantor's Number	Federal Expenditures	State Expenditures
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	\$ 12,431	\$ -
Total U.S. Department of Agriculture			<u>12,431</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant	14.218	B-12-MC-370001	1,010,690	
Community Development Block Grant	14.218	B-11-MC-370001	118,274	
Community Development Block Grant	14.218	B-10-MC-370001	22,678	
Community Development Block Grant	14.218	B-09-MC-370001	29,547	
Community Development Block Grant	14.218	B-08-MC-370001	98,436	
Community Development Block Grant	14.218	B-07-MC-370001	40,000	
ARRA - CDBG Entitlement	14.253	B-09-MY-370001	60,693	
			<u>1,380,318</u>	<u>-</u>
HOME Program	14.239	M-12-DC-370201	274,249	
HOME Program	14.239	M-11-DC-370201	374,447	
HOME Program	14.239	M-10-DC-370201	18,426	
Economic Development Initiative - Special Projects	14.251	N/A	137,200	
Fair Housing Assistance Program (FHAP)	14.401	FF204K104018	24,052	
Passed Through NC Department of Health and Human Services:				
HUD Emergency Solutions Grant	14.231	N/A	126,618	
Outstanding Section 108 Loan Balances	14.248	N/A	1,127,662	
Total U.S. Department of Housing and Urban Development			<u>3,462,972</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	108,344	
Total U.S. Department of the Interior			<u>108,344</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
OCDETF Overtime Reimbursement Grant	16.000	SE-NCW-0246	1,692	
Bulletproof Vest Partnership 2011	16.607	2011BUBX11058244	14,773	
Bulletproof Vest Partnership 2012	16.607	2012BUBX12062206	1,077	
COPS Hiring Grant	16.710	2011UMWX0114	210,513	
JAG Program Cluster:				
Justice Assistant Grant - BJA - 2009	16.738	2009-DJ-BX-0398	64,516	
Justice Assistant Grant - BJA - 2010	16.738	2010-DJ-BX-0354	64,376	
Justice Assistant Grant - BJA - 2011	16.738	2011-DJ-BX-3172	24,387	
Justice Assistant Grant - BJA - 2012	16.738	2012-DJ-BX-1032	-	
ARRA - Justice Assistant Grant	16.804	2009-SB-B9-0932	63,188	
Equitable Sharing Program	16.922	N/A	54,268	
Total U.S. Department of Justice			<u>498,790</u>	<u>-</u>

(continued)

**CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<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	\$ 3,988,231	\$ -
Federal Transit Authority - Formula Grants	20.507	Various	2,469,878	
Federal Transit Authority - JARC	20.516	Various	145,087	
FTA - New Freedom Program	20.521	NC-57-x002	15,641	
FTA - TIGER II East of the Riverway	20.933	NC-79-1000	124,571	
Passed through North Carolina Department of Transportation				
Highway Planning and Construction Cluster:				
Federal Transit Metropolitan Planning Grant	20.505	12-08-100 & 13-08-100	93,393	11,674
TIP Enhancement Grants				
East Oakview Bridge	20.205	B-4343		
Pack Square	20.205	U-4919		
Dykeman Riverway Plan	20.205	U-5019	127,879	
Total Highway Planning and Construction Cluster			<u>221,272</u>	<u>11,674</u>
Total U.S. Department of Transportation			<u>6,964,680</u>	<u>11,674</u>
<u>U.S. Department of Energy</u>				
Direct Programs				
ARRA - Local Energy Assurance Planning (LEAP)	81.122	DE-OE000032	29,290	
ARRA - Fuel Monitoring Grant	81.122	DE-OE000051	6,352	
Passed through Triangle J Council of Governments				
ARRA - Carolina Blue Skies and Green Jobs Initiative	81.129	TJCOG-CBS-016	20,411	
Total U.S. Department of Energy			<u>56,053</u>	<u>-</u>
<u>Executive Office of the President</u>				
Passed through Office of National Drug Control Policy				
High Intensity Drug Trafficking Areas Program	95.001	G11GA0006A	15,748	
Total Executive Office of the President			<u>15,748</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through NC Dept of Public Safety				
RRT6 Hazmat 2009	97.067	09-SS-T9-0046-1020	20,412	
RRT6 Hazmat 2010	97.067	2010SST00075	51,429	
RRT6 Hazmat 2011	97.067	11-SS-00119S01	17,500	
EOD NCDCCPS 2011	97.067	2011SS001191036	7,088	
Wireless Telecomm Equipment	97.067	10-SS-T0-0075-1133	130,205	
Total U.S. Department of Homeland Security			<u>226,634</u>	<u>-</u>
Total Federal Awards Expended			<u>11,345,652</u>	<u>11,674</u>

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<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	\$ -	\$ 2,362,282
State Maintenance Assistance Program	13-SM-002		628,411
NCDOT Capital Grant	11-04-028		190,238
NCDOT Planning Grant	11-09-275		14,713
Safe Routes to School	SR-5001D		179,294
NCDOT Capital Grant	36231.22.3.3		31,930
Total N.C. Department of Transportation		-	3,406,868
<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		3,917
Senior Center Gen'l Purpose - Harvest House	HB-1473		3,917
Total N.C. Department of Health and Human Services		-	7,834
<u>N.C. Department of Environment and Natural Resources</u>			
Direct Programs:			
Special Appropriations-WNC Nature Center	Various		134,003
Lake Craig and Stream Restoration	W07019		249,308
Recycle and Waste Receptacles	Contract 4175		23,400
Total N.C. Department of Environment and Natural Resources		-	406,711
<u>N.C. Department of Cultural Resources</u>			
Passed through N.C. Arts Council			
N.C. Arts Council 2012	N/A		50,431
Total N. C. Department of Cultural Resources		-	50,431
<u>N.C. Department of Public Safety</u>			
Direct Programs:			
RRT6 2013 Operating Reimbursements	N/A		1,153
RRT6 2013 Operating Allotment	N/A		56,516
Passed Through NC Governor's Crime Commission:			
Changing Together	PROJ008728		66,713
Total N.C. Department of Public Safety		-	124,382
Total Federal and State Awards Expended		\$ 11,345,652	\$ 4,007,900

**CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 27,028
CHDO Operating Expenses	HOME Investment Partnerships	14.239	2,003
OT - Tenant Based Rental Assistance - Asheville	HOME Investment Partnerships	14.239	6,834
HB - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	93,788
Henderson Co. Habitat - Shuey Knolls	HOME Investment Partnerships	14.239	1,000
CHCMC - Homeowner Rehab	HOME Investment Partnerships	14.239	27,757
MHO - Residences Glen Rock Hotel - Buncombe Co.	HOME Investment Partnerships	14.239	133,000
WCCA - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	16,426
MHO - Direct Homebuyer Assistance	HOME Investment Partnerships	14.239	136,500
HAC - Multi-Family Housing Predevelopment	HOME Investment Partnerships	14.239	3,757
HAC - Oak Haven	HOME Investment Partnerships	14.239	1,000
HAC - Ridgecrest	HOME Investment Partnerships	14.239	54,544
MHO - S/F Scattered Site Development	HOME Investment Partnerships	14.239	15,914
ABCCM - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	3,376
	Subtotal:		<u>522,926</u>
AAHH - Housing Services	Community Develop Block Grant	14.218	60,826
MHO - Emergency Repair Tier 1	Community Develop Block Grant	14.218	80,000
MHO - Emergency Repair Tier II	Community Develop Block Grant	14.218	70,990
MHO - Housing Services	Community Develop Block Grant	14.218	128,805
MHO - Down Payment Assistance	Community Develop Block Grant	14.218	52,240
HB - Supportive Housing Services	Community Develop Block Grant	14.218	85,000
EC - Housing Services	Community Develop Block Grant	14.218	27,712
GO - Asheville Go-Employment Training	Community Develop Block Grant	14.218	134,226
MBW - Micro Business Development	Community Develop Block Grant	14.218	75,000
On Track - Financial/Housing Counseling	Community Develop Block Grant	14.218	12,578
HPMT - Domestic Violence Services	Community Develop Block Grant	14.218	9,789
HB - Homeless Programs	Community Develop Block Grant	14.218	87,192
PLS - Homelessness Prevention	Community Develop Block Grant	14.218	60,000
GO - Weatherization Assistance	Community Develop Block Grant	14.218	72,670
MZCDC - Housing Services	Community Develop Block Grant	14.218	6,232
MBC - Micro-Business Loan Fund	Community Develop Block Grant	14.218	40,000
ABCCM - Homeless Prevention	Community Develop Block Grant	14.218	16,905
	Subtotal:		<u>1,020,166</u>
Helpmate Inc- Emergency Response	HUD Emergency Solutions Grant	14.231	15,000
HB-Emergency Response	HUD Emergency Solutions Grant	14.231	5,364
HB-Housing Stabilization	HUD Emergency Solutions Grant	14.231	58,977
ABCCM-Emergency Response	HUD Emergency Solutions Grant	14.231	7,493
ABCCM-Housing Stabilization	HUD Emergency Solutions Grant	14.231	13,449
Salvation Army-Emergency Response	HUD Emergency Solutions Grant	14.231	19,335
	Subtotal:		<u>119,618</u>
Housing Authority of Asheville - Special Projects	HUD EDI - Special Projects	14.251	137,200
	Subtotal:		<u>137,200</u>
MHO - Emergency Repair II	ARRA - CDBG	14.253	59,733
	Subtotal:		<u>59,733</u>

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Henderson County - Capital	FTA - Capital Investment	20.500	\$ 480,240
Henderson County - Operations	FTA - Formula Grants	20.507	223,676
Buncombe County Trailblazers Program	FTA - JARC	20.516	33,128
Buncombe County Project Ride	FTA - New Freedom	20.521	13,649
	Subtotal:		<u>750,693</u>
Land-of-Sky Regional Council	ARRA - LEAP	81.122	28,506
	Subtotal:		<u>28,506</u>
AMICI Music	N.C. Arts Council 2012	N/A	3,500
Arts for Life	N.C. Arts Council 2012	N/A	3,500
Asheville City Schools Foundation	N.C. Arts Council 2012	N/A	4,500
Asheville Community Theatre	N.C. Arts Council 2012	N/A	3,500
Asheville Contemporary Dance Theatre	N.C. Arts Council 2012	N/A	1,250
Asheville Design Center, Inc.	N.C. Arts Council 2012	N/A	4,500
Asheville Lyric Opera	N.C. Arts Council 2012	N/A	2,500
Asheville Puppet Alliance	N.C. Arts Council 2012	N/A	2,500
Black Mtn. Center for the Arts	N.C. Arts Council 2012	N/A	8,000
Immediate Theatre Project	N.C. Arts Council 2012	N/A	2,750
Leaf in School & Streets	N.C. Arts Council 2012	N/A	3,500
Local Cloth	N.C. Arts Council 2012	N/A	500
Mad Hat Arts	N.C. Arts Council 2012	N/A	1,500
Montford Park Players, Inc.	N.C. Arts Council 2012	N/A	3,500
Toe River Arts Council	N.C. Arts Council 2012	N/A	1,000
	Subtotal:		<u>46,500</u>
TOTAL:			<u><u>\$ 2,685,342</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.

4 . Changes in Significant Reporting Policies

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, the City has made improvements in reporting methods and has identified the following prior year amounts that were under or over reported, based upon actual expenditures.

<u>Program Title</u>	<u>Grantor's Number</u>	<u>CFDA #</u>	<u>Under/ (Over)</u>
Fair Housing Assistance Program (FHAP)	FF204K104018	14.401	\$ (32,316)
Bulletproof Vest Partnership 2011	2011BUBX11058244	16.607	1,204
ARRA - Justice Assistant Grant	2009-SB-B9-0932	16.804	4,464
Federal Transit Authority - ARRA Capital Investment	Various	20.500	(6,988)
Federal Transit Authority - JARC	Various	20.516	(2,565)
East Oakview Bridge	B-4343	20.205	(244,081)
Pack Square	U-4919	20.205	277,932
Special Appropriations-WNC Nature Center	N/A	N/A	(79,743)
Recycle Roll Carts	Contract 4315	N/A	7,500
			<u><u>\$ (74,593)</u></u>