

CITY OF ASHEVILLE

North Carolina



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2015

City of Asheville, North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015



Prepared by the Finance Department



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CITY OF ASHEVILLE

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Introductory Section

(Unaudited)

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



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City of Asheville, NC

Finance Department

October 30, 2015

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, 2015.

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, 2015, 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.

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P.O. Box 7148 ▪ Asheville, N.C. 28802 ▪ 828-259-5598 ▪ www.ashevilenc.gov

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

Profile of Government

The City, incorporated in 1797, is located in the western part of the state, which is considered to be the top growth area in the state and one of the top growth areas in the country. Asheville currently occupies a land area of approximately 45.5 square miles and serves a population of 87,882. The City is the county seat of Buncombe County, the largest city in Western North Carolina and the tenth largest city in the State. Asheville is nestled between the Blue Ridge and Great Smoky Mountains and located astride the French Broad and Swannanoa Rivers. The City is surrounded by lush mountains, many with elevations above 5,000 feet. Asheville’s natural and architectural beauty, moderate climate, strong job market and outstanding educational and health care facilities make it one of the most attractive locations in the United States. Asheville is consistently ranked high among the best places to live, work, and retire. The City’s long-range planning is directed toward preserving Asheville’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 and water services; 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 sector in terms of employment is education and health services, which currently employs approximately 35,400 people. Other leading sectors include trade, transportation, and utilities, leisure and hospitality services, and government. Together these four sectors account for slightly over 67% of all jobs in the Metropolitan Statistical Area ("MSA").

The City's setting in the heart of a vast and beautiful recreational area has made tourism an important part of the local economy. The most recent data from the N.C. Department of Commerce indicate that domestic tourism in Buncombe County generated an economic impact of \$901 million in 2013. Buncombe County ranks 5th in travel impact among the state's 100 counties. More than 9,700 jobs in Buncombe County are directly linked to travel and tourism. Hotel/motel sales and airport activity are useful indicators of the status of the local tourist economy. For the eight months ended August 2015, hotel/motel sales grew year over year by 19.3%; the total number of airport passengers through the Asheville Regional Airport rose 7.5% for the same period.

An important indicator of overall local economic health is taxable sales activity. Buncombe County taxable sales activity also directly impacts the City's General Fund budget through sales tax receipts. Year over year taxable sales increases of 9.8%, 4.3%, and 13.6% for years ending June 30 of 2013, 2014, and 2015, respectively, demonstrate the City's recovery since the downturn and increasing economic vitality. In total, \$4.3 billion in taxable sales were reported in Buncombe County during FY2015.

The area unemployment rate is another critical indicator of the relative strength of the local economy. During the recession, the unemployment rate in Buncombe County peaked at 9.7% in February, 2010. As the local labor market continues to improve, that rate has dropped and

was reported at 4.6% in August, 2015; currently the lowest county unemployment rate in North Carolina. By comparison, the statewide rate was 6.1% and the national rate was 5.1% for the same reporting period.

Long-Term Financial Planning

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

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

The CIP is updated annually based on guidance from City Council, and input from the public and city staff. The five year FY2015-2020 CIP was influenced by a number of other planning processes, including the City’s Strategic Operating Plan, the Unified Development Ordinance, the River Redevelopment Plan, the East of the Riverway Work Plan, the Parks & Recreation Master Plan, and the Pedestrian Thoroughfare Plan. By their adoption of a 3-cent property tax rate increase in June 2013, Council expanded the scope of the CIP and directed those resources into infrastructure improvements that leverage private investment. The five-year plan approved in June 2015 includes project expenses totaling \$142 million in general capital expenditures. The corresponding financing plan envisions approximately \$107 million in new debt.

CIP projects in the Water Resources Capital Project Fund are funded with utility revenues generated by the Water Resources Operating Fund and a capital maintenance fee. The five-year CIP approved in June 2015 totals \$103.7 million. The corresponding financing plan envisions approximately \$52 million in new debt.

Relevant Financial Policies

The Fiscal Management Division 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 greater of) eight percent of general fund expenditures or half the population group average. The City’s fund balance policy is to maintain an unassigned fund balance of no less than 15 percent of the General Fund operating budget excluding capital expenditures. The City’s fund balance in the General Fund was deliberately drawn down during the economic recession but has increased in each of the last two fiscal years. As of June 30, 2015, the unassigned fund balance is approximately 16.7 percent of FY2015, General Fund actual expenditures and transfers and 16.1 percent of the FY2016 General Fund budgeted expenditures.

Insurance Programs

The City maintains various risk management programs for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the City's internal service funds. For its self-insured health benefits program, the City retains the services of third party administrators for the professional management and adjustments of claims. The City's health benefits are self-insured for claims below a \$150,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance. All liability and workers' compensation claims are managed internally by the City's Risk Management staff in consultation with legal and other outside parties on a case-by-case basis. The City is self-insured for liability claims up to \$500,000 per occurrence. The City purchases excess liability insurance with limits of \$15,000,000 across all liability lines – general, public officials, law enforcement, employment practices and automobile. The City also purchases insurance for real and personal property assets, including dams, in the amount of \$242,497,461. Coverage limits include \$10,000,000 sub-limits for flood and earthquake. The City is also self-insured as provided under North Carolina General Statutes for Workers Compensation and Employer Liability. The City retains out-of-pocket costs up to \$600,000 per event for workers' compensation claims. Excess workers' compensation insurance with statutory limits is maintained for any claims exceeding the \$600,000 self-insured retention. The employee health benefits program is funded by both employee and employer contributions. Employee benefits paid through this program include health, dental, life and disability insurance.

Awards and Acknowledgements

During FY2015, Standard & Poor's upgraded the City's general obligation bonds from AA+ to AAA, and Certificates of Participation from AA- to AA+. The upgrade reflects Standard & Poor's opinion of the City's strong budgetary performance supported by "very strong" management through the recent recession. The Standard & Poor summary said it considered Asheville's economy to be "strong," based on its standing as a regional center for trade, manufacturing and health care-related services for WNC. The report also cited the multiple projects in development in the City, including hotels, an office and retail complex as well as the redevelopment of the River Arts District. The S&P report said the City was in a very strong debt position, including contingent liability. It cited a City debt policy that requires debt service not to exceed 15% of total government operating revenue. In addition, the City is poised to retire at least 50% of its existing debt within 10 years, allowing the City the capacity to implement the long-term Capital Improvement Program which will be funded primarily with new debt.

In June 2015, the City issued \$50,625,000 of Revenue Refunding Bonds to advance refund the City's Water System Revenue Refunding Bonds Series 2005 and Series 2007, and pay the fees and expenses incurred in connection with the sale and issuance of the 2015 Bonds. This bond issuance became the first Green Bond issuance in the State of North Carolina. A Green Bond is a bond whose proceeds are used to fund "green" projects with the intent that investors not have to choose between financial return and environmental benefits. Green

Bonds are essentially the same as regular bonds; offering the same financial terms. The “green” label is thus a potential draw for investors. Upon issuing the bonds, the City committed to tracking and reporting on the use of the funds to ensure green compliance.

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, 2014. This was the thirty-fifth time the City 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, 2014. 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. This report would not have been possible without the efficient and dedicated service of staff in the City’s Finance and Management Services 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


Barbara Whitehorn
Chief Financial Officer



Government Finance Officers Association

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

Presented to

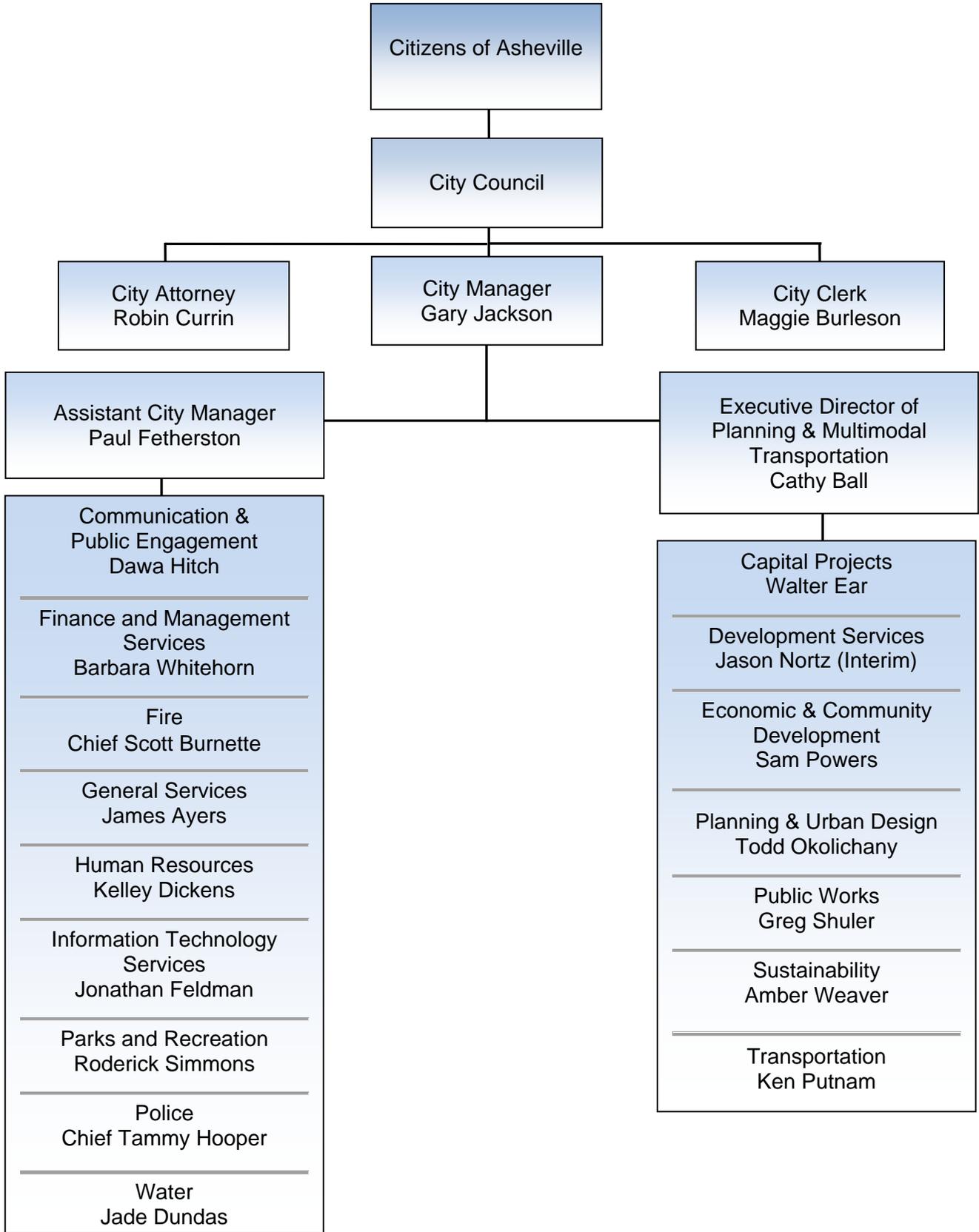
**City of Asheville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

ORGANIZATIONAL STRUCTURE



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 supplementary 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, 2015, 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, 2015, 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

Change in Accounting Principle

As discussed in Note XIV to the basic financial statements, in 2015, the City adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (an Amendment of GASB Statement No. 27) and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68). Additionally the City adopted an alternative accounting principle for the accounting treatment and reporting of long-term receivables effective July 1, 2014. Our opinions are not modified with respect to this matter

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 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 30, 2015 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.

Handwritten signature in cursive script that reads "Cherry Robert LLP".

Raleigh, North Carolina
October 30, 2015

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

As management of the City of Asheville (the “City”), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City’s Notes to the Financial Statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by more than \$386 million (net position). Of this amount, \$96 million (unrestricted net position) may be used to meet the government’s ongoing obligations to its citizens and creditors.
- The City’s total net position of \$386 million represents an increase of \$17 million over fiscal year 2014’s net position of approximately \$369 million.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of almost \$48 million, an increase of \$9 million in comparison with the prior year’s amount of \$39 million. The unassigned portion of the General Fund balance is over \$16 million; this amount is available to spend at the City’s discretion.
- At the end of the current fiscal year, the non-spendable, restricted, committed and assigned portions of fund balance for all governmental funds was \$34 million.
- The City’s total long-term liabilities decreased by \$1.5 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 \$3.2 million. In addition, the City issued \$50 million in Water System Revenue Refunding Bonds to refund previous water revenue bond issues in order to realize savings in debt service payments over the next 18 years. The City’s bond holds general obligation bond ratings as noted below. The rating from Standard & Poor’s reflects an upgrade received by the City from that agency in 2015.

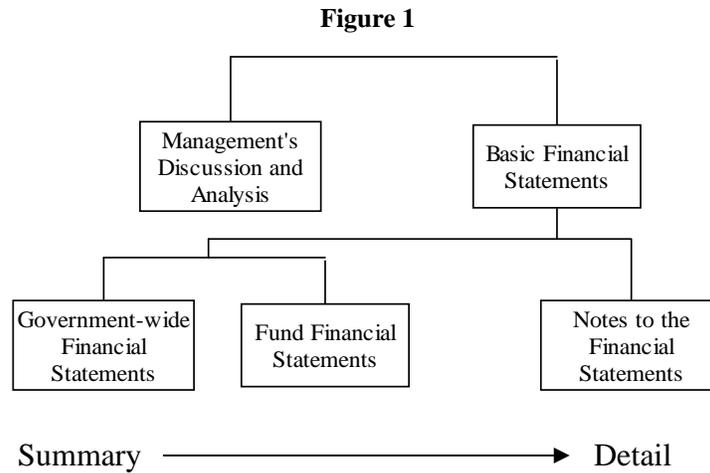
Moody’s	Aaa
Standard & Poor’s	AAA

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The financial statements include two kinds of statements that present different views of the City: 1) Government-Wide Financial Statements and 2) Fund Financial Statements. Both perspectives are essential and complementary components that allow the user to address relevant questions, broaden a basis for comparison, and enhance the City’s accountability. Another element of the basic financial statements is the notes to the financial statements. In addition to the basic financial statements, the report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the City as well as compliance issues that are addressed by Government Auditing Standards, Office of Management and Budget (OMB) Circular A-133 and the North Carolina Single Audit Implementation Act (Figure 1).

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Required Components of Annual Financial Report



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, **supplementary information** is provided to show details about the City's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements. 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.

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

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

reported as the *net position*. Over time, increases or decreases in net position may serve as a useful way to gauge the City's financial condition.

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

Government-wide statements are divided into governmental and business-type activities. The governmental activities include most of the City's basic services such as public safety, culture and recreation, transportation, community and economic development, and general government. Property taxes, sales tax, and other local taxes finance about 65 percent of the costs of these activities. Business-type activities include water resources, stormwater management, parking services, street cut, the U.S. Cellular Center, and mass transit services. These activities are primarily paid from charges to customers, with the exception of mass transit, which receives federal grants and transfers from the General Fund as its primary source of funding.

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

Fund Financial Statements

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

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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expenditures, and changes in fund balances for the General Fund and the General Capital Projects Fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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funds. The City maintains three fiduciary funds: one pension trust fund and two agency funds. The basic fiduciary fund financial statements can be found on Exhibits K and L of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages E-1 to E-52 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 F-1 to F-6 of this report. The combining statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. The other supplementary information shows details about the City's individual funds, including budgetary information required by the North Carolina General Statutes as well as other data the City considers helpful to the reader.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$386.9 million as of June 30, 2015 (Figure 2).

By far the largest portion of the City's net position (\$277.2 million or 71.6 percent) reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt that is still outstanding that was issued to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities. Restricted net positions, 3.5 percent of the City's net position, represent resources that are subject to external restrictions. These restrictions consist of state statute requirements, community development activities, and cemetery maintenance. In addition, total unrestricted net positions amounted to 24.9 percent of total net position. Unrestricted net positions may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 71,795	\$ 66,669	\$ 72,436	\$ 65,192	\$ 144,231	\$ 131,861
Capital assets	167,194	159,586	213,598	212,105	380,792	371,691
Net pension asset	4,815	-	1,004	-	5,819	-
Deferred outflows of resources	3,155	22	2,143	52	5,298	74
Total assets and deferred outflows of resources	<u>246,959</u>	<u>226,277</u>	<u>289,181</u>	<u>277,349</u>	<u>536,140</u>	<u>503,626</u>
Non-current liabilities	38,473	38,489	77,868	79,367	116,341	117,856
Other liabilities	13,363	12,148	4,687	4,311	18,050	16,459
Deferred inflows of resources	12,243	7	2,548	-	14,791	7
Total liabilities and deferred inflows of resources	<u>64,079</u>	<u>50,644</u>	<u>85,103</u>	<u>83,678</u>	<u>149,182</u>	<u>134,322</u>
Net position:						
Net investment in capital assets	141,191	134,534	135,964	138,358	277,155	272,892
Restricted	13,577	15,968	-	-	13,577	15,968
Unrestricted	28,112	25,131	68,114	55,313	96,226	80,444
Total net position	<u>\$ 182,880</u>	<u>\$ 175,633</u>	<u>\$ 204,078</u>	<u>\$ 193,671</u>	<u>\$ 386,958</u>	<u>\$ 369,304</u>

Governmental activities – In fiscal year 2015, the net position for the governmental activities increased by approximately \$7.2 million (Figure 3). Key elements of this increase as reflected on the Statement of Net Position are as follows:

- Current and other assets, consisting mainly of cash and investments, increased by \$5.1 million year-over-year. The majority of the increase is attributable to an increase in receivables due from other governments, to include franchise and sales taxes and federal and state grants.
- Net capital assets increased \$7.6 million. In addition to routine investment in replacement of City capital assets, there was \$6.4 million in net book value added when a leaseholder's improvement to a City-owned building reverted to the City at the end of the lease.
- Changes in reporting for pensions required by Governmental Accounting Standards Board (GASB) Statements No. 68 and 71 decreased net position by a total of \$4.3 million after all financial effects are considered. This is related to the City's share of the North Carolina Local Governmental Employees' Retirement System. The effects of these GASB statements are reflected in net pension asset, deferred inflows and outflows, and net position through expense adjustments.
- Governmental liabilities increased by \$1.2 million which included a \$2.9 million increase in accounts payable and other accrued liabilities related primarily to timing issues of year end payments and normal year to year fluctuations. Partially offsetting the increase in accounts payable was a \$1.0 million decrease in estimated insurance claims payable and a \$700,000 decrease in unearned revenue at year end due to the elimination of privilege licenses as a revenue source for future years.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 19,213	\$ 18,286	\$ 50,120	\$ 46,769	\$ 69,333	\$ 65,055
Operating grants and contributions	7,325	6,092	2,818	2,504	10,143	8,596
Capital grants and contributions	7,887	3,240	3,760	4,973	11,647	8,213
General revenues:						
Property taxes	51,783	52,053	-	-	51,783	52,053
Other taxes	21,912	18,140	-	-	21,912	18,140
Grants and contributions not restricted to specific programs	13,058	8,682	-	-	13,058	8,682
Investment earnings	161	190	195	194	356	384
Miscellaneous	1,037	1,147	254	104	1,291	1,251
Total revenues	<u>122,376</u>	<u>107,830</u>	<u>57,147</u>	<u>54,544</u>	<u>179,523</u>	<u>162,374</u>
Expenses:						
General government	18,461	17,909	-	-	18,461	17,909
Public safety	46,311	45,206	-	-	46,311	45,206
Environmental services	6,099	6,083	-	-	6,099	6,083
Community development	8,053	8,682	-	-	8,053	8,682
Transportation	14,654	17,456	-	-	14,654	17,456
Culture and recreation	10,423	9,923	-	-	10,423	9,923
Interest on long-term debt	757	856	-	-	757	856
Water resources	-	-	28,733	28,107	28,733	28,107
Parking services	-	-	3,288	3,121	3,288	3,121
Street Cut Utility	-	-	1,407	1,417	1,407	1,417
Stormwater	-	-	4,069	3,318	4,069	3,318
U.S. Cellular Center	-	-	3,726	3,635	3,726	3,635
Mass transit	-	-	7,142	7,293	7,142	7,293
Golf course	-	-	-	-	-	-
Total expenses	<u>104,758</u>	<u>106,115</u>	<u>48,365</u>	<u>46,891</u>	<u>153,123</u>	<u>153,006</u>
Increase (decrease) in net position before transfers	17,618	1,715	8,782	7,653	26,400	9,368
Transfers	(3,133)	(2,286)	3,133	2,286	-	-
Increase (decrease) in net position	14,485	(571)	11,915	9,939	26,400	9,368
Net position, beginning of year	175,633	176,204	193,671	183,732	369,304	359,936
Cumulative effect of change in accounting principle	(7,238)	-	(1,508)	-	(8,746)	-
Net position, end of year	<u>\$ 182,880</u>	<u>\$175,633</u>	<u>\$ 204,078</u>	<u>\$ 193,671</u>	<u>\$ 386,958</u>	<u>\$369,304</u>

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

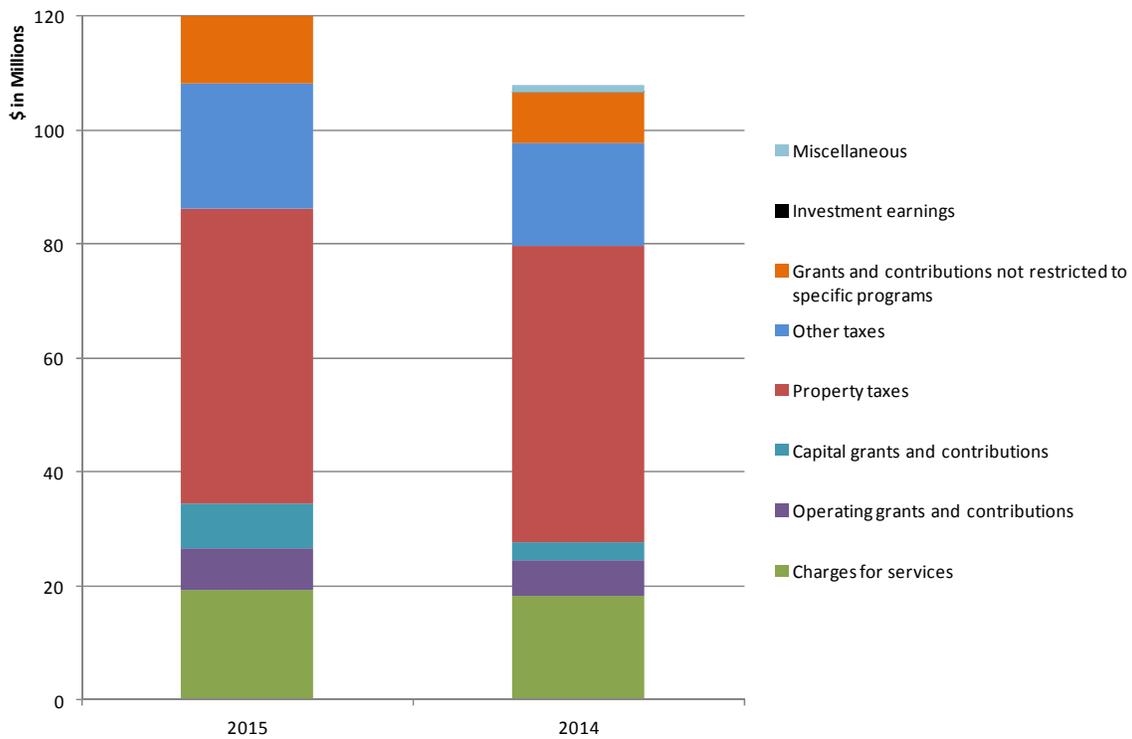
Total revenues reported (Figure 4) in the governmental activities for fiscal year 2015 were \$122.4 million as compared to fiscal year 2014's \$107.8 million, an increase of \$14.6 million or 13.5 percent. Grants and contributions revenue represented \$10.3 million of the increase primarily due to the \$6.4 million capital contribution mentioned above, an inter-local agreement with Buncombe and Henderson counties that resulted in a \$3.4 million dollar revenue that was offset by an equal expense as the funds were passed through the City's books, and a \$2.0 million increase in state utility tax receipts in fiscal year 2015 compared to 2014.

Other factors in the large revenue increase were a \$3.8 million boost in other taxes. This was primarily due to an improvement in retail and economic activity compared to recent years.

Government-wide Analysis

Governmental Activities Revenues

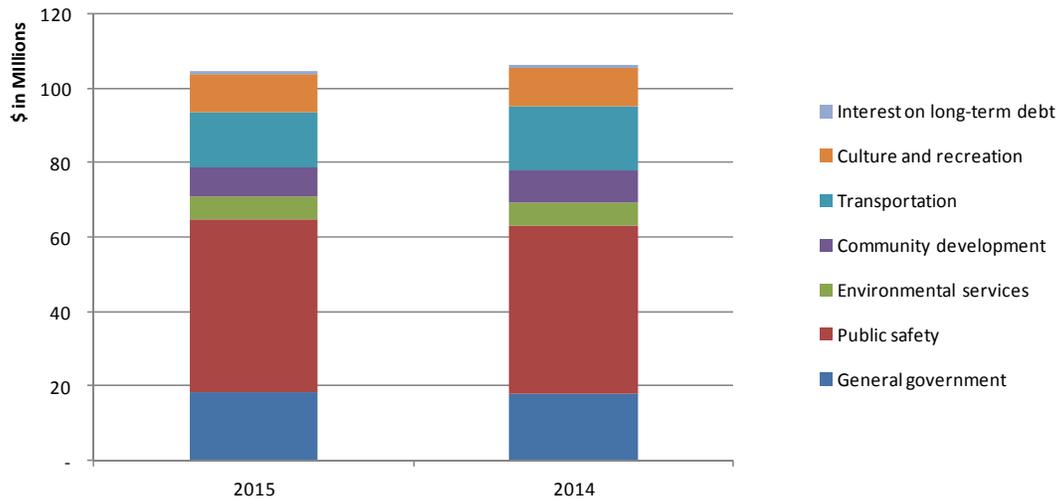
Figure 4



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Total expenses reported (Figure 5) in the governmental activities for fiscal year 2015 were \$104.7 million as compared to fiscal year 2014's \$106.1 million – a \$1.4 million year-over-year decrease. Although there was a \$1.1 million rise in public safety expenses related partially to salary increases, this was more than offset by savings in other areas such as transportation and community development due to normal fluctuations in grant activity.

**Governmental Activities Expenses
Figure 5**



Business-type activities – The City's Net Position for business-type activities increased approximately \$10.5 million with \$7.9 million occurring in the Water Resources Fund and \$2.6 million occurring in the other enterprise funds. This increase is primarily attributable to favorable operational results (revenues generated from operations were greater than operational expenses) for overall business-type activities.

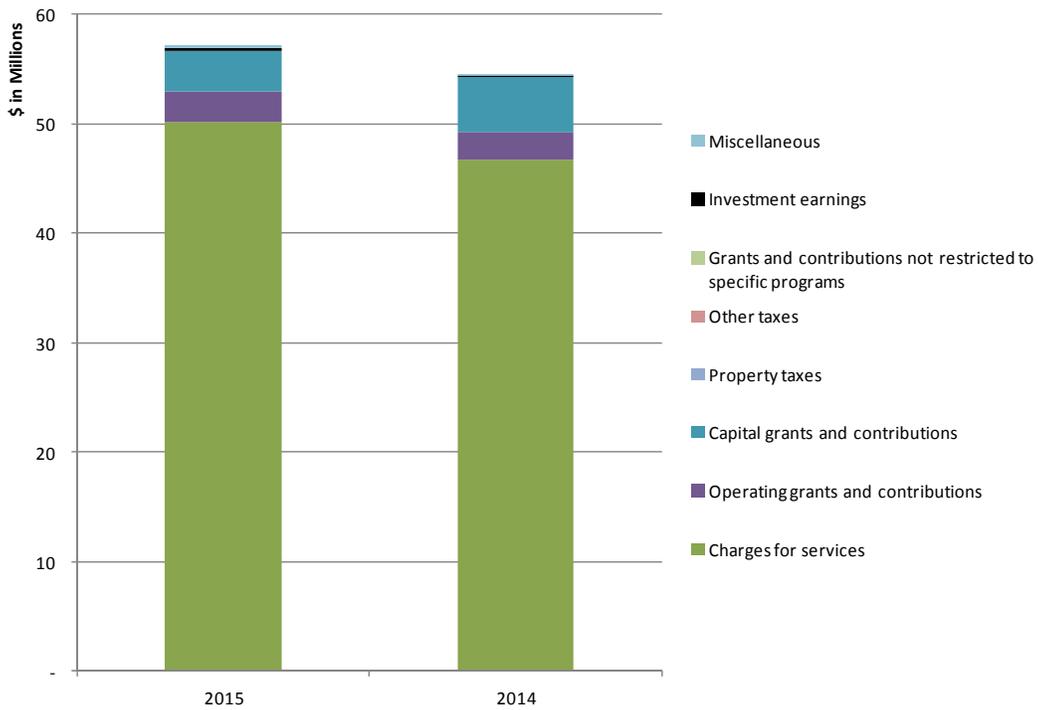
Revenues for all business-type activities, year-over-year, increased by \$2.6 million (Figure 6), expenses increased by \$1.5 million (Figure 7) and transfers increased by \$800,000. Key elements of these changes are as follows:

- An increase in revenue from charges for services of \$3.3 million was largely responsible for the increase in revenue and was primarily the result of Council-approved fee increases in the Water Resources and Stormwater funds.
- Offsetting a portion of the increase in revenue from charges for services was a reduction in the amount of grants and contribution revenue of \$900,000 due to a decrease in grant funds received for Mass Transit.

**CITY OF ASHEVILLE
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JUNE 30, 2015**

- The largest single portion of the increase in expenses, approximately \$700,000, resulted from additional maintenance activity in the Stormwater Fund.
- Expenses in Water Resources increased \$600,000 primarily due to increased maintenance activities.

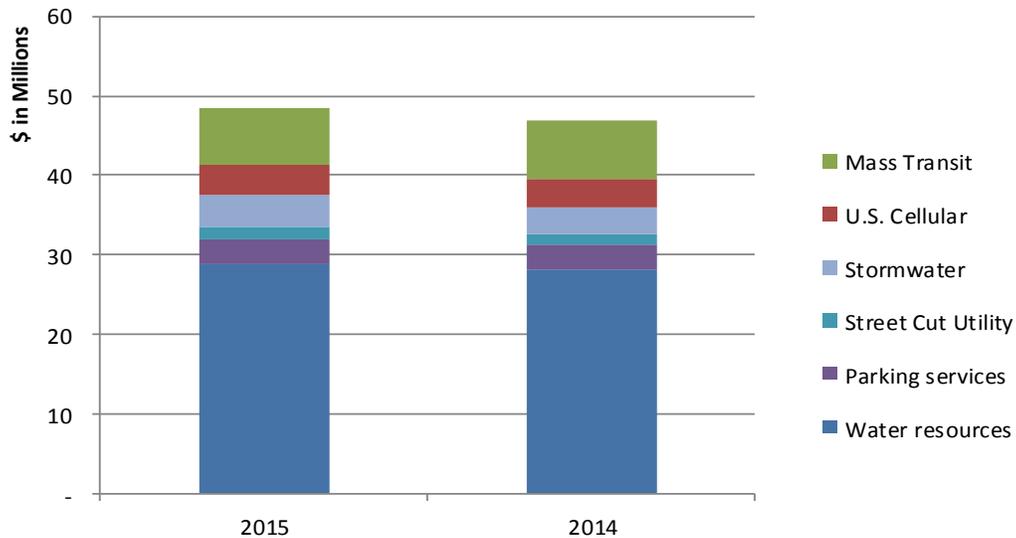
**Business-type Activities Revenues
Figure 6**



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Business-type Activities Expenses

Figure 7



Governmental Funds – The general fund is the chief operating fund of the City. At the end of the current fiscal year, City’s fund balance available in the General Fund was \$16.6 million, while total fund balance reached \$46 million. The Governing Body of the City has determined that the City should maintain an available fund balance of 15 percent of General Fund expenditures in case of unforeseen needs or opportunities and to meet the cash flow needs of the City. At June 30, 2015, the unassigned fund balance is approximately 16.7 percent of FY2015 General Fund expenditures and 16.1 percent of the FY2016 General Fund budget.

Capital Asset and Debt Administration

Capital assets – The City’s investment in capital assets (Figure 8) for the governmental and business-type activities as of June 30, 2015, totals \$380.8 million (net of accumulated depreciation). These assets include land, buildings, improvements other than buildings, infrastructure (streets, sidewalks, and water lines), machinery and equipment, intangibles (rights of way and easements) and construction in progress.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

City of Asheville Net Capital Assets

(amount expressed in thousands)

Figure 8

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 35,863	\$ 35,675	\$ 16,001	\$ 15,801	\$ 51,864	\$ 51,476
Buildings and Improvements	39,265	30,029	57,619	54,134	96,884	84,163
Improvements Other than Buildings	2,352	2,513	611	637	2,963	3,150
Machinery and Equipment	16,153	14,156	14,232	16,664	30,385	30,820
Infrastructure	59,671	65,989	115,005	114,286	174,676	180,275
Construction in Progress	9,767	7,247	8,149	9,756	17,916	17,003
Intangibles	4,065	3,961	1,957	810	6,022	4,771
Other Capital Assets	58	15	24	17	82	32
Net Capital Assets	<u>\$ 167,194</u>	<u>\$ 159,585</u>	<u>\$ 213,598</u>	<u>\$ 212,105</u>	<u>\$ 380,792</u>	<u>\$ 371,690</u>

Major capital expenditures in fiscal year 2015 included:

- Purchase of replacement buses and vehicles for various departments
- Improvements to the City's streets, sidewalks and greenways
- Major improvement project on Craven Street associated with New Belgium Brewing's construction of a new facility
- Azalea Road improvement projects
- Purchase and renovation of a new maintenance facility for Water Resources
- Replacement and maintenance of water lines

Additional information regarding the City's capital assets is found in Note IV on pages E-18 through E-23 of this report.

Long-term Debt – As of June 30, 2015, the City had total debt outstanding of \$94.2 million (Figure 9). Of this total indebtedness, \$570,000 is backed by the full faith and credit of the City. The remainder of the City's debt, totaling \$93.6 million, represents bonds secured solely by specified revenue sources (revenue bonds) or contracts collateralized by the financed project – often real or personal property (installment financing contracts).

In June 2015, the City issued \$50,625,000 of Revenue Refunding Bonds to a) advance refund \$53,980,000 of the City's outstanding Water system Revenue Bonds (\$25,640,000 of the City's Water System Revenue Refunding Bonds, Series 2005 maturing August 1, 2016 through August 1, 2025 and \$28,340,000 of the City's Water System Revenue Bonds, Series 2007 maturing August 1, 2018 through August 1, 2032) and to b) pay the fees and expenses incurred in connection with the sale and issuance of the 2015 Bonds. The refunding was accomplished by placing the proceeds of the refunding bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liabilities for the defeased bonds are included in the City's financial statements. The advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$8,240,259 and resulted in an economic gain of \$6,154,500.

**CITY OF ASHEVILLE
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Additionally in June 2015, the City entered into an installment financing contract, in the amount of \$3.225 million, to provide funding for the purchase of certain capital assets including vehicles, computers, and equipment.

The City's total net debt at June 30, 2015, decreased by approximately \$7.9 million when compared to 2014 fiscal year end. This is the result of the net savings realized from the Water Revenue Bond refunding (as noted both above and in Note VI), annual payments made in accordance with regularly scheduled maturity dates on the existing debt and the effect of the current year's additional debt. The City has no bonds authorized and unissued at June 30, 2015.

In August 2015, Standard & Poor's upgraded the City's long-term general obligation bond rating to AAA. The City has maintained its Aa1 rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$843.4 million which is significantly in excess of the City's outstanding general obligation debt. Additional information regarding the City's long-term debt can be found in Note VI on pages E-24 to E-33 of this report.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 570	\$ 670	\$ -	\$ -	\$ 570	\$ 670
Installment financing contracts	24,382	25,309	11,727	12,064	36,109	37,373
Revenue bonds	-	-	56,325	62,685	56,325	62,685
Other long-term indebtedness	718	783	459	618	1,177	1,401
Total bonds	<u>\$ 25,670</u>	<u>\$ 26,762</u>	<u>\$ 68,511</u>	<u>\$ 75,367</u>	<u>\$ 94,181</u>	<u>\$ 102,129</u>

General Fund Budgetary Highlights

During fiscal year 2015, there was a \$10.1 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 \$5.15 million. The second largest component of the increase was a \$3.41 million budget amendment related to receipt of proceeds from the sale of the Ferry Road property and the subsequent payment of those funds to Buncombe County. Other major items contributing to this increase include: 1) \$500,000 in Council-approved workforce investments, and 2) \$636,000 appropriated from assigned fund balance to transfer previously collected degradation fee revenue and land sale proceeds to the General Capital Projects Fund.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Actual General Fund revenues exceeded final budget estimates by approximately \$3.89 million or 3.8 percent. Ad valorem tax revenues, the City's largest General Fund revenue source, finished the year at 99.6 percent of budget. Fiscal year 2015 revenue from ad valorem taxes was essentially flat compared to fiscal year 2014. Other (sales) taxes, the second largest General Fund revenue, finished the year at 107.2 percent of budget. Other tax revenue in fiscal year 2015 increased \$2.2 million or 11.9 percent over fiscal year 2014 revenue. Intergovernmental revenue finished the year at 109.2 percent of budget primarily due to higher than expected collections from state utility taxes. Revenue from licenses and permits exceeded final budget estimates by approximately \$370,000 due to continued strong performance from building permits. In the miscellaneous category, the City's share of local ABC Board profits exceeded budget estimates by \$429,000. General Fund revenues for fiscal year 2015 totaled \$105.5 million compared to fiscal year 2014 revenues of \$97.4 million, an increase of \$8.1 million or 8.3 percent. Factoring out the one-time \$3.4 million in land sale proceeds mentioned above, year-over-year revenue growth in the General Fund was \$4.7 million or 4.8%.

General Fund expenditures were under budget by \$10.2 million. Favorable expenditure budget variances occurred in every category of expenditure. Approximately \$1.5 million in contracts and purchase orders were encumbered against the fiscal year 2015 budget but not spent during the year, which contributed to the favorable expenditure budget variance. In addition, the City committed \$3.6 million in expenditure savings (shown under General Government) as part of its multi-year capital improvement financial model. The City also assigned \$2.5 million in expenditure budget savings for future expenses, including: 1) \$441,000 for the sustainability program, 2) \$576,000 for building maintenance, 3) \$297,000 for police department equipment, and 4) \$200,000 to update the City's comprehensive plan. Finally, the favorable budget variance in Community Development is partially due to unspent loan funds, for which a substantial portion of the favorable variance was reflected as assigned General Fund balance at June 30, 2015.

Actual revenues exceeded expenditures by \$9.9 million in fiscal year 2015. The comparable figure in fiscal year 2014 was \$10.9 million.

Total other financing sources and uses for the period ended June 30, 2015 was \$2.9 million. The other financing sources and uses category contains net transfers to other funds totaling \$3.6 million for fiscal year 2015. This total includes transfers to the Mass Transit and U.S. Cellular Center enterprise funds as well as to the General Capital Projects Fund. The other financing sources and uses category also includes appropriated fund balance, with a final budget of \$7.4 million. The original budget adopted by City Council contained a \$2.0 million appropriation from fund balance. As noted above, the largest portion of the \$5.4 million increase in fund balance appropriation begin original and final budget relates to prior year's encumbrances. While the financial plan contemplated the use of approximately \$7.4 million in fund balance, the actual financial performance in the General Fund reflected an increase of \$6.9 million in total fund balance.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Economic Factors

- The local labor market continues to improve. As of August 2015, Buncombe County's unadjusted unemployment rate stood at 4.6 percent, as compared to a 5.4 percent rate one year earlier. Local unemployment rates are below both the statewide rate (6.1 percent) and the national rate (5.1 percent).
- The estimated population as of 2014 totaled 87,882, which represents a 5.2 percent increase over the 2010 Census amount.
- Fiscal year 2015 retail sales in Buncombe County totaled \$4.3 billion, an increase of 13.6 percent compared to fiscal year 2014.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2016.

The City's adopted General Fund budget for fiscal year 2016 totals \$103,148,627, which represents a 3.6 percent increase compared to the fiscal year 2015 original budget. The adopted fiscal year 2016 budget includes a 1.5 cent increase in the City's property tax rate to offset the loss of revenue from the business privilege license fees which were eliminated by state legislation. The City's tax rate for fiscal year 2016 is 47.5 cents per \$100 of assessed valuation. The adopted fiscal year 2016 budget is balanced with no appropriation from fund balance. The budget for personnel costs (salaries & wages and fringe benefits) includes funding to implement the recommendations from the Segal Waters compensation study and provide all employees with a 1% salary increase on July 1, 2015. The personnel budget in the General Fund is also impacted by staffing additions and the inclusion of funding to pay all temporary/seasonal staff a living wage. Operating costs in the General Fund are budgeted to remain essentially flat in fiscal year 2016. Interfund transfers to the Mass Transit Fund and the US Cellular Center Fund are budgeted to increase by approximately \$100,000, primarily due to an increase in the Transit transfer to fund a full year of Sunday bus service. In accordance with the City's multi-year debt service and capital improvement financial model, the General Fund debt service budget is maintained at \$5.3 million. The fiscal year 2016 capital outlay budget includes the transfer of \$3.3 million from the fiscal year 2014 ad valorem tax rate increase into the City's debt service and capital improvement funds, along with additional pay-go capital maintenance funding.

Business-type Activities – The fiscal year 2016 Water Resources Fund adopted budget contains the following rate changes: Single Family, Multi-Family, Small Commercial/Manufacturer: 1.5 percent increase; Large Commercial/Manufacturer (>1,000 CCF/month): 3.5 percent increase; Wholesale & Irrigation: 5.0 percent increase; Capital Improvement Fee: 1.5 percent increase for each meter size. These rate adjustments are expected to generate approximately \$465,000 in additional revenue. The fiscal year 2016 adopted Water Resources Fund budget includes \$750,000 in professional services for on-call professional engineering contracts, which will allow the department to expedite project design, bidding, and construction. Otherwise, the

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

personnel and operating budgets in the Water Resources Fund reflect a continuation of existing programs and services. The Water Resources capital outlay budget includes \$11.98 million in pay-as-you-go funding for water capital improvement projects and \$335,000 to fund the routine replacement of vehicles and equipment. The capital funding is partially funded with a \$1.89 million appropriation from Water fund balance. As discussed in the notes to the basic financial statements, staff completed a refunding of the 2005 and 2007 Water debt during fiscal year 2015, which will result in substantial debt service savings over the life of the repayment. The Fund's debt service obligations in fiscal year 2016 total \$6.1 million, which represents 16 percent of the overall Water Resources Fund budget.

In the Mass Transit Fund, the adopted fiscal year 2016 budget includes funding for a full year of Sunday service and other minor route changes. Based on the financial model developed in the previous fiscal year, staff submitted and City Council approved a 5% increase in stormwater fees for fiscal year 2016. The adopted personnel budget in the Stormwater Fund also includes funding for an additional crew to enhance the stormwater maintenance program. The adopted Parking Services Fund budget includes a \$300,000 appropriation from Parking fund balance for capital projects including: 1) elevator rehabilitation in the three older garages, and 2) structural maintenance in the Civic Center Garage. Otherwise, the fiscal year 2016 adopted budgets for business-type activities reflect a continuation of existing programs and services.

Requests for Information

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



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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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
ASSETS				
Current assets:				
Cash and investments	\$ 43,014,072	\$ 59,776,076	\$ 102,790,148	\$ 2,849,132
Cash and investments - restricted	1,668,020	3,846,116	5,514,136	-
Receivables (net of allowance for uncollectibles):				
Property taxes	715,529	-	715,529	-
Due from other governments	12,366,154	3,102,849	15,469,003	-
Accounts receivable	988,061	5,643,429	6,631,490	20,333
Other receivables	188,866	-	188,866	-
Internal balances	653,366	(653,366)	-	-
Inventories and prepaids	442,141	721,119	1,163,260	2,070,342
Assets held for resale	497,633	-	497,633	-
Notes receivable (net of allowance for uncollectibles)	11,261,342	-	11,261,342	-
Total current assets	<u>71,795,184</u>	<u>72,436,223</u>	<u>144,231,407</u>	<u>4,939,807</u>
Non-current assets:				
Net pension asset	4,815,121	1,003,260	5,818,381	157,343
Capital assets, net:				
Assets not being depreciated	49,638,823	26,106,751	75,745,574	3,006,965
Assets being depreciated, net	117,555,061	187,491,575	305,046,636	4,957,314
Total noncurrent assets	<u>172,009,005</u>	<u>214,601,586</u>	<u>386,610,591</u>	<u>8,121,622</u>
Total assets	<u>243,804,189</u>	<u>287,037,809</u>	<u>530,841,998</u>	<u>13,061,429</u>
DEFERRED OUTFLOWS OF RESOURCES				
Employer contributions subsequent to the measurement date	3,138,759	653,979	3,792,738	136,227
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	44,417
Charge on refunding	16,176	1,489,297	1,505,473	-
Total deferred outflows of resources	<u>3,154,935</u>	<u>2,143,276</u>	<u>5,298,211</u>	<u>180,644</u>
LIABILITIES				
Accounts payable	6,842,304	3,139,074	9,981,378	1,359,693
Due to other governments	-	-	-	639,053
Other accrued liabilities	2,426,988	341,445	2,768,433	303,584
Customer deposits	73,884	715,050	788,934	-
Accrued interest payable	254,652	338,738	593,390	-
Unearned revenue	834,776	152,517	987,293	-
Estimated claims payable:				
Due in more than one year	2,929,843	-	2,929,843	-
Non-current liabilities:				
Due within one year	7,849,620	5,268,434	13,118,054	218,085
Due in more than one year	30,623,924	72,599,821	103,223,745	2,191,177
Total liabilities	<u>51,835,991</u>	<u>82,555,079</u>	<u>134,391,070</u>	<u>4,711,592</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	12,304	-	12,304	-
Differences between expected and actual experience	526,135	109,623	635,758	17,193
Net difference between projected and actual earnings on pension plan investments	11,209,490	2,335,563	13,545,053	366,294
Changes in proportion and differences between employer contributions and proportionate share of contributions	495,226	103,183	598,409	-
Total deferred inflows of resources	<u>12,243,155</u>	<u>2,548,369</u>	<u>14,791,524</u>	<u>383,487</u>
NET POSITION				
Net investment in capital assets	141,190,787	135,963,812	277,154,599	5,543,850
Restricted for:				
Nonspendable:				
Perpetual maintenance	317,452	-	317,452	-
Stabilization by State Statute	12,394,236	-	12,394,236	-
Community development	865,986	-	865,986	-
Working capital	-	-	-	814,360
Unrestricted	28,111,517	68,113,825	96,225,342	1,788,784
Total net position	<u>\$ 182,879,978</u>	<u>\$ 204,077,637</u>	<u>\$ 386,957,615</u>	<u>\$ 8,146,994</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, 2015**

<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	\$ 18,461,388	\$ 9,414,318	\$ 68,427	\$ 6,720,000
Public safety	46,311,036	1,347,598	1,333,507	-
Environmental services	6,098,443	2,629,879	-	-
Community development	8,053,355	4,086,956	1,805,528	-
Transportation	14,654,302	312,914	3,798,370	1,044,046
Culture and recreation	10,423,004	1,421,489	319,664	123,160
Interest on long-term debt	757,384	-	-	-
Total governmental activities:	<u>104,758,912</u>	<u>19,213,154</u>	<u>7,325,496</u>	<u>7,887,206</u>
Business-type activities:				
Water Resources	28,733,015	35,563,930	70,479	1,599,292
Parking Services	3,287,928	5,221,501	-	33,651
Street Cut Utility	1,406,954	1,461,372	-	-
Stormwater	4,069,281	5,036,374	-	1,021,982
U.S. Cellular Center	3,725,917	1,621,685	-	952,940
Mass Transit	7,142,764	1,214,700	2,747,376	151,862
Total business-type activities:	<u>48,365,859</u>	<u>50,119,562</u>	<u>2,817,855</u>	<u>3,759,727</u>
Total primary government:	<u>\$ 153,124,771</u>	<u>\$ 69,332,716</u>	<u>\$ 10,143,351</u>	<u>\$ 11,646,933</u>
Component unit:				
ABC Board	<u>\$ 20,668,467</u>	<u>\$ 21,210,085</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Grants and contributions not restricted to specific program:				
Investment earnings				
Miscellaneous				
Gain on sale of assets				
Transfers				
Total general revenues and transfers:				
Changes in net position				
Net position - beginning				
Restatement - (Note XIV)				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			Component Unit City of Asheville ABC Board
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$ (2,258,643)	\$ -	\$ (2,258,643)	\$ -
(43,629,931)	-	(43,629,931)	-
(3,468,564)	-	(3,468,564)	-
(2,160,871)	-	(2,160,871)	-
(9,498,972)	-	(9,498,972)	-
(8,558,691)	-	(8,558,691)	-
(757,384)	-	(757,384)	-
<u>(70,333,056)</u>	<u>-</u>	<u>(70,333,056)</u>	<u>-</u>
-	8,500,686	8,500,686	-
-	1,967,224	1,967,224	-
-	54,418	54,418	-
-	1,989,075	1,989,075	-
-	(1,151,292)	(1,151,292)	-
-	(3,028,826)	(3,028,826)	-
<u>-</u>	<u>8,331,285</u>	<u>8,331,285</u>	<u>-</u>
<u>(70,333,056)</u>	<u>8,331,285</u>	<u>(62,001,771)</u>	<u>-</u>
-	-	-	541,618
51,783,148	-	51,783,148	-
21,372,331	-	21,372,331	-
540,129	-	540,129	-
13,057,980	-	13,057,980	-
161,531	195,200	356,731	481
695,895	1,868	697,763	(53,752)
340,596	253,170	593,766	-
(3,132,994)	3,132,994	-	-
<u>84,818,616</u>	<u>3,583,232</u>	<u>88,401,848</u>	<u>(53,271)</u>
14,485,560	11,914,517	26,400,077	488,347
175,632,381	193,671,192	369,303,573	7,819,376
(7,237,963)	(1,508,072)	(8,746,035)	(160,729)
<u>\$ 182,879,978</u>	<u>\$ 204,077,637</u>	<u>\$ 386,957,615</u>	<u>\$ 8,146,994</u>

**CITY OF ASHEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	Major Funds			Total Governmental Funds
	General Fund	General Capital Projects Fund	Non-major Governmental Funds	
ASSETS				
Cash and investments	\$ 32,862,737	\$ -	\$ 1,356,033	\$ 34,218,770
Cash and investments - restricted	73,884	1,594,136	-	1,668,020
Receivables (net of allowance for uncollectibles):				
Property taxes	715,529	-	-	715,529
Due from other governments	10,061,924	2,031,676	272,554	12,366,154
Accounts receivable	529,218	22,000	3,615	554,833
Other receivables	187,039	-	1,827	188,866
Inventories and prepaids	442,141	-	-	442,141
Due from other funds	3,555,493	-	-	3,555,493
Notes receivable (net of allowance for uncollectibles)	6,965,146	-	4,296,196	11,261,342
Total assets	<u>\$ 55,393,111</u>	<u>\$ 3,647,812</u>	<u>\$ 5,930,225</u>	<u>\$ 64,971,148</u>
LIABILITIES				
Accounts payable	\$ 2,458,330	\$ 2,225,703	\$ 57,105	\$ 4,741,138
Other accrued liabilities	2,391,743	-	7,166	2,398,909
Due to other funds	-	2,897,399	4,728	2,902,127
Deposits	73,884	-	-	73,884
Unearned revenue	369,522	288,861	176,393	834,776
Total liabilities	<u>5,293,479</u>	<u>5,411,963</u>	<u>245,392</u>	<u>10,950,834</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes	152,880	-	-	152,880
Unavailable resources	3,973,767	1,771,576	205,199	5,950,542
Total deferred inflows of resources	<u>4,126,647</u>	<u>1,771,576</u>	<u>205,199</u>	<u>6,103,422</u>
FUND BALANCES				
Non-spendable:				
Inventories and prepaids	442,141	-	-	442,141
Perpetual maintenance	-	-	317,452	317,452
Notes receivable	6,965,146	-	4,296,196	11,261,342
Restricted:				
Stabilization by State Statute	12,394,236	-	-	12,394,236
Grant programs	-	-	865,986	865,986
Committed:				
Community and economic development	842,052	-	-	842,052
Assigned:				
Capital improvements	6,221,933	-	-	6,221,933
Various projects	2,460,621	-	-	2,460,621
Unassigned	16,646,856	(3,535,727)	-	13,111,129
Total fund balances	<u>45,972,985</u>	<u>(3,535,727)</u>	<u>5,479,634</u>	<u>47,916,892</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 55,393,111</u>	<u>\$ 3,647,812</u>	<u>\$ 5,930,225</u>	<u>\$ 64,971,148</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, 2015

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Ending fund balance - governmental funds	\$ 47,916,892
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	167,193,884
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable resources	6,091,118
Bond refunding charges	16,176
Certain assets held for resale are not available to pay for current period expenditures and, therefore, not reported in the funds.	497,633
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements:	
General obligation bonds	(570,000)
Installment financing contracts, net of premiums	(26,292,916)
Other long-term indebtedness	(718,120)
Compensated absences payable	(5,389,335)
Net pension obligation	(1,148,107)
Net OPEB obligation	(4,355,066)
Net pension asset	4,786,912
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	3,120,371
Pension related deferrals	(12,159,197)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:	
Interest payable	(254,652)
The internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	<u>4,144,385</u>
Net position of governmental activities (Exhibit A)	<u><u>\$ 182,879,978</u></u>

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

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<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	\$ 51,888,019	\$ -	\$ -	\$ 51,888,019
Other taxes	20,012,825	-	-	20,012,825
Intergovernmental	16,266,012	1,083,192	3,169,448	20,518,652
Licenses and permits	5,768,983	205,256	-	5,974,239
Charges for services	9,270,784	138,164	49,572	9,458,520
Investment earnings	134,492	1,653	6,419	142,564
Miscellaneous	2,035,564	214,738	206,859	2,457,161
Total revenues	<u>105,376,679</u>	<u>1,643,003</u>	<u>3,432,298</u>	<u>110,451,980</u>
EXPENDITURES				
Current:				
General government	17,186,604	2,153,838	30,000	19,370,442
Public safety	45,048,940	3,239,837	741,104	49,029,881
Environmental services	5,671,865	492,525	-	6,164,390
Community development	5,653,300	743,321	2,127,491	8,524,112
Transportation	7,800,236	6,641,774	309,744	14,751,754
Culture and recreation	9,020,760	1,927,339	26,845	10,974,944
Debt service:				
Principal	3,866,134	-	40,000	3,906,134
Interest and other charges	1,076,907	-	28,125	1,105,032
Total expenditures	<u>95,324,746</u>	<u>15,198,634</u>	<u>3,303,309</u>	<u>113,826,689</u>
Revenues over (under) expenditures	<u>10,051,933</u>	<u>(13,555,631)</u>	<u>128,989</u>	<u>(3,374,709)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	355,241	742,543	9,230	1,107,014
Transfers to other funds	(3,665,002)	-	(123,402)	(3,788,404)
Proceeds from sale of capital assets	344,463	-	2,994	347,457
Installment purchase obligations issued	-	2,814,741	-	2,814,741
Total other financing sources (uses)	<u>(2,965,298)</u>	<u>3,557,284</u>	<u>(111,178)</u>	<u>480,808</u>
Net change in fund balances	7,086,635	(9,998,347)	17,811	(2,893,901)
Fund balances - beginning	32,103,423	6,462,620	994,314	39,560,357
Restatement (Note XIV)	6,782,927	-	4,467,509	11,250,436
Fund balances - ending	<u>\$ 45,972,985</u>	<u>\$ (3,535,727)</u>	<u>\$ 5,479,634</u>	<u>\$ 47,916,892</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, 2015

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

Net change in fund balances--total governmental funds (Exhibit E)	\$ (2,893,901)
Depreciation expense is not a use of current financial resources and, therefore, is not reported in the governmental fund statements.	(14,244,207)
Capital asset additions are a use of current financial resources and, therefore, are not reported as expenditures in the Statement of Activities.	15,456,687
Contribution of capital assets is not a current financial resource and, therefore, is not reported in the governmental fund statements.	6,794,621
Net book value of assets sold.	(296,038)
Transfer of capital assets from the governmental activities to the business type activities	(133,303)
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.	27,380
Change in assets held for resale	100,439
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	(104,871)
Change in unavailable revenues for grants	1,257,583
Change in unavailable revenues for sales and franchise taxes	3,973,767
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of those differences in the treatment of long-term debt and related items.	
Repayment of long-term debt	3,906,134
Long-term debt issued	(2,814,737)
Amortization of refunding loss	(5,392)
Amortization of premium/discount	325,660
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	3,120,371
Pension expense reported in the Statement of Activities does not require the use of current financial resources and, therefore is not reported as an expenditure in the governmental funds	(176,725)
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	(206,920)
Net pension obligation	(26,803)
Net OPEB obligation	(1,167,303)
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.	1,593,118
Change in net position of governmental activities (Exhibit B)	<u>\$ 14,485,560</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 (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<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	\$ 52,103,473	\$ 52,103,473	\$ 51,888,019	\$ (215,454)
Other taxes	18,704,766	18,704,766	20,012,825	1,308,059
Intergovernmental	11,476,750	14,942,013	16,266,012	1,323,999
Licenses and permits	5,175,010	5,475,010	5,768,983	293,973
Charges for services	8,595,455	8,864,469	9,270,784	406,315
Investment earnings	150,000	150,000	134,492	(15,508)
Miscellaneous	1,242,500	1,401,500	2,193,346	791,846
Total revenues	<u>97,447,954</u>	<u>101,641,231</u>	<u>105,534,461</u>	<u>3,893,230</u>
EXPENDITURES				
Current:				
General government	13,459,261	21,427,266	17,186,604	4,240,662
Public safety	44,993,664	46,292,924	45,048,940	1,243,984
Environmental services	6,292,001	6,215,753	5,671,865	543,888
Community development	5,545,577	7,222,139	5,993,302	1,228,837
Transportation	7,246,816	9,545,857	7,800,236	1,745,621
Culture and recreation	9,653,537	9,745,201	9,020,760	724,441
Debt service:				
Principal	5,387,021	3,867,000	3,866,134	866
Interest and other charges	-	1,520,021	1,076,907	443,114
Total expenditures	<u>92,577,877</u>	<u>105,836,161</u>	<u>95,664,748</u>	<u>10,171,413</u>
Revenues over (under) expenditures	<u>4,870,077</u>	<u>(4,194,930)</u>	<u>9,869,713</u>	<u>14,064,643</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	2,000,000	7,366,998	-	(7,366,998)
Transfers from other funds	-	309,135	355,241	46,106
Transfers to other funds	(6,970,077)	(3,962,453)	(3,665,002)	297,451
Proceeds from sale of capital assets	100,000	481,250	344,463	(136,787)
Total other financing sources (uses)	<u>(4,870,077)</u>	<u>4,194,930</u>	<u>(2,965,298)</u>	<u>(7,160,228)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,904,415</u>	<u>\$ 6,904,415</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:				
Revenues and other sources over expenditures and other uses:			\$ 6,904,415	
Reconciling items:				
Loan repayments			(157,782)	
Loans issued			<u>340,002</u>	
Change in fund balance			7,086,635	
Fund balances - beginning			32,103,423	
Restatement (Note XIV)			<u>6,782,927</u>	
Fund balances - ending			<u>\$ 45,972,985</u>	

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

CITY OF ASHEVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Parking Services	Mass Transit		Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 53,696,519	\$ 2,067,816	\$ -	\$ 4,011,741	\$ 59,776,076	\$ 8,795,302
Cash and investments - restricted	3,845,616	500	-	-	3,846,116	-
Accounts receivable (net of allowance for uncollectibles)	4,307,292	778,534	190,357	400,897	5,677,080	433,228
Due from other governments	70,479	-	1,736,789	1,261,930	3,069,198	-
Inventories and prepaids	474,971	3,710	189,483	52,955	721,119	-
Due from other funds	138,886	-	-	-	138,886	-
Total current assets	<u>62,533,763</u>	<u>2,850,560</u>	<u>2,116,629</u>	<u>5,727,523</u>	<u>73,228,475</u>	<u>9,228,530</u>
Non-current assets:						
Net pension asset	640,203	69,377	17,755	275,925	1,003,260	28,209
Capital assets:						
Assets not being depreciated	10,416,852	10,920,731	174,698	4,594,470	26,106,751	-
Assets being depreciated, net	153,577,546	12,430,880	5,905,882	15,577,267	187,491,575	-
Total noncurrent assets	<u>164,634,601</u>	<u>23,420,988</u>	<u>6,098,335</u>	<u>20,447,662</u>	<u>214,601,586</u>	<u>28,209</u>
Total assets	<u>227,168,364</u>	<u>26,271,548</u>	<u>8,214,964</u>	<u>26,175,185</u>	<u>287,830,061</u>	<u>9,256,739</u>
DEFERRED OUTFLOWS OF RESOURCES						
Employer contributions subsequent to the measurement date	417,319	45,223	11,574	179,863	653,979	18,388
Deferred charge on refunding	1,442,354	46,943	-	-	1,489,297	-
Total deferred outflows of resources	<u>1,859,673</u>	<u>92,166</u>	<u>11,574</u>	<u>179,863</u>	<u>2,143,276</u>	<u>18,388</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,719,858	116,834	495,868	806,514	3,139,074	2,101,166
Customer deposits	714,550	500	-	-	715,050	-
Interest payable	221,633	85,127	-	31,978	338,738	-
Other accrued liabilities	207,204	22,092	5,391	106,758	341,445	28,079
Due to other funds	-	-	625,547	166,705	792,252	-
Unearned revenue	152,517	-	-	-	152,517	-
Current portion of long-term debt	4,136,730	578,290	10,109	543,305	5,268,434	-
Total current liabilities	<u>7,152,492</u>	<u>802,843</u>	<u>1,136,915</u>	<u>1,655,260</u>	<u>10,747,510</u>	<u>2,129,245</u>
Non-current liabilities:						
Estimated claims payable	-	-	-	-	-	2,929,843
Long-term liabilities, less current portion	60,197,317	8,630,140	29,125	3,743,239	72,599,821	-
Total liabilities	<u>67,349,809</u>	<u>9,432,983</u>	<u>1,166,040</u>	<u>5,398,499</u>	<u>83,347,331</u>	<u>5,059,088</u>
DEFERRED INFLOWS OF RESOURCES						
Differences between expected and actual experience	69,953	7,581	1,940	30,149	109,623	3,083
Net difference between projected and actual earnings on pension plan investments	1,490,377	161,507	41,333	642,345	2,335,562	65,670
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,844	7,135	1,826	28,379	103,184	2,901
Total deferred inflows of resources	<u>1,626,174</u>	<u>176,223</u>	<u>45,099</u>	<u>700,873</u>	<u>2,548,369</u>	<u>71,654</u>
NET POSITION						
Net investment in capital assets	99,307,519	14,209,975	6,080,580	16,365,738	135,963,812	-
Unrestricted	60,744,535	2,544,533	934,819	3,889,938	68,113,825	4,144,385
Total net position	<u>\$ 160,052,054</u>	<u>\$ 16,754,508</u>	<u>\$ 7,015,399</u>	<u>\$ 20,255,676</u>	<u>\$ 204,077,637</u>	<u>\$ 4,144,385</u>

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

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Parking Services	Mass Transit		Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 35,443,666	\$ 4,257,761	\$ 862,766	\$ 6,692,933	\$ 47,257,126	\$ 16,490,932
Rents	-	26,163	-	662,539	688,702	-
Concessions	-	-	-	610,960	610,960	-
Other operating revenue	120,268	937,582	350,396	145,471	1,553,717	854,759
Total operating revenues	<u>35,563,934</u>	<u>5,221,506</u>	<u>1,213,162</u>	<u>8,111,903</u>	<u>50,110,505</u>	<u>17,345,691</u>
OPERATING EXPENSES						
Administration	1,146,130	-	441,589	3,292,432	4,880,151	1,050,791
Operations	15,730,956	2,501,768	5,467,907	4,523,046	28,223,677	14,402,448
Other operating expenses	1,258,153	642	239,989	156,350	1,655,134	-
Depreciation	7,375,551	459,568	991,966	1,110,109	9,937,194	-
Total operating expenses	<u>25,510,790</u>	<u>2,961,978</u>	<u>7,141,451</u>	<u>9,081,937</u>	<u>44,696,156</u>	<u>15,453,239</u>
Operating income (loss)	<u>10,053,144</u>	<u>2,259,528</u>	<u>(5,928,289)</u>	<u>(970,034)</u>	<u>5,414,349</u>	<u>1,892,452</u>
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental	70,479	-	2,747,376	-	2,817,855	-
Interest earned	175,176	6,467	219	13,338	195,200	18,967
Interest and other charges	(3,222,226)	(325,950)	(1,314)	(111,309)	(3,660,799)	-
Miscellaneous revenue	-	-	2,021	-	2,021	-
Gain on disposal of capital assets	185,315	-	7,821	60,034	253,170	-
Total non-operating revenues (expenses)	<u>(2,791,256)</u>	<u>(319,483)</u>	<u>2,756,123</u>	<u>(37,937)</u>	<u>(392,553)</u>	<u>18,967</u>
Income (loss) before transfers and capital grants and contributions	<u>7,261,888</u>	<u>1,940,045</u>	<u>(3,172,166)</u>	<u>(1,007,971)</u>	<u>5,021,796</u>	<u>1,911,419</u>
Transfers:						
Transfers from other funds	-	-	2,420,491	1,331,626	3,752,117	-
Transfers to other funds	-	(616,875)	(2,248)	(133,303)	(752,426)	(318,301)
Capital grants and contributions	1,599,292	33,651	151,862	2,108,225	3,893,030	-
Changes in net position	<u>8,861,180</u>	<u>1,356,821</u>	<u>(602,061)</u>	<u>2,298,577</u>	<u>11,914,517</u>	<u>1,593,118</u>
Total net position - beginning	152,153,210	15,501,972	7,644,149	18,371,861	193,671,192	2,593,670
Restatement (Note XIV)	(962,336)	(104,285)	(26,689)	(414,762)	(1,508,072)	(42,403)
Total net position - ending	<u>\$ 160,052,054</u>	<u>\$ 16,754,508</u>	<u>\$ 7,015,399</u>	<u>\$ 20,255,676</u>	<u>\$ 204,077,637</u>	<u>\$ 4,144,385</u>

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

CITY OF ASHEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Parking Services	Mass Transit		Enterprise Funds	Internal Service Funds
Cash flows from operating activities						
Cash received from customers, users and others	\$ 35,304,093	\$ 5,072,812	\$ 1,172,805	\$ 8,002,266	\$ 49,551,976	\$ 17,749,843
Cash paid for goods and services	(9,286,337)	(1,519,476)	(5,819,403)	(3,920,187)	(20,545,403)	(15,291,170)
Cash paid to employees	(8,955,052)	(970,633)	(257,213)	(3,966,447)	(14,149,345)	(450,890)
Net cash provided by (used for) operating activities	17,062,704	2,582,703	(4,903,811)	115,632	14,857,228	2,007,783
Cash flows from non-capital financing activities						
Receipts from operating grants	-	-	2,025,802	-	2,025,802	-
Transfers from other funds	-	-	2,420,491	1,331,626	3,752,117	-
Transfers to other funds	-	(616,875)	(2,248)	(133,303)	(752,426)	(318,301)
Advances received from other funds	46,296	-	145,901	-	192,197	-
Advances paid to other funds	-	-	-	(18,477)	(18,477)	-
Net cash provided by (used for) non-capital financing activities	46,296	(616,875)	4,589,946	1,179,846	5,199,213	(318,301)
Cash flows from capital and related financing activities						
Receipts from capital grants or contributions	-	33,651	151,862	978,351	1,163,864	-
Proceeds from disposal of capital assets	185,315	-	7,821	60,034	253,170	-
Acquisition and construction of capital assets	(6,060,071)	(249,781)	153,256	(2,448,893)	(8,605,489)	-
Other receipts	-	-	2,021	-	2,021	-
Proceeds from long-term debt issued	-	-	-	410,263	410,263	-
Principal paid on debt	(3,164,909)	(485,000)	-	(261,859)	(3,911,768)	-
Proceeds from sale of refunding bonds	57,943,209	-	-	-	57,943,209	-
Payments into escrow for defeased debt	(57,477,355)	-	-	-	(57,477,355)	-
Interest and other charges paid on debt	(4,361,660)	(388,325)	(1,314)	(144,811)	(4,896,110)	-
Net cash provided by (used for) for capital and related financing activities	(12,935,471)	(1,089,455)	313,646	(1,406,915)	(15,118,195)	-
Cash flows from investing activities						
Interest earned	175,176	6,467	219	13,338	195,200	18,967
Net increase (decrease) in cash and cash equivalents	4,348,705	882,840	-	(98,099)	5,133,446	1,708,449
Cash and cash equivalents:						
Beginning of year, July 1	53,193,430	1,185,476	-	4,109,840	58,488,746	7,086,853
End of year, June 30	<u>\$ 57,542,135</u>	<u>\$ 2,068,316</u>	<u>\$ -</u>	<u>\$ 4,011,741</u>	<u>\$ 63,622,192</u>	<u>\$ 8,795,302</u>

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

**CITY OF ASHEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Parking Services	Mass Transit		Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 10,053,144	\$ 2,259,528	\$ (5,928,289)	\$ (970,034)	\$ 5,414,349	\$ 1,892,452
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	7,375,551	459,568	991,966	1,110,109	9,937,194	-
Pension expense	23,635	2,561	655	10,186	37,037	1,042
Changes in assets, liabilities and deferred outflows and inflows of resources:						
(Increase) decrease in accounts receivable	(261,789)	(148,694)	(40,357)	(82,617)	(533,457)	404,152
(Increase) decrease in inventories and prepaids	50,566	1,540	(15,826)	804	37,084	4,152
(Increase) decrease in deferred outflows of resources for pensions	(417,319)	(45,223)	(11,574)	(179,863)	(653,979)	(18,388)
Increase (decrease) in accounts payable	(1,747)	28,318	94,185	164,615	285,371	767,602
Increase (decrease) in other accrued expenses	44,264	4,643	649	39,981	89,537	(54,906)
Increase (decrease) in unearned revenue	(16,122)	-	-	(27,020)	(43,142)	-
Increase (decrease) in customer deposits	18,070	-	-	-	18,070	-
Increase (decrease) in estimated claims payable	-	-	-	-	-	(988,323)
Increase (decrease) in compensated absences	48,498	5,165	359	(1,276)	52,746	-
Increase (decrease) in OPEB obligation	145,953	15,297	4,421	50,747	216,418	-
Net cash provided by (used for) operating activities	<u>\$ 17,062,704</u>	<u>\$ 2,582,703</u>	<u>\$ (4,903,811)</u>	<u>\$ 115,632</u>	<u>\$ 14,857,228</u>	<u>\$ 2,007,783</u>
Reconciliation of cash and cash equivalents:						
Cash and investments:						
Unrestricted	\$ 53,696,519	\$ 2,067,816	\$ -	\$ 4,011,741	\$ 59,776,076	\$ 8,795,302
Restricted	3,845,616	500	-	-	3,846,116	-
Total cash and cash equivalents	<u>\$ 57,542,135</u>	<u>\$ 2,068,316</u>	<u>\$ -</u>	<u>\$ 4,011,741</u>	<u>\$ 63,622,192</u>	<u>\$ 8,795,302</u>
Non-cash investing, capital, and financing activities:						
Donated capital assets	<u>\$ 1,599,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,599,292</u>	<u>\$ -</u>

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

**CITY OF ASHEVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY TRUST AND AGENCY FUNDS
June 30, 2015**

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ -	\$ 940,311
Cash and investments held by fiscal agent:		
State Treasurer's OPEB Fund	5,401,756	-
Due from customers	-	1,456,329
Total assets	5,401,756	\$ 2,396,640
 LIABILITIES		
Due to others	-	\$ 191,393
Due to other governments	-	2,205,247
Total liabilities	-	\$ 2,396,640
 NET POSITION		
Assets held in trust for OPEB benefits	\$ 5,401,756	

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, 2015**

	<u>OPEB Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 2,363,747
Investment earnings	<u>223,950</u>
Total additions	<u>2,587,697</u>
 DEDUCTIONS	
Benefits	<u>1,773,861</u>
Change in net position	813,836
Total net position - beginning	<u>4,587,920</u>
Total net position - ending	<u><u>\$ 5,401,756</u></u>

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

CITY OF ASHEVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Included within the reporting entity are:

Asheville Board of Alcoholic Control (the “ABC Board”)

The Asheville Board of Alcoholic Control was organized under the provisions of House Bill No. 1124 of the North Carolina General Assembly and implemented by a citywide election held November 14, 1947. The local ABC Board may borrow money in accordance with North Carolina General Statute 18B-702(r) and the City's governing body, who appoint ABC Board members, shall in no way be held responsible for the debts of the ABC Board. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the City, which represents a financial benefit to the City. Therefore, the ABC Board is reported as a discretely presented component unit. Complete financial statements for the ABC Board may be obtained from the Chief Financial Officer, Asheville Board of Alcoholic Control, Post Office Box 8834, Asheville, NC 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 APFC is governed by a board of directors whose three members serve for one year or until successors are elected. One of the three members is appointed by the City Manager. The board of directors elects the remaining directors. The APFC has no assets,

liabilities, revenues or expenses. All rights, title and interest to all financing contracts with the City have been assigned to various bank trustees. All financing arrangements with the City have been disclosed in the accompanying notes to the basic financial statements. The assets and related long-term lease obligations are reported in the related governmental and business-type funds in the City's financial statements.

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 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 ACC is currently inactive, and the City has assumed all responsibility for claims, losses, and settlements. Although the ACC still exists as of the current fiscal year-end, the entity no longer has any financial transactions.

Related Organizations

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

The Mayor appoints the five-member board of the Housing Authority of the City 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 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 the City and Buncombe County. Each member government has two appointments to the board, with the seventh member to be appointed by

the other six. The City will no longer have any fiscal responsibility for the Airport Authority, other than the transfer of real property on which the airport is located to the new authority, which is subject to approval and recognition of the new authority by the Federal Aviation Administration (FAA).

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

B. Basis of Presentation

Government-wide Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the City's funds, including the fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in other funds. The primary revenue sources are ad valorem taxes, various other taxes and licenses and state-shared revenues.

The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, general government services, risk management and benefits, information technology and debt service for the payment of general long-term principal, interest, and related costs.

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

The City reports the following non-major governmental funds:

Special Revenue 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 funds:

Water Resources Fund – The Water Resources Fund is an enterprise fund used to account for operations and maintenance of the City's water system including operation of three water treatment plants as well as the debt service for the payment of utility long-term debt principal, interest, and related costs. This fund also covers 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 Fund – The Parking Services Fund is an enterprise fund used to account for the operations and maintenance of the City's public parking system, which includes 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 Fund – The Mass Transit Fund is an enterprise fund used to account for the operation and maintenance of the City’s transit services which include 15 bus routes throughout the city and one to the Town of Black Mountain. Acquisition of buses and/or maintenance of transit facilities are accounted for in the Mass Transit Capital Projects Fund, which is combined with the Mass Transit Fund (the operating fund) for financial statement purposes.

The City reports the following non-major enterprise funds, some of which are combined with their own individual capital project funds for financial statement purposes: Street Cut Utility Fund, Stormwater Fund and U.S. Cellular Center Fund.

Additionally the City reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to

aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

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

Governmental Fund Financial Statements

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

The City considers all revenues available if they are collected within 60 days of the end of the current fiscal period, except for property taxes. Ad valorem taxes are not accrued as revenue

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

Sales taxes and certain intergovernmental revenues collected and held by the state at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Asheville because the tax is levied by Buncombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant proceeds received but unearned at year-end are recorded as unearned revenues. Under the terms of the grant agreements, the City funds certain programs in combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net positions available to finance the program. Excluding debt funding, it is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Water Resources Fund and the other non-major enterprise operating funds. Multi-year budgets are adopted for non-major governmental funds and enterprise capital projects funds. All annual appropriations lapse at the fiscal year-end. As required by state law [N. C. General Statute 159-26(d)], the City maintains encumbrance accounts, which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are restricted and will be charged against next year's budget. All budgets are prepared using the modified accrual basis of accounting. N.C. General Statute 159-13(a)(3) requires the budget ordinance make appropriations by department, function or project. The City has defined its annual operating funds to be functions; therefore, expenditures may not legally exceed appropriations at the fund level for all annual operating funds. Expenditures may not legally exceed appropriations at the

project level for all multi-year project funds. Amendments are required for any revisions that alter the total fund budget and must be approved by the City Council. The City internally manages expenditures on a line item and departmental basis. During the year budget revisions to the original budget were necessary. The Budget and Financial Reporting Division must approve all internal budget revisions. 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 Resources, and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers’ acceptances, and the North Carolina Capital Management Trust (NCCMT). The City’s and the ABC Board’s investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT’s share price. The NCCMT- Term Portfolio’s securities are valued at fair value.

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

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

Cash and Cash Equivalents

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

General Statute 159-30.1 allows the City to establish an Other Postemployment Benefit (OPEB) Trust Fund managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC, and G.S. 159-30(g) allows the City to make contributions to the Fund. The State Treasurer, at her discretion, may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(1-6) and (8). Funds submitted are managed in three different sub-funds: the State Treasurer's Short-Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the long-term investment fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B authorized under G.S. 147-69.2(b)(8).

The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The LTIF is also valued at \$1 per share. The Global Ex-US Alpha Tilts Fund B is priced at \$21.9957 per share and the Russell 3000 Alpha Tilts Fund B is priced at \$53.0437 per share at June 30, 2015. The weighted average maturity of the STIF is 1.5 years and the weighted average maturity of the LTIF is 18.0 years.

Restricted Assets

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

Ad Valorem Taxes Receivables

In accordance with North Carolina General Statutes [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes, other than motor vehicles, on July 1, the beginning of the fiscal year. The taxes are due September 1 (lien date), but interest and penalties do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and the percentage of prior year receivables collected within the

current fiscal year. In addition, an allowance is provided for certain loans where collectability is uncertain.

Inventories and Prepaid Items

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

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

Notes Receivable

Notes receivable are recorded net of an allowance for uncollectible accounts.

Capital Assets

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

City of Asheville	
Category of Capital Asset	Capitalization Threshold
Land	No Threshold
Infrastructure	\$50,000
Buildings	\$50,000
Improvements Other than Buildings	\$50,000
Machinery and Equipment	\$5,000
Rights of Way	\$5,000
Software	\$100,000
Internally Generated Software	\$1,000,000

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 do not extend the asset's useful life, increase its productivity, or add value to it are not capitalized. Capitalization of assets and improvements within a long-term project occur when the related asset is completed and put into use. Capitalized interest incurred during the construction phase of a project is included in the value of the asset capitalized in enterprise funds.

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

City of Asheville

Category of Capital Asset	Useful Life in Years
Infrastructure	20 – 50
Buildings	20 – 50
Improvements Other than Buildings	10 – 20
Machinery and Equipment	5 – 30
Software	5

ABC Board

Category of Capital Asset	Useful Life in Years
Buildings	20 – 30
Leasehold Improvements	10 – 20
Furniture and Equipment	5 – 10
Motor Vehicles	5

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2015 fiscal year and unamortized losses on bond defeasance in the General, Water Resources and Parking Funds. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has multiple items that meet the criterion for this

category - prepaid taxes, property taxes receivable (less penalties), some grant revenues and deferrals of pension expense that result from the implementation of GASB Statement 68.

Compensated Absences

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

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

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

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

Long-term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as certain bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other

financing sources while discounts on debt issuances are reported as other financing uses. Certain issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt related expenditures.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for Grant Programs: Portion of fund balance restricted for various grant programs.

Committed Fund Balance – This classification includes amounts that can only be spent for specific purposes imposed by majority vote by quorum of City of Asheville's governing body, the City Council (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the

adoption of another ordinance) to remove or revise the limitation. The amounts are committed for community and economic development purposes.

Assigned Fund Balance – This classification includes amounts the City intends to use for a specific purpose. Assignments may be created, amended, or eliminated by the Chief Financial Officer. Although managed as dedicated to specific areas, amounts are available for appropriation by Council. The majority of the amounts are to be used for facility and infrastructure improvements.

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

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

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

Pensions

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

II. Deposits and Investments

A. Deposits

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

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

At June 30, 2015, the City's deposits had a carrying amount of \$25,923,265 and a bank balance of \$26,944,852. Of the bank balance, \$26,479,225 was covered by collateral held under the Pooling Method and \$465,627 was covered by federal depository insurance. The City also had \$45,825 in petty cash at year-end. The carrying amount for the ABC Board was \$2,314,019 and a bank balance of \$2,812,384. Of the bank balance, \$2,562,384 was covered by collateral held under the Pooling Method, and \$250,000 was covered by federal depository insurance. The Board also had \$11,200 in petty cash at year-end. Certificates of Deposit are purchased for investment purposes and are included in the detail schedule below. All certificates held are covered by federal depository insurance and collateral held under the pooling method.

B. Investments

The calculation of realized gains is independent of the calculation of the net increase/decrease in the fair value of investments that have been held in more than one fiscal year and sold during the current year. The current year realized gain is recognized as an increase/decrease in the fair value of the current year investments as compared to the investments as reported in the prior year. The net increase in fair value during 2015 for the City was \$33,572. This amount takes into account all changes in fair value (including purchases, sales and maturities) that occurred during the year. The unrealized gain on investments held at year-end was \$88,381.

As of June 30, 2015 the City had the following investments and maturities:

	Fair Value	0-6 Months	6-12 Months	1-3 Years	3+ Years
U.S. Government Securities	\$ 297,956	\$ 41,213	\$ 30,809	\$ 55,354	\$ 170,580
U.S. Government Agencies	61,732,860	5,304,395	20,478,038	35,950,427	-
Commercial Paper	10,993,822	10,993,822	-	-	-
NCCMT - Cash Portfolio	2,130,229	2,130,229	-	-	-
NCCMT - Term Portfolio	5,120,638	5,120,638	-	-	-
Certificates of Deposit	3,000,000	3,000,000	-	-	-
Total	\$ 83,275,505	\$ 26,590,297	\$ 20,508,847	\$ 36,005,781	\$ 170,580

As of June 30, 2015, the ABC Board had investments of \$523,913.

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

Credit Risk – State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City’s investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2015. The City’s investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association) are rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service as of June 30, 2015.

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

Concentration of Credit Risk – The City’s policy generally limits the amount of investment in any one issuer to 25 percent by security type and institution. At June 30, 2015, approximately 21 percent of the City’s total investments are in Federal Home Loan Bank securities, about 30 percent in Federal National Mortgage Association securities, about 17 percent in Federal Home Loan Mortgage Corporation securities, and about 17 percent in Federal Farm Credit Bank securities. At June 30, 2015, the City OPEB Plan had \$5,401,756 invested in the State Treasurer’s Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 147-69.4. The State Treasurer’s OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer’s OPEB Fund was invested as follows: State

Treasurer's Long Term Investment Fund (LTIF) 49 percent and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 51 percent (the equities were split with 75 percent in domestic securities and 25 percent in international securities). The BlackRock Global Ex-US Alpha Tilts Fund B is priced at \$21.9957 per share and the BlackRock Russell 3000 Alpha Tilts Fund B is priced at \$53.0437 per share at June 30, 2015.

III. Receivables - Allowances for Doubtful Accounts

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

	Statement of Net Position		Balance Sheet	Fund Net Position
	Governmental Activities	Business-type Activities	Governmental Funds	Proprietary/Internal Service Funds
General Fund:				
Receivables:				
Property Taxes Receivable	\$ 435,405	\$ -	\$ 435,405	\$ -
Due from Other Governments	1,871,995	-	1,871,995	-
Accounts Receivable	261,125	-	261,125	-
Notes Receivable	45,500	-	45,500	-
Non-major Governmental Funds:				
Notes Receivable	39,000	-	39,000	-
Major Funds:				
Water Resources	-	775,250	-	775,250
Parking Services	-	716,839	-	716,839
Non-Major Enterprise Funds	-	530,530	-	530,530
Internal Services	20,779	-	-	20,779
	<u>\$ 2,673,804</u>	<u>\$ 2,022,619</u>	<u>\$ 2,653,025</u>	<u>\$ 2,043,398</u>

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

IV. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Governmental Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 35,675,455	\$ 594,315	\$ (406,433)	\$ -	\$ 35,863,337
Intangibles	3,790,422	217,885	-	-	4,008,307
Construction in Progress	7,246,670	6,693,873	(4,173,364)	-	9,767,179
Total Capital Assets, Non-depr	46,712,547	7,506,073	(4,579,797)	-	49,638,823
Capital Assets, Depreciable:					
Buildings and Improvements	58,608,837	11,205,444	-	-	69,814,281
Improvements other than Buildings	3,032,800	-	-	-	3,032,800
Machinery and Equipment	43,971,865	5,143,329	(1,902,006)	(200,406)	47,012,782
Infrastructure	233,421,257	2,663,699	-	-	236,084,956
Intangibles	569,775	-	-	-	569,775
Other Capital Assets	16,000	53,999	-	-	69,999
Total Capital Assets, Depreciable	339,620,534	19,066,471	(1,902,006)	(200,406)	356,584,593
Less Accumulated Depreciation for:					
Buildings and Improvements	(28,580,044)	(1,969,343)	-	-	(30,549,387)
Improvements other than Buildings	(520,090)	(161,315)	-	-	(681,405)
Machinery and Equipment	(29,815,803)	(3,006,298)	1,895,146	67,103	(30,859,852)
Infrastructure	(167,432,316)	(8,981,857)	-	-	(176,414,173)
Intangibles	(398,841)	(113,955)	-	-	(512,796)
Other Capital Assets	(480)	(11,439)	-	-	(11,919)
Total Accumulated Depreciation	(226,747,574)	(14,244,207)	1,895,146	67,103	(239,029,532)
Total Capital Assets, Depreciable, Net	112,872,960	4,822,264	(6,860)	(133,303)	117,555,061
Governmental Activities Capital Assets, Net	\$ 159,585,507	\$ 12,328,337	\$ (4,586,657)	\$ (133,303)	\$ 167,193,884

	Beginning Balance	Additions	Retirements	Transfers In (Out)	Ending Balances
Business-type Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 15,801,409	\$ 199,014	\$ -	\$ -	\$ 16,000,423
Intangibles	809,587	1,147,281	-	-	1,956,868
Construction in Progress	9,755,687	5,799,984	(7,406,211)	-	8,149,460
Total Capital Assets, Non-depr	26,366,683	7,146,279	(7,406,211)	-	26,106,751
Capital Assets, Depreciable:					
Buildings and Improvements	98,405,376	6,163,383	(33,418)	-	104,535,341
Improvements Other Than Buildings	705,403	-	-	-	705,403
Machinery and Equipment	39,123,290	546,349	(2,475,498)	200,406	37,394,547
Infrastructure	178,592,298	4,839,141	-	-	183,431,439
Other Capital Assets	16,667	8,334	-	-	25,001
Total Capital Assets, Depreciable	316,843,034	11,557,207	(2,508,916)	200,406	326,091,731
Less Accumulated Depreciation for:					
Buildings and Improvements	(44,271,278)	(2,678,628)	33,418	-	(46,916,488)
Improvements Other Than Buildings	(68,443)	(25,709)	-	-	(94,152)
Machinery and Equipment	(22,458,898)	(3,111,885)	2,475,498	(67,103)	(23,162,388)
Infrastructure	(64,306,101)	(4,120,133)	-	-	(68,426,234)
Other Capital Assets	(56)	(838)	-	-	(894)
Total Accumulated Depreciation	(131,104,776)	(9,937,193)	2,508,916	(67,103)	(138,600,156)
Total Capital Assets, Depreciable, Net	185,738,258	1,620,014	-	133,303	187,491,575
Business-type Activities Capital Assets, net	\$ 212,104,941	\$ 8,766,293	\$ (7,406,211)	\$ 133,303	\$ 213,598,326

	Beginning Balance	Additions	Retirements	Transfers In (Out)	Ending Balance
Water Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 4,348,362	\$ 199,014	\$ -	\$ -	\$ 4,547,376
Intangibles	501,860	1,147,281	-	-	1,649,141
Construction in Progress	4,849,459	3,471,258	(4,100,382)	-	4,220,335
Total Capital Assets, Non-depr	9,699,681	4,817,553	(4,100,382)	-	10,416,852
Capital Assets, Depreciable:					
Buildings and Improvements	61,216,545	2,787,859	(2,042)	-	64,002,362
Improvements other than Buildings	396,505	-	-	-	396,505
Machinery and Equipment	22,457,492	127,603	(1,659,942)	-	20,925,153
Infrastructure	165,656,482	4,619,824	-	-	170,276,306
Total Capital Assets, Depreciable	249,727,024	7,535,286	(1,661,984)	-	255,600,326
Less Accumulated Depreciation for:					
Buildings and Improvements	(27,268,139)	(1,685,273)	2,042	-	(28,951,370)
Improvements other than Buildings	(51,968)	(19,531)	-	-	(71,499)
Machinery and Equipment	(14,646,660)	(1,721,546)	1,659,942	-	(14,708,264)
Infrastructure	(54,342,446)	(3,949,201)	-	-	(58,291,647)
Total Accumulated Depreciation	(96,309,213)	(7,375,551)	1,661,984	-	(102,022,780)
Total Capital Assets, Depreciable, Net	153,417,811	159,735	-	-	153,577,546
Water Activities Capital Assets, Net	\$ 163,117,492	\$ 4,977,288	\$ (4,100,382)	\$ -	\$ 163,994,398

	Beginning Balance	Additions	Deductions	Ending Balance
Asheville ABC Board				
Capital Assets, Non-depreciable:				
Land	\$ 3,004,629	\$ -	\$ -	\$ 3,004,629
Construction in Progress	296,283	702,729	(996,676)	2,336
Total Capital Assets, Non-Depreciable	3,300,912	702,729	(996,676)	3,006,965
Capital Assets, being Depreciated:				
Buildings	5,086,481	1,044,023	-	6,130,504
Leasehold Improvements	232,569	-	(61,001)	171,568
Furniture and Equipment	1,393,033	83,600	(85,178)	1,391,455
Vehicles	231,270	23,496	(20,789)	233,977
Total Capital Assets, Depreciable	6,943,353	1,151,119	(166,968)	7,927,504
Less Accumulated Depreciation for:				
Buildings	(1,825,804)	(183,418)	-	(2,009,222)
Leasehold Improvements	(174,182)	(2,364)	12,100	(164,446)
Furniture and Equipment	(516,234)	(149,994)	65,166	(601,062)
Vehicles	(196,396)	(19,853)	20,789	(195,460)
Total Accumulated Depreciation	(2,712,616)	(355,629)	98,055	(2,970,190)
Total Capital Assets, Depreciable, Net	4,230,737	795,490	(68,913)	4,957,314
Capital Assets, Net	\$ 7,531,649	\$ 1,498,219	\$ (1,065,589)	\$ 7,964,279

During the year, the City recorded capital contributions, which represents the value of water lines, easements, rights of ways, and Pack Place improvements. Donated capital contributions are a non-cash capital related financing activity for the statement of cash flows.

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

Governmental Activities

General Government	\$ 1,080,193
Public Safety	2,463,677
Transportation	8,730,252
Environmental Protection	491,914
Economic Development	23,611
Culture & Recreation	1,454,560
Total Depreciation - Governmental Activities	<u>\$ 14,244,207</u>

Business-Type Activities

Water Resources	\$ 7,375,551
Parking Services	459,568
Mass Transit	991,966
Non-Major Enterprise Funds	1,110,108
Total Depreciation - Business Type Activities	<u>\$ 9,937,193</u>

The City has numerous construction projects as of June 30, 2015. The amounts the City is contractually committed to spend at June 30, 2015 are the following:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitments</u>
Building Maintenance	\$ -	\$ 2,840
Streets and Sidewalks	1,034,776	2,740,199
Parks and Recreations	446,398	26,502
Craven St	1,787,093	1,786,002
Lake Craig/Azalea Rd	1,716,726	86,803
Total Governmental	<u>4,984,993</u>	<u>4,642,346</u>
Water	3,098,755	3,598,870
Street Cut	89,753	210,247
Stormwater	-	443,526
Craven St	1,570,516	980,500
Lake Craig/Azalea Rd	983,676	158,116
Transit	-	98,000
Total Proprietary	<u>5,742,700</u>	<u>5,489,259</u>
Total Commitments	<u>\$ 10,727,693</u>	<u>\$ 10,131,605</u>

Capitalized interest for Enterprise Funds for the year ended June 30, 2015 was comprised of:

Water Fund	\$140,324
Parking Fund	4,827
Stormwater	5,924
Total Capitalized Interest	<u>\$151,075</u>

V. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2015 is as follows:

Due From Other Funds	Due to General Fund	Due to Water Fund
General Capital Projects Fund	\$ 2,897,399	\$ -
Non-Major Governmental Funds:		
Community Development Special Revenue Fund	3,576	-
Section 108 Rehabilitation Special Revenue Fund	1,152	-
Total Due From Governmental Funds	<u>2,902,127</u>	<u>-</u>
Major Proprietary Funds:		
Mass Transit Fund	625,547	-
Non-Major Proprietary Funds:		
Street Cut Utility Fund	<u>27,819</u>	<u>138,886</u>
Total Due From Proprietary Funds	<u>653,366</u>	<u>138,886</u>
Total Due From Other Funds	<u>\$ 3,555,493</u>	<u>\$ 138,886</u>

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

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

	Transfers In						Transfers Out
	General Fund	General Capital Projects Fund	Non-major Governmental Funds	Mass Transit Fund	Non-major Enterprise Funds		
General Fund	\$ -	\$ 578,041	\$ 6,982	\$ 1,748,353	\$ 1,331,626	\$ 3,665,002	
Non-major Governmental Funds	5,348	118,054	-	-	-	123,402	
Parking Services Fund	-	-	-	616,875	-	616,875	
Mass Transit Fund	-	-	2,248	-	-	2,248	
Non-major Enterprise Funds	133,303	-	-	-	-	133,303	
Internal Service Funds	216,590	46,448	-	55,263	-	318,301	
Total	\$ 355,241	\$ 742,543	\$ 9,230	\$ 2,420,491	\$ 1,331,626	\$ 4,859,131	

VI. Long-term Obligations

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

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

Long-term obligations at June 30, 2015 are comprised of the following individual issues:

Table 6.A.1

	Issue Date	Final Maturity	Interest Rate	Original Issue	Principal and Unamortized		GO	Business
					Balance June 30, 2015	Balances at June 30, 2015		
1. General Obligation Bonds:								
2000 Sewer lines and fire fighting equipment	12/01/2000	12/01/2020	5.00%	\$ 1,970,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ -
				1,970,000	570,000	570,000	\$ 570,000	\$ -
2. Installment Financing Contracts:								
2010 Installment financing (Parks & Recreation)	07/12/2010	07/12/2025	4.55%	1,100,000	770,000	770,000	770,000	-
2012 Limited Obligation Bonds	06/27/2012	04/01/2032	3.00% - 5.00%	39,160,000	28,870,000	31,954,534	17,750,000	11,120,000
2013 Installment financing (Green CIP)	06/13/2013	07/12/2023	1.44%	998,000	848,300	848,300	848,300	-
2013 Installment financing (Equipment and Vehicles)	06/13/2014	05/12/2018	0.92%	1,150,000	776,875	776,875	776,875	-
2014 Installment financing (Equipment and Vehicles)	6/30/2014	6/1/2019	1.22%	1,810,000	1,618,900	1,618,900	1,422,166	196,734
2015 Installment financing (Equipment and Vehicles)	6/26/2015	5/1/2020	1.15%	3,225,000	3,225,000	3,225,000	2,814,737	410,263
				47,443,000	36,109,075	39,193,609	24,382,078	11,726,997
3. Revenue Bonds:								
2005 Water System Revenue Refunding Bonds	12/06/2005	08/01/2015	5.00%	41,800,000	1,940,000	1,981,104	-	1,940,000
2007 Water System Revenue Bonds	11/14/2007	08/01/2017	4.00%	39,025,000	3,760,000	3,801,926	-	3,760,000
2015 Water System Revenue Refunding Bonds	6/1/15	08/01/2032	2.0% - 5.0%	50,625,000	50,625,000	57,002,939	-	50,625,000
				131,450,000	56,325,000	62,785,969	-	56,325,000
4. Other Long-Term Indebtedness								
1996 NC DENR, Water Quality Revolving Fund	11/01/1996	05/01/2017	3.43%	3,000,000	300,000	300,000	-	300,000
2001 Metropolitan Sewerage District	04/22/1985	06/30/2024	5.00%	615,000	218,120	218,120	218,120	-
2003 Section 108 Loan	08/07/2003	08/01/2022	5.07% - 5.64%	800,000	500,000	500,000	500,000	-
2011 NC DENR, Drinking Water Revolving Loan	06/22/2011	05/01/2031	0%	198,194	158,556	158,556	-	158,556
				\$ 4,613,194	1,176,676	1,176,676	718,120	458,556
Total General Obligation Bonds, Limited Obligation Bonds, Revenue Bonds and Other Long-Term Obligations				\$ 94,180,751	\$ 103,726,254	\$ 25,670,198	\$ 68,510,553	

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

Table 6.A.2

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 570,000	\$ -	\$ 570,000
Installment Financing Contracts	24,382,078	11,726,997	36,109,075
Revenue Bonds	-	56,325,000	56,325,000
Other Long-term Indebtedness	718,120	458,556	1,176,676
	\$ 25,670,198	\$ 68,510,553	\$ 94,180,751

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

	<u>Unamortized Premium</u>
Limited Obligation Bonds, Series 2012	\$ 3,084,533
Revenue Bonds:	
2005 Water System Revenue Refunding Bonds	41,104
2007 Water System Revenue Bonds	41,926
2015 Water System Revenue Refunding Bonds	6,377,939
	<u>\$ 9,545,502</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		Limited Obligation Bonds and		Other Long-Term		Total	
	Obligation Bonds		Installment Financings		Obligations (See Note VI.F)			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2016	\$ 100,000	\$ 26,000	\$ 3,978,595	\$ 880,855	\$ 71,240	\$ 36,904	\$ 4,149,835	\$ 943,759
2017	100,000	21,000	4,207,888	762,997	76,240	33,154	4,384,128	817,151
2018	100,000	16,000	3,925,090	600,976	81,240	29,089	4,106,330	646,065
2019	100,000	11,000	2,260,610	455,410	86,240	24,709	2,446,850	491,119
2020	100,000	6,000	2,092,262	408,224	91,240	19,926	2,283,502	434,150
2021-2025	70,000	1,750	4,205,967	1,284,094	311,920	29,015	4,587,887	1,314,859
2026-2030	-	-	2,661,666	582,273	-	-	2,661,666	582,273
2031-2033	-	-	1,050,000	72,188	-	-	1,050,000	72,188
	<u>\$ 570,000</u>	<u>\$ 81,750</u>	<u>\$ 24,382,078</u>	<u>\$ 5,047,017</u>	<u>\$ 718,120</u>	<u>\$ 172,797</u>	<u>\$ 25,670,198</u>	<u>\$ 5,301,564</u>

	Revenue		Limited Obligation Bonds and		Other Long-Term		Total	
	Bonds		Installment Financings		Obligations (See Note VI.F)			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Business-type Activities								
2016	\$ 3,145,000	\$ 1,459,096	\$ 814,272	\$ 496,969	\$ 159,910	\$ 10,290	\$ 4,119,182	\$ 1,966,355
2017	3,150,000	2,208,238	850,709	468,829	159,910	5,145	4,160,619	2,682,212
2018	3,250,000	2,108,963	771,668	431,087	9,910	-	4,031,578	2,540,050
2019	3,340,000	1,986,888	777,638	397,333	9,910	-	4,127,548	2,384,221
2020	3,490,000	1,832,838	748,333	376,296	9,910	-	4,248,243	2,209,134
2021-2025	19,965,000	6,620,561	3,264,377	1,423,776	49,548	-	23,278,925	8,044,337
2026-2030	12,910,000	2,318,059	3,220,000	710,900	49,548	-	16,179,548	3,028,959
2031-2033	7,075,000	369,772	1,280,000	88,000	9,910	-	8,364,910	457,772
	<u>\$ 56,325,000</u>	<u>\$ 18,904,415</u>	<u>\$ 11,726,997</u>	<u>\$ 4,393,190</u>	<u>\$ 458,556</u>	<u>\$ 15,435</u>	<u>\$ 68,510,553</u>	<u>\$ 23,313,040</u>

C. Installment Financing Contracts

1. In May 2010, the City entered into an Installment Financing Contract with RBC Bank to finance the purchase of two fire trucks. The \$1,300,000 loan is payable over five years with semi-annual payments of principal and interest at an interest rate of 3.58 percent. This loan was paid in full during fiscal year 2015.
2. In July 2010, the City entered into an Installment Financing Contract with BB&T to provide partial funding for the construction of a new recreation facility at Livingston Street. The \$1,100,000 loan is payable over 15 years with semi-annual payments of principal at an interest rate of 4.55 percent.
3. In June 2012, the City, through the Asheville Public Financing Corporation, a blended component unit, issued Limited Obligation Bonds in the amount of \$39,160,000 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 U.S. Cellular Center and (3) the acquisition and installation of vehicles and equipment for the City's general governmental purposes.

At June 30, 2015, \$1,194,068 in unspent debt proceeds remain available for the 2012 Projects.

4. In June 2013, the City entered into an Installment Financing Contract with TD Bank to provide funding to improve the energy efficiency of certain capital assets of the City. The \$998,000 loan is payable over ten years with semi-annual payments of principal at an interest rate of 1.44 percent.
5. In June 2013, the City entered into a second Installment Financing Contract with TD Bank to provide partial funding for the purchase of computers, vehicles and equipment. The \$1,150,000 loan is payable over 59 months with semi-annual payments of principal at an interest rate of 0.92 percent.
6. In June 2014, the City entered into an Installment Financing Contract with Wells Fargo Bank to provide funding for the purchase of computers, vehicles and equipment. The \$1,810,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 1.22 percent. At June 30, 2015, \$400,047 in unspent debt proceeds remain available for these projects.

7. In June 2015, the City entered into an Installment Financing Contract with First Bank to provide funding for the purchase of computers, vehicles and equipment. The \$3,225,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 1.15 percent. At June 30, 2015, there were no unspent debt proceeds remaining.

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, 2015, the City had no authorized unissued bonds.

E. Revenue Bonds

1. *Water System Revenue Refunding Bonds, Series 2005*

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$41,800,000 in Revenue Refunding Bonds, Series 2005. The bonds are payable solely from water customer new revenue and are payable through August 2015. At June 30, 2015, the total principal and interest remaining to be paid directly by the City on the bonds is \$1,953,472, after the Revenue Refunding Bonds issued in June 2015, as discussed herein. Series 2005 maturities from 2016 through 2025 were advance refunded. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

2. *Water System Revenue Bonds, Series 2007*

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$39,025,000 in Revenue Bonds, Series 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 2017. At June 30, 2015, the total principal and interest remaining to be paid directly by the City on the bonds is \$3,935,289, after the Revenue Refunding Bonds issued in June 2015, as discussed herein. Series 2007 maturities from 2018 through 2032 were advance refunded. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

3. *Water System Revenue Refunding Bonds, Series 2015*

In June 2015, the City issued \$50,625,000 of Revenue Refunding Bonds to a) advance refund \$53,980,000 of the City's outstanding Water system Revenue Bonds (\$25,640,000 of the City's Water System Revenue Refunding Bonds, Series 2005 (the "2005 Bonds") maturing August 1, 2016 through August 1, 2025 and \$28,340,000 of the City's Water System Revenue Bonds, Series 2007 (the "2007 Bonds") maturing August 1, 2018 through August 1, 2032 (the 2005 Bonds and 2007 Bonds being so refunded are called the "Refunded Bonds")

and b) pay the fees and expenses incurred in connection with the sale and issuance of the 2015 Bonds. The refunding was accomplished by placing the proceeds of the refunding bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liabilities for the defeased bonds are included in the City's financial statements. The reacquisition price of the defeased bonds exceeded the carrying value of the old debt in the amount of \$1,442,354, resulting in a refunding loss to be amortized over the remaining life of the bonds. The advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$8,240,259 and resulted in an economic gain of \$6,154,500.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$50,625,000 in Revenue Refunding Bonds, Series 2015. The bonds are payable solely from water customer new revenue and are payable through 2032. At June 30, 2015, the total principal and interest remaining to be paid directly by the City on the bonds is \$69,340,654.

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

Revenues	\$35,563,934
Current Expenses	<u>18,135,239</u>
Net Revenues Available for Debt Service	<u>\$17,428,695</u>
Senior Debt Service Coverage:	
Debt service, Principal and Interest Paid	\$ 5,925,575
Add: 20% of Senior Debt Service	1,185,115
Subordinate Debt Service	-
Debt Service, Principal and Interest Paid	<u>175,345</u>
Total Debt Service (Plus 20%)	<u>\$ 7,286,035</u>
Rate Coverage Test	2.39

F. Other Long-Term Indebtedness

1. In 1996, the City received a \$3 million loan from the NC Department of Environment and Natural Resources ('NCDENR') for capital construction to the water system. The loan bears interest at 3.43 percent and is payable in equal annual amounts of \$150,000 over the next 20 years. At June 30, 2015, the outstanding balance is \$300,000.
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, 2015, the City has an outstanding balance of \$218,120.
3. In 2003, the City borrowed \$800,000 as a Section 108 Loan. This is a loan guarantee provision of the Community Development Block Grant ('CDBG') Program through the US Department of Housing and Urban Development. These loan proceeds were used to fund the City's CDBG Program for economic development for Eagle Market Street, a historically minority business district in the central business area. The loan is payable over 19 years with annual principal payments and semi-annual interest payments. At June 30, 2015, the City has an outstanding balance of \$500,000.
4. In 2011, the City received a loan of \$198,194 from the NCDENR for improvements to the North Fork Water Treatment Plant. The loan bears interest at the rate of zero percent per annum and is payable over twenty years. At June 30, 2015, the outstanding balance is \$158,555.

G. Changes in Long Term Liabilities

	Restated			Ending	Current Portion
	Beginning		Retirements	Balance	of Balance
	Balance	Additions		Balance	
Governmental Activities					
Bonds and Notes Payable:					
Installment financing contracts	\$ 25,308,465	\$ 2,814,738	\$ 3,741,125	\$ 24,382,078	\$ 3,978,594
General obligation bonds	670,000	-	100,000	570,000	100,000
Other long-term indebtedness	783,130	-	65,010	718,120	71,240
Unamortized bond premiums	2,236,497	-	325,659	1,910,838	325,660
Total Bonds and Loans Payable, net	28,998,092	2,814,738	4,231,794	27,581,036	4,475,494
Compensated absences payable	5,182,413	4,900,700	4,693,778	5,389,335	3,374,126
Net pension obligation	11,312,179	617,332	10,781,404	1,148,107	-
Net OPEB obligation	3,187,761	2,946,784	1,779,479	4,355,066	-
Total Governmental Activities	\$ 48,680,445	\$ 11,279,554	\$ 21,486,455	\$ 38,473,544	\$ 7,849,620
Business-type Activities					
Bonds and Notes Payable:					
Revenue bonds	\$ 62,685,000	\$ 50,625,000	\$ 56,985,000	\$ 56,325,000	\$ 3,145,000
Installment financing contracts	12,063,593	410,263	746,859	11,726,997	814,272
Unamortized bond premiums	2,546,103	6,377,939	1,289,378	7,634,664	497,997
Other long-term indebtedness	618,465	-	159,909	458,556	159,910
Total Bonds and Loans Payable, net	77,913,161	57,413,202	59,181,146	76,145,217	4,617,179
Compensated absences payable	907,994	863,089	810,342	960,741	651,255
Net pension obligation	2,123,328	-	2,123,328	-	-
Net OPEB obligation	545,879	527,893	311,475	762,297	-
Total Business-Type Activities	\$ 81,490,362	\$ 58,804,184	\$ 62,426,291	\$ 77,868,255	\$ 5,268,434

Compensated absences, OPEB and pension obligations typically have been liquidated in the General Fund or one of the Enterprise Funds depending on the location and status of the employee at the time of liquidation.

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion Of Balance
<u>Water System Activities</u>					
Bonds and Notes Payable:					
Revenue bonds	\$ 62,685,000	\$ 50,625,000	\$ 56,985,000	\$ 56,325,000	\$ 3,145,000
Other long-term indebtedness	618,465	-	159,909	458,556	159,910
Unamortized bond premiums	1,296,739	6,377,939	1,213,709	6,460,969	422,328
Total Bonds and Loans Payable, net	64,600,204	57,002,939	58,358,618	63,244,525	3,727,238
Compensated absences payable	559,002	542,993	494,494	607,501	409,492
Net OPEB obligation	336,068	342,907	196,954	482,021	-
Total Water System Activities	\$ 65,495,274	\$ 57,888,839	\$ 59,050,066	\$ 64,334,047	\$ 4,136,730

H. Debt Margin

The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to eight percent of the appraised value of property subject to taxation. At June 30, 2015, such statutory limit for the City was approximately \$880,828,000 providing a legal debt margin of approximately \$843,431,000.

I. Component Unit Debt

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

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

On December 15, 2013 the Board entered into a financing agreement with a commercial bank providing for the advance of \$390,000 under a line of credit for the replacement of point-of-sale hardware and the upgrade of financial software. This loan matures March 15, 2018 and requires monthly payments of \$8,125 plus interest at 2.95 percent per annum.

Future maturities of the debt are as follows:

2016	\$	218,085
2017		219,030
2018		199,515
2019		131,444
2020		136,701
Thereafter		1,504,487
	\$	<u>2,409,262</u>

VII. Net Position and Fund Balance

A. Net Position

The portion of net investment in capital assets consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital Assets, Net of Depreciation	\$ 167,193,884	\$ 213,598,326
Less: Capital Asset-related Debt	(27,581,036)	(76,145,217)
Less: Deferred Outflows	(16,176)	(1,489,297)
Add: Unspent Bond Proceeds	1,594,115	-
Net Investment in Capital Assets	<u>\$ 141,190,787</u>	<u>\$ 135,963,812</u>

B. Fund Balance - General Fund

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

Total fund balance - General Fund	\$45,972,985
Less: Non-spendable Items	7,407,287
Less: Stabilization by State Statute	<u>12,394,236</u>
Funds Available for Appropriation	26,171,462
Less: Committed	842,052
Less: Assigned	8,682,554
Less: Fund Balance Policy	<u>16,646,856</u>
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 \$1,459,376 and \$11,610,346 in the General Fund and General Capital Projects Fund, respectively.

VIII. Risk Management

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

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

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

The City's SIR for liability claims is \$500,000 per occurrence. It purchases excess liability insurance with limits of \$15 million across all liability lines: general, public officials, law enforcement, employment practices, employee benefits, and automobile. The City also purchases insurance for real and personal property assets in the amount of \$242,497,461. Coverage limits include \$10 million sub-limits each for flood and earthquake. Additionally, the City purchases dam insurance with limits of \$15 million for three structures.

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

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

Revenues and expenses associated with the employee health benefits program are recorded in the Health Fund. The employee health benefits program is funded by both employee and employer contributions. Employee benefits paid through this program include health, dental, life and disability insurance. The City's health benefits are self-insured for claims below a \$150,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance.

The health program annually has several cases that exceed specific stop-loss and therefore recovers excess losses. In fiscal year 2015 and 2014, five and four cases, respectively, exceeded the \$150,000 self-insured retention level. In fiscal year 2015, recoveries totaling \$360,935 for healthcare claims paid over the specific stop-loss of \$150,000 were credited to the health program within the Health Fund.

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

	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 3,918,166	\$ 3,319,065
Add: Incurred Claims and Changes in IBNR	11,467,062	11,566,666
Less: Claim Payments	<u>(12,455,385)</u>	<u>(10,967,565)</u>
Ending balance	<u>\$ 2,929,843</u>	<u>\$ 3,918,166</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 Director of Financial and Management Services 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.

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

IX. Pension Plan Obligations

A. North Carolina Local Governmental Employees' Retirement System

Plan Description - The City of Asheville and the Asheville Board of Alcoholic Control are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate,

one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City and ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's and ABC Board's contractually required contribution rates for the year ended June 30, 2015, were 7.41% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$3,792,738 for the year ended June 30, 2015 and the ABC Board's were \$136,227.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City and ABC Board reported an asset of \$5,818,381 and \$157,343, respectively, for their proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's and ABC Board's proportions of the net pension asset were based on a projection of the City's and ABC Board's long-term shares of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.987%, which was a decrease of 0.035% from its proportion measured as of June 30, 2013. The ABC Board's proportion was .00027%, which was a decrease of .093% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$214,805. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 635,758
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	13,545,053
Changes in proportion and differences between City contributions and proportionate share of contributions	-	598,409
City contributions subsequent to the measurement date	3,792,738	-
Total	<u>\$ 3,792,738</u>	<u>\$ 14,779,220</u>

\$3,792,738 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (3,695,578)
2017	(3,695,578)
2018	(3,695,578)
2019	(3,692,486)
2020	-
Thereafter	-
Total	<u>\$ (14,779,220)</u>

For the year ended June 30, 2015, the ABC Board recognized pension expense of \$20,998. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 17,193
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	366,294
Changes in proportion and differences between Board contributions and proportionate share of contributions	44,417	-
Board contributions subsequent to the measurement date	136,227	-
Total	<u>\$ 180,644</u>	<u>\$ 383,487</u>

\$136,227 reported as deferred outflows of resources related to pensions resulting from ABC Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (84,750)
2017	(84,750)
2018	(84,750)
2019	(84,820)
2020	-
Thereafter	-
Total	<u>\$ (339,070)</u>

Actuarial Assumptions - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 19,750,089	\$ (5,818,375)	\$ 13,931,714

Sensitivity of the ABC Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the ABC Board's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	<u>\$ 534,095</u>	<u>\$ (157,343)</u>	<u>\$ (739,513)</u>

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

B. Law Enforcement Officers Special Separation Allowance

Plan Description - The City and the ABC Board each administer a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's and the ABC Board's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 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, 2014, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees Receiving Benefits	36	1
Active Plan Members	212	1
Total	<u>248</u>	<u>2</u>

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

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

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

Plan Contribution – The City and ABC Board are required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and have chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made, in the City’s case, in the General Fund operating budget. The City and ABC Board’s obligations to contribute to this plan are established and may be amended by the North Carolina General Assembly. There were no contributions made to the plan by employees of the City or the ABC Board. For the current year the ABC Board paid \$11,275, or 7.3% of annual covered payroll. The ABC Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

The City’s annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) five percent investment rate of return (net of administrative expenses); (b) projected salary increases of 4.25 to 7.85 percent per year; and (c) level percent of pay on a closed basis amortization method with amortization period of 16 years remaining. Both (a) and (b) included an inflation component of three percent. The assumptions did not include post-employment benefit increases.

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

Annual Required Contribution	\$ 653,242
Interest on Net Pension Obligation	52,081
Adjustment to Annual Required Contribution	<u>(87,991)</u>
Annual Pension Cost	617,332
Contributions Made	<u>(590,529)</u>
Decrease in Net Pension Obligation	26,803
Net Pension Obligation Beginning of Year	<u>1,121,304</u>
Net Pension Obligation End of Year	<u><u>\$ 1,148,107</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>
June 30, 2013	\$ 494,022	110.53%	\$ 1,183,546
June 30, 2014	515,413	112.08	1,121,304
June 30, 2015	617,332	95.66	1,148,107

Funded Status and Funding Progress – As of December 31, 2014, 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 \$5,555,503. The covered payroll (annual payroll of active employees covered by the plan) was \$10,596,465, and the ratio of the UAAL to the covered payroll was 52.43 percent.

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

C. Supplemental Retirement Income Plan

401(k) Retirement Plan – The City and the ABC Board contribute to the Supplemental Retirement Income Plan (Plan), a section 401(k) defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City and the ABC Board. City Council has also extended this benefit to all regular full-time and regular part-time non-law enforcement City employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefits provisions to the North Carolina Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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-law enforcement employees’ base salary. Also, both law enforcement officers and non-law enforcement employees of the City may make voluntary contributions to the Plan.

The City contribution for law enforcement officers for the year ended June 30, 2015 was \$524,226 and the officers' voluntary contributions were approximately \$278,696. The City's contribution for non-police personnel was \$2,108,226 with the voluntary contributions of approximately \$1,087,893. The ABC Board's required contribution for the years ended June 30, 2015 and 2014 were \$7,751 and \$7,378, respectively. The ABC Board's required contribution for the years ended June 30, 2015 and 2014 were \$7,751 and \$7,378, 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, 2015 was \$236,272 and the employees' voluntary contributions were \$236,272.

E. Other Post-Employment Benefits (OPEB)

Healthcare Benefits

Plan Description – The City administers, under the terms of a City resolution, a single-employer defined benefit healthcare benefits (HCB) plan. The plan provides post-employment healthcare benefits to employees retiring from the City with at least five years of creditable service that are eligible to receive a benefit from the North Carolina Local Governmental Employees Retirement System and do not have other insurance available. The plan has been closed for employees who are hired after June 30, 2012. The benefits provided by the City include healthcare, prescription drugs and vision benefits. The cost of the program is shared between plan members and the City, which pays about 90 percent of the cost of coverage, with less subsidy provided for fewer years of service. Dependent coverage is provided if enrolled at the time of the employee's retirement. In addition, if the retiree ceases to have coverage or dies, dependent coverage will terminate.

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

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

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

The City has elected to partially pre-pay the future overall cost of coverage for these benefits by establishing a trust agreement according to General Statutes 159-30.1(b). Investments of the OPEB Trust funds are made pursuant to a Deposit Agreement with the North Carolina Department of State Treasurer. The State Treasurer has the discretion to invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). At June 30, 2015, the Plan assets totaled \$5,401,756. At year-end, the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Long Term Investment Fund (LTIF) 49 percent and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 51 percent (the equities were split with 75 percent in domestic securities and 25 percent in international securities). A separate report was not issued for the Plan.

For the ABC Board, the post-employment benefits provided for eligible employees who retire from the Board consist of an allowance for law enforcement officers described in B above. Due to the relative insignificance of the liability, the Board elected to accrue the entire obligations of \$81,323 and \$72,761 for the years ended June 30, 2015 and 2014. As of June 30, 2015 and 2014, none of this cost was contributed which resulted in an unfunded net OPEB obligation of \$81,323 and \$72,761, respectively.

Membership of the City's HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement/Fire</u>
Retirees and Dependents Receiving Benefits	161	-
Active Plan Members	481	357
Total	<u>642</u>	<u>357</u>

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

The current ARC rate is 6.96 percent of valuation compensation. For the current year, the City contributed \$2,090,954 or 5.02 percent of annual covered payroll toward actual benefit payments and deposits in the OPEB Trust. There was \$272,793 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, 2015. 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 are:

Annual Required Contribution	\$ 3,540,780
Interest on Net OPEB Obligation	149,346
Adjustment to Annual Required Contribution	<u>(215,449)</u>
Annual OPEB Cost	3,474,677
Contributions Made	<u>(2,090,954)</u>
Increase in Net OPEB Obligation	1,383,723
Net OPEB Obligation Beginning of Year	<u>3,733,640</u>
Net OPEB Obligation End of Year	<u><u>\$ 5,117,363</u></u>

The City's net OPEB obligation is comprised of \$4,355,065 and \$762,298 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 2013-2015 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 3,243,919	70.10%	\$ 2,820,427
June 30, 2014	3,124,029	70.77%	3,733,640
June 30, 2015	3,474,677	60.18%	5,117,363

Funded Status and Funding Progress – As of December 31, 2014, 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 \$32,028,567 and \$27,304,523, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$41,623,928, and the ratio of the UAAL to the covered payroll was 65.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included four percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a three percent inflation rate. The medical cost trend rate varied between 7.5 and 5.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2013 was 27 years.

F. Other Employment Benefits

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

The ABC Board has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the ABC Board, the ABC Board does not determine the number of eligible participants. The ABC Board has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The ABC Board considers these contributions to be immaterial.

X. Deferred Outflows and Inflows of Resources

The City has several deferred outflows and inflows of resources. Deferred outflows are comprised of the City contributions to the pension plan subsequent to the measurement date of \$3,792,738 and deferred amounts of loss on defeasance of debt for the 2012 Limited Obligation Bonds and the 2015 Water System Revenue Refunding Bonds of \$1,505,473.

Deferred inflows of resources are comprised of the following:

General Fund:	
Prepaid Ad Valorem Taxes	\$ 12,304
Taxes Receivable, less penalties	140,576
Sales and Franchise Taxes Receivable	3,973,767
General Capital Projects Fund:	
Grant Funds Receivable	1,771,576
Non-major Governmental Funds:	
Grant Funds Receivable	205,199
Pension Deferrals	14,779,220

XI. Unearned Revenue

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

General Fund	
BC 911 Communications	\$ 369,522
General Capital Projects	
Azalea Soccer	288,861
Non-major Governmental Funds	
Grants	176,393
Total Governmental Activities	<u>\$ 834,776</u>
Water Fund	
Prepaid Water Charges	<u>\$ 152,517</u>
Total Business-type Activities	<u>\$ 152,517</u>

XII. Commitments and Contingent Liabilities**A. Federal and State Assisted Programs**

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

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.

XII. Stewardship, Compliance, and Accountability

Deficit Fund Balances and Net Position – Liabilities exceeded assets in the General Capital Projects Fund by \$3,535,727. Debt proceeds, intergovernmental revenue and program revenue are expected to be collected to eliminate the deficit in fiscal year 2016.

XIII. Subsequent Events

In May, 2013, the North Carolina General Assembly enacted Session Law 2013-50, "The Water System Act," which was intended to directly impact the City of Asheville's (the "City") operation of its Water System. On August 23, 2013, the North Carolina General Assembly enacted Session Law 2013-388, which amended The Water System Act. In general, the Water System Act, as amended, permits any two or more North Carolina local governments to create a new political subdivision to combine the water systems and sewerage systems of the respective governments, including all assets and debts. For other North Carolina cities and towns, the use of the Water System Act is optional. In the case of the City's Water System, however, the Water System Act required that the City immediately transfer the City Water System to the Metropolitan Sewerage District of Buncombe County, without the consent of the City or its citizens. If completed, such a transfer of the City's Water System would also require the assignment of the revenue bonds issued by the City to upgrade the Water System.

The City filed a lawsuit against the State of North Carolina and the Metropolitan Sewerage District of Buncombe County, seeking, among other things, a declaratory judgment that the Water System Act was unconstitutional and an injunction preventing the implementation of the Water System Act. In June 2014, the Wake County Superior Court decided in favor of the City holding that the Water System Act violated the North Carolina Constitution and that the compulsory transfer of the City's Water System was not a valid exercise of the sovereign power to take or condemn property for public use. Accordingly, the Court enjoined the State from implementing or attempting to implement the Water System Act's requirement that the City

transfer its ownership of the Water System. The Court also decided that, in the event that the Water System Act was determined to be valid on appeal, then the compulsory transfer of the Water System constituted a taking of the Water System by the State for which the City should be compensated in an amount greater than \$100,000,000.

The State appealed the ruling by the Superior Court to the North Carolina Court of Appeals. The North Carolina Court of Appeals handed down its decision on October 6, 2015 ruling in favor of the State that the transfer of the Water System in accordance with the Water System Act is constitutional and the City is not due any compensation for such transfer. The City intends to appeal the ruling by the North Carolina Court of Appeals and expects that a stay of the transfer will continue in place preventing the transfer of the Water System during the appeals process.

In the event the Water System Act is ultimately held to be constitutional and the City is required to transfer the Water System to another entity, the Water System Act provides that the new owner would become liable by operation of law for all debts and obligations of the City associated with the Water System and, further, that the new owner would be required to indemnify the City from any loss on account of such transferred debts and obligations. The Water System Act does not, however, address the other pre-conditions that are required by the General Trust Indenture that governs the City's revenue bonds to be met for the transfer of the Water System to a new owner. The City is unable to predict if the new owner can meet such pre-conditions required by the General Trust Indenture if the Water System assets were to be transferred as required by the Water System Act or if an event of default would occur under the General Trust Indenture as a result.

XIV. Change in Accounting Principles/Restatements

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$7,237,963 and \$1,508,072, respectively.

Having become aware that there is diversity of accounting principles generally accepted for the accounting treatment and reporting of long-term loans receivable in governmental funds, the City has adopted new accounting principles, effective July 1, 2014, that it believes are preferable to its previous principles. The City now uses expenditure and revenue contra accounts to eliminate the effect of expenditures and revenues reported for budgetary purposes in conjunction with the issuance of long-term loans receivable in governmental funds and expends loans which are not expected to be collected. Deferred inflows reported under the City's previous accounting principles have been reclassified to an appropriate component of fund balance or expended, as appropriate. The City's previous accounting principles included elimination of the deferred inflows related to loans receivable when converting the governmental funds to full accrual for

reporting in the Statement of Net Position. Therefore, no adjustments to beginning net position of the governmental activities for the effect of deferred inflows in the governmental funds is required.

The effects of these changes in accounting principles on fund balance and net position are presented below:

	General Fund	Nonmajor Funds	Total
Beginning fund balance, as previously reported	\$ 32,103,423	\$ 994,314	\$ 33,097,737
Adjustments:			
Restatement of deferred inflows to fund balance	6,782,927	4,467,509	11,250,436
Beginning fund balance, as restated	<u>\$ 38,886,350</u>	<u>\$ 5,461,823</u>	<u>\$ 44,348,173</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
- Local Governmental Employees' Retirement System – Schedule of the City's Proportionate Share of the Net Position
- Local Governmental Employees' Retirement System – Schedule of the City's Contributions

**CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2015**

<u>Calendar Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued 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>
2005	\$ -	\$ 3,213,921	- %	\$ 3,213,921	\$ 7,097,123	45.28 %
2006	-	3,500,082	-	3,500,082	8,097,773	43.22
2007	-	3,897,517	-	3,897,517	9,360,211	41.64
2008	-	4,236,980	-	4,236,980	10,144,346	41.77
2009	-	5,494,756	-	5,494,756	10,225,237	53.74
2010	-	4,845,081	-	4,845,081	9,349,412	51.82
2011	-	4,943,409	-	4,943,409	9,721,143	50.85
2012	-	5,327,272	-	5,327,272	10,152,159	52.47
2013	-	5,354,192	-	5,354,192	9,733,915	55.01
2014	-	5,555,503	-	5,555,503	10,596,465	52.43

**CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
JUNE 30, 2015**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2006	\$ 330,544	\$ 249,148	75.38 %
2007	324,789	253,747	78.13
2008	351,948	295,051	83.83
2009	393,335	339,459	86.30
2010	434,291	424,186	97.67
2011	529,664	435,945	82.31
2012	481,045	438,501	91.16
2013	494,022	542,263	109.76
2014	515,413	573,232	111.22
2015	653,242	590,529	90.40

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

**CITY OF ASHEVILLE
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2015**

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
12/31/2006	\$ -	\$ 31,094,852	- %	\$ 31,094,852	\$ 38,836,633	80.1 %
12/31/2009	-	33,846,854	-	33,846,854	50,164,033	67.5
12/31/2011	3,025,866	30,839,032	9.8	27,813,166	48,532,503	57.3
12/31/2012	3,271,564	31,909,734	10.3	28,638,170	46,139,737	62.1
12/31/2013	3,922,656	35,908,288	10.9	31,985,632	43,903,456	72.9
12/31/2014	4,724,044	32,028,567	14.7	27,304,523	41,623,928	65.6

**CITY OF ASHEVILLE
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
JUNE 30, 2015**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2010	\$ 2,995,947	\$ 2,209,348	73.74 %
2011	2,995,947	2,316,990	77.34
2012	3,108,295	4,301,250	138.38
2013	3,272,783	2,273,016	69.45
2014	3,170,891	2,210,816	69.72
2015	3,540,780	2,090,954	59.05

NOTES TO THE ABOVE SCHEDULE:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level Dollar Amount, closed
Remaining amortization period	27 Years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	5.00% - 7.50%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

CITY OF ASHEVILLE
CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS*
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) (%)	0.987%	1.022%
City's proportion of the net pension liability (asset) (\$)	\$ (5,818,381)	\$ 12,314,203
City's covered employee payroll	\$ 47,243,636	\$ 49,979,929
City's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	-12.32%	24.64%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

This schedule will not present 10 years' worth of information until fiscal year 2024.

**CITY OF ASHEVILLE
CITY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,792,738	\$ 3,568,128
Contributions in relation to the contractually required contribution	<u>3,792,738</u>	<u>3,568,128</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 52,814,551	\$ 47,243,636
Contributions as a percentage of covered-employee payroll	7.18%	7.55%

This schedule will not present 10 years' worth of information until fiscal year 2024.



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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 Fund** – 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, 2015**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue	\$ 7,390,319	\$ 1,417,526	\$ 1,083,192	\$ (860,628)	\$ 1,640,090	\$ (5,750,229)
Licenses and permits	484,668	755,334	205,256	-	960,590	475,922
Charges for services	259,566	805,772	138,164	(345,594)	598,342	338,776
Investment earnings	182,360	207,059	1,653	-	208,712	26,352
Miscellaneous	748,982	581,565	214,738	(11,761)	784,542	35,560
Total revenues	<u>9,065,895</u>	<u>3,767,256</u>	<u>1,643,003</u>	<u>(1,217,983)</u>	<u>4,192,276</u>	<u>(4,873,619)</u>
EXPENDITURES						
General Government	10,267,366	5,826,645	2,153,838	(742,994)	7,237,489	3,029,877
Public Safety	11,758,361	2,000,561	3,239,837	(2,031,532)	3,208,866	8,549,495
Environmental Services	3,617,591	2,655,055	492,525	(2,828,687)	318,893	3,298,698
Community Development	4,893,478	936,096	743,321	-	1,679,417	3,214,061
Transportation	27,716,250	6,323,540	6,641,774	(3,620,553)	9,344,761	18,371,489
Culture and Recreation	15,901,635	4,307,063	1,927,339	(2,703,637)	3,530,765	12,370,870
Total expenditures	<u>74,154,681</u>	<u>22,048,960</u>	<u>15,198,634</u>	<u>(11,927,403)</u>	<u>25,320,191</u>	<u>48,834,490</u>
Revenues over (under) expenditures	<u>(65,088,786)</u>	<u>(18,281,704)</u>	<u>(13,555,631)</u>	<u>10,709,420</u>	<u>(21,127,915)</u>	<u>43,960,871</u>
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	53,615,310	13,194,654	742,543	(7,420,531)	6,516,666	(47,098,644)
Premiums on long-term debt issued	993,303	993,300	-	(284,958)	708,342	(284,961)
Transfers from other funds	10,581,573	10,631,825	-	(3,010,736)	7,621,089	(2,960,484)
Transfers to other funds	(101,400)	(75,455)	2,814,741	6,805	2,746,091	2,847,491
Total other financing sources (uses)	<u>65,088,786</u>	<u>24,744,324</u>	<u>3,557,284</u>	<u>(10,709,420)</u>	<u>17,592,188</u>	<u>(47,496,598)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,462,620</u>	<u>(9,998,347)</u>	<u>\$ -</u>	<u>\$ (3,535,727)</u>	<u>\$ (3,535,727)</u>
Fund balance - beginning			<u>6,462,620</u>			
Fund balance - ending			<u>\$ (3,535,727)</u>			

**CITY OF ASHEVILLE
WATER RESOURCES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 34,364,376	\$ 35,273,471	\$ 909,095
Other operating revenue	-	80,514	80,514
Interest earned	69,780	175,176	105,396
Total revenues	<u>34,434,156</u>	<u>35,529,161</u>	<u>1,095,005</u>
EXPENDITURES			
Administration	1,329,578	1,146,127	183,451
Operations	17,368,198	15,917,009	1,451,189
Capital outlay	313,775	127,603	186,172
Debt service:			
Principal	59,572,248	60,167,849	(595,601)
Interest and other charges	3,421,564	3,421,389	175
Total expenditures	<u>82,005,363</u>	<u>80,779,977</u>	<u>1,225,386</u>
Revenue under expenditures	<u>(47,571,207)</u>	<u>(45,250,816)</u>	<u>2,320,391</u>
OTHER FINANCING SOURCES (USES)			
Transfers to Water Capital Projects Fund	(15,482,762)	(15,482,762)	-
Proceeds from issuance of debt	57,002,939	57,002,939	-
Proceeds from disposal of capital assets	46,295	203,039	156,744
Appropriated fund balance	6,004,735	-	(6,004,735)
Total other financing sources (uses)	<u>47,571,207</u>	<u>41,723,216</u>	<u>(5,847,991)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (3,527,600)</u>	<u>\$ (3,527,600)</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in fund balance			
Water Resources Fund		\$ (3,527,600)	
Water Capital Projects Fund		7,822,993	
Total		<u>4,295,393</u>	
Reconciling items:			
Unbilled revenue adjustment		170,194	
Change in allowance for doubtful accounts		(13,180)	
Reduction of principal on long-term debt refunding		60,167,849	
Amortization of premium on long-term debt issued		98,977	
Proceeds from debt		(50,625,000)	
Premium on debt issuance		(6,377,939)	
Capitalized assets		6,639,450	
Capitalized interest		13,715	
Depreciation		(7,375,551)	
Donated Assets		1,599,292	
Book value of capital assets disposed		(17,724)	
Change in interest payable		86,471	
Change in compensated absences		(48,498)	
Change in deferred outflows for pension		417,319	
Pension expense		(23,635)	
Change in OPEB obligation		<u>(145,953)</u>	
Change in net position		<u>\$ 8,861,180</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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 71,315	\$ -	\$ 70,479	\$ -	\$ 70,479	\$ (836)
Interest earned	-	78,724	-	-	78,724	78,724
Other revenue	-	643,406	39,750	(110,549)	572,607	572,607
Total revenues	<u>71,315</u>	<u>722,130</u>	<u>110,229</u>	<u>(110,549)</u>	<u>721,810</u>	<u>650,495</u>
EXPENDITURES						
Administrative Projects	-	344,608	-	(344,608)	-	-
Distribution System Projects	20,416,211	11,113,936	4,252,248	-	15,366,184	5,050,027
NC Department of Transportation Projects	2,905,760	3,369,167	-	(3,369,167)	-	2,905,760
Neighborhood Water Line Replacement Projects	15,324,458	5,595,566	1,729,777	(1,734,124)	5,591,219	9,733,239
Water Production Projects	17,814,426	1,766,766	1,251,047	(25,632)	2,992,181	14,822,245
Water System Master Plan Project	3,359,962	83,132	17,093	-	100,225	3,259,737
Craven Street Improvements	416,176	-	366,190	-	366,190	49,986
Azalea Road Improvements	383,245	48,343	122,608	-	170,951	212,294
RADTIP	62,727	-	31,035	-	31,035	31,692
Total expenditures	<u>60,682,965</u>	<u>22,321,518</u>	<u>7,769,998</u>	<u>(5,473,531)</u>	<u>24,617,985</u>	<u>36,064,980</u>
Revenues over (under) expenditures	<u>(60,611,650)</u>	<u>(21,599,388)</u>	<u>(7,659,769)</u>	<u>5,362,982</u>	<u>(23,896,175)</u>	<u>36,715,475</u>
OTHER FINANCING SOURCES (USES)						
Transfer from the Water Fund	60,082,923	52,855,044	15,482,762	(5,362,982)	62,974,824	2,891,901
Transfers from other funds	-	14,534	-	-	14,534	14,534
Proceeds from State loan	466,000	(158,090)	-	-	(158,090)	(624,090)
Proceeds from debt issuance	62,727	-	-	-	-	(62,727)
Total other financing sources (uses)	<u>60,611,650</u>	<u>52,711,488</u>	<u>15,482,762</u>	<u>(5,362,982)</u>	<u>62,831,268</u>	<u>2,219,618</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 31,112,100</u>	<u>\$ 7,822,993</u>	<u>\$ -</u>	<u>\$ 38,935,093</u>	<u>\$ 38,935,093</u>

**CITY OF ASHEVILLE
PARKING SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 3,399,013	\$ 4,257,761	\$ 858,748
Rents	23,000	26,163	3,163
Other operating revenue	603,250	937,206	333,956
Interest earned	2,544	6,467	3,923
Total revenues	4,027,807	5,227,597	1,199,790
EXPENDITURES			
Operations	2,633,715	2,340,885	292,830
Capital outlay	70,574	36,781	33,793
Debt service:			
Principal	485,000	485,000	-
Interest and other charges	390,000	388,325	1,675
Total expenditures	3,579,289	3,250,991	328,298
Revenues over expenditures	448,518	1,976,606	1,528,088
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(616,875)	(616,875)	-
Appropriated fund balance	168,357	-	(168,357)
Total other financing sources (uses)	(448,518)	(616,875)	(168,357)
Net change in fund balance	\$ -	\$ 1,359,731	\$ 1,359,731
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in fund balance			
Parking Services Fund		\$ 1,359,731	
Parking Services Capital Projects Fund		(210,140)	
Total		1,149,591	
Reconciling items:			
Change in allowance for uncollectible accounts		(182,707)	
Reduction of principal on long-term debt		485,000	
Amortization of premium on long-term debt		51,158	
Amortization of refunding loss on long term debt		(5,564)	
Depreciation		(459,568)	
Capitalized assets		279,930	
Capitalized interest		4,827	
Change in interest payable		11,954	
Change in compensated absences		(5,165)	
Change in deferred outflows for pension		45,223	
Pension expense		(2,561)	
Change in OPEB obligation		(15,297)	
Change in net position		\$ 1,356,821	

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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Charges for services	\$ -	\$ 44,046	\$ -	\$ -	\$ 44,046	\$ 44,046
Interest earned	59	1,304	-	-	1,304	1,245
Capital grants and contributions	85,503	-	33,651	-	33,651	(51,852)
Total revenues	<u>85,562</u>	<u>45,350</u>	<u>33,651</u>	<u>-</u>	<u>79,001</u>	<u>(6,561)</u>
EXPENDITURES						
Craven Street	552,939	47,910	176,203	-	224,113	328,826
French Broad River W. Greenway	45,518	-	7,381	-	7,381	38,137
Battery Park Parking Deck	20,900,000	4,046,632	-	-	4,046,632	16,853,368
General Parking Reserve	60	2,030	-	-	2,030	(1,970)
Biltmore Avenue Garage	13,884,206	13,756,198	8,975	-	13,765,173	119,033
Streetline Parking	201,260	-	-	-	-	201,260
RADTIP	78,681	-	51,232	-	51,232	27,449
Debt Service Interest	215,794	215,794	-	-	215,794	-
Total expenditures	<u>35,878,458</u>	<u>18,068,564</u>	<u>243,791</u>	<u>-</u>	<u>18,312,355</u>	<u>17,566,103</u>
Revenues under expenditures	<u>(35,792,896)</u>	<u>(18,023,214)</u>	<u>(210,140)</u>	<u>-</u>	<u>(18,233,354)</u>	<u>17,559,542</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt	32,494,274	10,600,000	-	-	10,600,000	(21,894,274)
Transfers from other funds	3,298,622	3,714,605	-	-	3,714,605	415,983
Total other financing sources (uses)	<u>35,792,896</u>	<u>14,314,605</u>	<u>-</u>	<u>-</u>	<u>14,314,605</u>	<u>(21,478,291)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (3,708,609)</u>	<u>\$ (210,140)</u>	<u>\$ -</u>	<u>\$ (3,918,749)</u>	<u>\$ (3,918,749)</u>

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

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 820,000	\$ 862,766	\$ 42,766
Other operating revenue	345,000	350,399	5,399
Interest earned	-	219	219
Intergovernmental revenue	2,885,730	2,661,667	(224,063)
Total revenues	4,050,730	3,875,051	(175,679)
 OPERATING EXPENDITURES			
Administration	471,420	447,730	23,690
Operations	6,007,374	5,467,910	539,464
Interest and other charges	493	1,314	(821)
Total expenditures	6,479,287	5,916,954	562,333
Revenues over (under) expenditures	(2,428,557)	(2,041,903)	386,654
 OTHER FINANCING SOURCES (USES)			
Transfer from other funds	2,317,421	2,317,421	-
Transfer to other funds	(2,248)	(2,248)	-
Proceeds from the sale of capital assets	-	9,842	9,842
Appropriated fund balance	113,384	-	(113,384)
Total other financing sources (uses)	2,428,557	2,325,015	(103,542)
Net change in fund balance	\$ -	\$ 283,112	\$ 283,112
 Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in fund balance and other uses:			
Mass Transit Fund		\$ 283,112	
Mass Transit Capital Projects Fund		100,654	
Total		383,766	
Reconciling items:			
Depreciation		(991,966)	
Change in deferred outflows for pension		11,574	
Pension Expense		(655)	
Change in compensated absences		(359)	
Change in OPEB obligation		(4,421)	
Change in net assets		\$ (602,061)	

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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 4,862,673	\$ 3,568,499	\$ 237,573	\$ -	\$ 3,806,072	\$ (1,056,601)
Total revenues	<u>4,862,673</u>	<u>3,568,499</u>	<u>237,573</u>	<u>-</u>	<u>3,806,072</u>	<u>(1,056,601)</u>
EXPENDITURES						
ARRA - FTA Bus Purchases	2,660,229	2,577,334	-	-	2,577,334	82,895
RIDE New Freedom Grant	208,512	23,680	33,257	-	56,937	151,575
Transit Garage Project	177,000	162,415	-	-	162,415	14,585
Transit Security Cameras	150,000	74,167	-	-	74,167	75,833
Transit AVL System	450,000	431,495	506	-	432,001	17,999
Transit Shelters and Signage	40,000	19,549	7,909	-	27,458	12,542
Transit Center Maintenance	250,000	-	-	-	-	250,000
JARC Mountain Mobility	220,246	65,611	52,454	-	118,065	102,181
New Freedom	330,148	-	-	-	-	330,148
Bus Purchase FY13	400,000	391,849	-	-	391,849	8,151
Henderson Van Purchase	53,928	-	-	-	-	53,928
Henderson County Bus Purchase	148,600	-	145,863	-	145,863	2,737
Transit Bench and Shelters FY 15	47,807	-	-	-	-	47,807
Total expenditures	<u>5,136,470</u>	<u>3,746,100</u>	<u>239,989</u>	<u>-</u>	<u>3,986,089</u>	<u>1,150,381</u>
Revenues under expenditures	<u>(273,797)</u>	<u>(177,601)</u>	<u>(2,416)</u>	<u>-</u>	<u>(180,017)</u>	<u>93,780</u>
OTHER FINANCING SOURCES						
Transfers from other funds	273,797	365,328	103,070	-	468,398	194,601
Total other financing sources	<u>273,797</u>	<u>365,328</u>	<u>103,070</u>	<u>-</u>	<u>468,398</u>	<u>194,601</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 187,727</u>	<u>\$ 100,654</u>	<u>\$ -</u>	<u>\$ 288,381</u>	<u>\$ 288,381</u>

Non-Major Governmental Funds Combining Statements and Schedules

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

Special Revenue Funds:

- **Grant Programs Fund** – 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 Fund** – 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 Fund** – 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, 2015

	Special Revenue Funds					Total Non-major Governmental Funds
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation	Permanent Fund	
ASSETS						
Cash and investments	\$ 260,940	\$ -	\$ 6,368	\$ 773,100	\$ 315,625	\$ 1,356,033
Receivables:						
Due from other governments	259,457	8,527	4,570	-	-	272,554
Accounts receivable	3,615	-	-	-	-	3,615
Other receivable	-	-	-	-	1,827	1,827
Notes receivable	-	1,867,395	1,323,780	1,105,021	-	4,296,196
Total assets	<u>\$ 524,012</u>	<u>\$ 1,875,922</u>	<u>\$ 1,334,718</u>	<u>\$ 1,878,121</u>	<u>\$ 317,452</u>	<u>\$ 5,930,225</u>
LIABILITIES						
Accounts payable	\$ 48,382	\$ 248	\$ 8,475	\$ -	\$ -	\$ 57,105
Other accrued liabilities	-	4,703	2,463	-	-	7,166
Due to other funds	-	3,576	-	1,152	-	4,728
Unearned revenue	176,393	-	-	-	-	176,393
Total liabilities	<u>224,775</u>	<u>8,527</u>	<u>10,938</u>	<u>1,152</u>	<u>-</u>	<u>245,392</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	205,199	-	-	-	-	205,199
Total deferred inflows of resources	<u>205,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,199</u>
FUND BALANCES						
Nonspendable:						
Notes receivable	-	1,867,395	1,323,780	1,105,021	-	4,296,196
Restricted:						
Grant programs	94,038	-	-	771,948	-	865,986
Perpetual maintenance	-	-	-	-	317,452	317,452
Total fund balances	<u>94,038</u>	<u>1,867,395</u>	<u>1,323,780</u>	<u>1,876,969</u>	<u>317,452</u>	<u>5,479,634</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 524,012</u>	<u>\$ 1,875,922</u>	<u>\$ 1,334,718</u>	<u>\$ 1,878,121</u>	<u>\$ 317,452</u>	<u>\$ 5,930,225</u>

**CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds				Permanent Fund	Total Non-major Governmental Funds
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation		
REVENUES						
Intergovernmental revenue	\$ 1,365,306	\$ 1,142,949	\$ 661,193	\$ -	\$ -	\$ 3,169,448
Charges for services	283	49,289	-	-	-	49,572
Investment earnings	251	-	-	-	6,168	6,419
Miscellaneous	78,086	16,212	59,464	53,097	-	206,859
Total revenues	<u>1,443,926</u>	<u>1,208,450</u>	<u>720,657</u>	<u>53,097</u>	<u>6,168</u>	<u>3,432,298</u>
EXPENDITURES						
Current:						
General government	30,000	-	-	-	-	30,000
Public safety	741,104	-	-	-	-	741,104
Community development	152,193	1,165,248	809,611	439	-	2,127,491
Transportation	309,744	-	-	-	-	309,744
Culture and recreation	26,025	-	-	-	820	26,845
Debt service:						
Principal	-	-	-	40,000	-	40,000
Interest and other charges	-	-	-	28,125	-	28,125
Total expenditures	<u>1,259,066</u>	<u>1,165,248</u>	<u>809,611</u>	<u>68,564</u>	<u>820</u>	<u>3,303,309</u>
Revenues over (under) expenditures	<u>184,860</u>	<u>43,202</u>	<u>(88,954)</u>	<u>(15,467)</u>	<u>5,348</u>	<u>128,989</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	9,230	-	-	-	-	9,230
Transfers to other funds	(1,054)	(117,000)	-	-	(5,348)	(123,402)
Proceeds from sale of capital assets	-	2,994	-	-	-	2,994
Total other financing sources (uses)	<u>8,176</u>	<u>(114,006)</u>	<u>-</u>	<u>-</u>	<u>(5,348)</u>	<u>(111,178)</u>
Net change in fund balances	193,036	(70,804)	(88,954)	(15,467)	-	17,811
Fund balances - beginning	(98,998)	-	-	775,860	317,452	994,314
Restatement (Note XIV)	-	1,938,199	1,412,734	1,116,576	-	4,467,509
Fund balances - ending	<u>\$ 94,038</u>	<u>\$ 1,867,395</u>	<u>\$ 1,323,780</u>	<u>\$ 1,876,969</u>	<u>\$ 317,452</u>	<u>\$ 5,479,634</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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Restricted intergovernmental	\$ 5,313,051	\$ 2,638,555	\$ 1,365,306	\$ (333,833)	\$ 3,670,028	\$ (1,643,023)
Charges for services	128,008	125,976	283	-	126,259	(1,749)
Investment earnings	62,757	64,409	251	-	64,660	1,903
Private donations	968,334	654,020	78,086	-	732,106	(236,228)
Total revenues	<u>6,472,150</u>	<u>3,482,960</u>	<u>1,443,926</u>	<u>(333,833)</u>	<u>4,593,053</u>	<u>(1,879,097)</u>
EXPENDITURES						
General government	149,060	127,157	30,000	-	157,157	(8,097)
Public safety	2,937,327	1,652,135	741,104	(128,862)	2,264,377	672,950
Environmental services	139	139	-	-	139	-
Community development	1,972,283	1,465,525	152,193	(137,200)	1,480,518	491,765
Transportation	1,160,850	100,856	309,744	(75,506)	335,094	825,756
Culture and recreation	243,275	111,805	26,025	-	137,830	105,445
Total expenditures	<u>6,462,934</u>	<u>3,457,617</u>	<u>1,259,066</u>	<u>(341,568)</u>	<u>4,375,115</u>	<u>2,087,819</u>
Revenues over expenditures	<u>9,216</u>	<u>25,343</u>	<u>184,860</u>	<u>7,735</u>	<u>217,938</u>	<u>208,722</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	340,322	259,102	9,230	(7,735)	260,597	(79,725)
Transfers to other funds	(349,538)	(383,443)	(1,054)	-	(384,497)	(34,959)
Total other financing sources (uses)	<u>(9,216)</u>	<u>(124,341)</u>	<u>8,176</u>	<u>(7,735)</u>	<u>(123,900)</u>	<u>(114,684)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (98,998)</u>	<u>193,036</u>	<u>\$ -</u>	<u>\$ 94,038</u>	<u>\$ 94,038</u>
Fund balance - beginning			<u>(98,998)</u>			
Fund balance - ending			<u>\$ 94,038</u>			

CITY OF ASHEVILLE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue	\$ 13,606,994	\$ 12,137,063	\$ 1,142,949	\$ -	\$ 13,280,012	\$ (326,982)
Charges for services	2,654,372	1,876,018	49,289	-	1,925,307	(729,065)
Miscellaneous	-	149,127	80,497	-	229,624	229,624
Total revenues	<u>16,261,366</u>	<u>14,162,208</u>	<u>1,272,735</u>	<u>-</u>	<u>15,434,943</u>	<u>(826,423)</u>
EXPENDITURES						
Community development	15,579,337	13,892,229	1,158,729	-	15,050,958	528,379
Total expenditures	<u>15,579,337</u>	<u>13,892,229</u>	<u>1,158,729</u>	<u>-</u>	<u>15,050,958</u>	<u>528,379</u>
Revenues over expenditures	<u>682,029</u>	<u>269,979</u>	<u>114,006</u>	<u>-</u>	<u>383,985</u>	<u>(298,044)</u>
OTHER FINANCING SOURCES (USES)						
Transfer to other funds	(911,194)	(831,274)	(117,000)	-	(948,274)	(37,080)
Proceeds from sale of capital assets	229,165	561,295	2,994	-	564,289	335,124
Total other financing sources (uses)	<u>(682,029)</u>	<u>(269,979)</u>	<u>(114,006)</u>	<u>-</u>	<u>(383,985)</u>	<u>298,044</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:						
Net change in fund balance:			\$ -			
Reconciling items:						
Loan repayments			(77,323)			
Loans issued			<u>6,519</u>			
Change in fund balance			(70,804)			
Fund balances - beginning			-			
Restatement (Note XIV)			<u>1,938,199</u>			
Fund balance - ending			<u>\$ 1,867,395</u>			

CITY OF ASHEVILLE
AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<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	\$ 15,000,942	\$ 12,836,215	\$ 661,193	\$ -	\$ 13,497,408	\$ (1,503,534)
Miscellaneous	684,219	476,501	148,418	-	624,919	(59,300)
Total revenues	<u>15,685,161</u>	<u>13,312,716</u>	<u>809,611</u>	<u>-</u>	<u>14,122,327</u>	<u>(1,562,834)</u>
EXPENDITURES						
Community development:	<u>15,685,161</u>	<u>13,312,716</u>	<u>809,611</u>	<u>-</u>	<u>14,122,327</u>	<u>1,562,834</u>
Total expenditures	<u>15,685,161</u>	<u>13,312,716</u>	<u>809,611</u>	<u>-</u>	<u>14,122,327</u>	<u>1,562,834</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:						
Net change in fund balance:			\$ -			
Reconciling items:						
Loan repayments			<u>(88,954)</u>			
Change in fund balance			(88,954)			
Fund balances - beginning			-			
Restatement (Note XIV)			<u>1,412,734</u>			
Fund balance - ending			<u>\$ 1,323,780</u>			

CITY OF ASHEVILLE
SECTION 108 REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue	\$ 2,300,000	\$ 2,300,006	\$ -	\$ -	\$ 2,300,006	\$ 6
Miscellaneous	1,140,161	1,141,513	64,652	-	1,206,165	66,004
Total revenues	<u>3,440,161</u>	<u>3,441,519</u>	<u>64,652</u>	<u>-</u>	<u>3,506,171</u>	<u>66,010</u>
EXPENDITURES						
Current:						
Community development						
Loan 1	1,502,575	1,502,479	-	-	1,502,479	96
Loan 2	743,239	9,299	439	-	9,738	733,501
Debt service:						
Principal	1,345,908	1,310,908	40,000	-	1,350,908	(5,000)
Interest and other charges	460,996	449,979	28,125	-	478,104	(17,108)
Total expenditures	<u>4,052,718</u>	<u>3,272,665</u>	<u>68,564</u>	<u>-</u>	<u>3,341,229</u>	<u>711,489</u>
Revenues over (under) expenditures	(612,557)	168,854	(3,912)	-	164,942	777,499
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>\$ 775,860</u>	(3,912)	<u>\$ -</u>	<u>\$ 771,948</u>	<u>\$ 771,948</u>
Reconciliation of budgetary basis (Non-GAAP) to						
full accrual basis:						
Net change in fund balance:			\$ (3,912)			
Reconciling items:						
Loan repayments			<u>(11,555)</u>			
Change in fund balance			(15,467)			
Fund balances - beginning			775,860			
Restatement (Note XIV)			<u>1,116,576</u>			
Fund balance - ending			<u>\$ 1,876,969</u>			



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Proprietary Funds

Non-Major Enterprise Funds

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

Non-Major Enterprise Funds:

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

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
June 30, 2015

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>U.S. Cellular Center</u>	<u>Total Non-major Enterprise Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 3,025,138	\$ 986,603	\$ 4,011,741
Accounts receivable (net of allowance for uncollectibles)	184,679	213,883	2,335	400,897
Due from other governments	-	1,261,930	-	1,261,930
Inventories and prepaids	-	-	52,955	52,955
Total current assets	<u>184,679</u>	<u>4,500,951</u>	<u>1,041,893</u>	<u>5,727,523</u>
Non-current assets:				
Net pension asset	44,751	148,987	82,187	275,925
Capital assets:				
Assets not being depreciated	-	4,194,469	400,001	4,594,470
Assets being depreciated, net	279,177	4,213,716	11,084,374	15,577,267
Total noncurrent assets	<u>323,928</u>	<u>8,557,172</u>	<u>11,566,562</u>	<u>20,447,662</u>
Total assets	<u>508,607</u>	<u>13,058,123</u>	<u>12,608,455</u>	<u>26,175,185</u>
DEFERRED OUTFLOWS OF RESOURCES				
Employer contributions subsequent to the measurement date	29,171	97,118	53,574	179,863
Total deferred outflows of resources	<u>29,171</u>	<u>97,118</u>	<u>53,574</u>	<u>179,863</u>
LIABILITIES				
Current liabilities:				
Accounts payable	36,460	621,922	148,132	806,514
Interest payable	-	3,710	28,268	31,978
Other accrued liabilities	12,875	47,756	46,127	106,758
Due to other funds	166,705	-	-	166,705
Current portion of long-term liabilities	27,215	272,477	243,613	543,305
Total current liabilities	<u>243,255</u>	<u>945,865</u>	<u>466,140</u>	<u>1,655,260</u>
Non-current liabilities:				
Long-term liabilities, less current portior	49,180	790,428	2,903,631	3,743,239
Total liabilities	<u>292,435</u>	<u>1,736,293</u>	<u>3,369,771</u>	<u>5,398,499</u>
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual experience	4,890	16,279	8,980	30,149
Net difference between projected and actual earnings on pension	104,178	346,838	191,329	642,345
Changes in proportion and differences between employer	4,603	15,323	8,453	28,379
Total deferred inflows of resources	<u>113,671</u>	<u>378,440</u>	<u>208,762</u>	<u>700,873</u>
NET POSITION				
Net investment in capital assets	279,177	7,626,165	8,460,396	16,365,738
Unrestricted	<u>(147,505)</u>	<u>3,414,343</u>	<u>623,100</u>	<u>3,889,938</u>
Total net position	<u>\$ 131,672</u>	<u>\$ 11,040,508</u>	<u>\$ 9,083,496</u>	<u>\$ 20,255,676</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>U.S. Cellular Center</u>	<u>Total Non-major Enterprise Funds</u>
OPERATING REVENUES				
Charges for services	\$ 1,460,523	\$ 5,022,057	\$ 210,353	\$ 6,692,933
Rents	-	-	662,539	662,539
Concessions	-	-	610,960	610,960
Other operating revenue	2,227	5,412	137,832	145,471
Total operating revenues	<u>1,462,750</u>	<u>5,027,469</u>	<u>1,621,684</u>	<u>8,111,903</u>
OPERATING EXPENSES				
Administration	-	1,746,142	1,546,290	3,292,432
Operations	1,354,345	2,014,812	1,153,889	4,523,046
Other operating expenses	-	(48,820)	205,170	156,350
Depreciation	51,945	345,577	712,587	1,110,109
Total operating expenses	<u>1,406,290</u>	<u>4,057,711</u>	<u>3,617,936</u>	<u>9,081,937</u>
Operating income (loss)	<u>56,460</u>	<u>969,758</u>	<u>(1,996,252)</u>	<u>(970,034)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earned	-	10,260	3,078	13,338
Interest and other charges	(664)	(2,664)	(107,981)	(111,309)
Gain on disposal of capital assets	24,100	35,934	-	60,034
Total non-operating revenues (expenses)	<u>23,436</u>	<u>43,530</u>	<u>(104,903)</u>	<u>(37,937)</u>
Income (loss) before transfers and capital grants and contributions	79,896	1,013,288	(2,101,155)	(1,007,971)
Transfers from other funds	-	-	1,331,626	1,331,626
Transfers to other funds	(67,714)	(65,589)	-	(133,303)
Capital grants and contributions	67,714	1,087,571	952,940	2,108,225
Changes in net position	79,896	2,035,270	183,411	2,298,577
Total net position - beginning	119,044	9,229,191	9,023,626	18,371,861
Restatement (Note XIV)	(67,268)	(223,953)	(123,541)	(414,762)
Total net position - ending	<u>\$ 131,672</u>	<u>\$ 11,040,508</u>	<u>\$ 9,083,496</u>	<u>\$ 20,255,676</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>U.S. Cellular Center</u>	<u>Total Non-major Enterprise Funds</u>
Cash flows from operating activities:				
Cash received from customers, users and others	\$ 1,398,063	\$ 4,984,854	\$ 1,619,349	\$ 8,002,266
Cash paid for goods and services	(725,344)	(1,610,129)	(1,584,714)	(3,920,187)
Cash paid to employees	(633,184)	(2,019,909)	(1,313,354)	(3,966,447)
Net cash provided by (used for) operating activities	<u>39,535</u>	<u>1,354,816</u>	<u>(1,278,719)</u>	<u>115,632</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(67,714)	(65,589)	-	(133,303)
Transfers from other funds	-	-	1,331,626	1,331,626
Advances received from other funds	(18,477)	-	-	(18,477)
Net cash provided by (used for) non-capital financing activities	<u>(86,191)</u>	<u>(65,589)</u>	<u>1,331,626</u>	<u>1,179,846</u>
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	-	25,411	952,940	978,351
Proceeds from disposal of capital assets	24,100	35,934	-	60,034
Acquisition and construction of assets	-	(2,401,908)	(46,985)	(2,448,893)
Proceeds from long-term debt issued	-	410,263	-	410,263
Principal paid on debt	-	(101,859)	(160,000)	(261,859)
Interest and other charges paid on debt	(664)	(15,198)	(128,949)	(144,811)
Net cash provided by (used for) capital and related financing activities	<u>23,436</u>	<u>(2,047,357)</u>	<u>617,006</u>	<u>(1,406,915)</u>
Cash flows from investing activities:				
Interest earned	-	10,260	3,078	13,338
Net increase (decrease) in cash and cash equivalents	(23,220)	(747,870)	672,991	(98,099)
Cash and cash equivalents:				
Beginning of year, July 1	<u>23,220</u>	<u>3,773,008</u>	<u>313,612</u>	<u>4,109,840</u>
End of year, June 30	<u>\$ -</u>	<u>\$ 3,025,138</u>	<u>\$ 986,603</u>	<u>\$ 4,011,741</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>U.S. Cellular Center</u>	<u>Total Non-major Enterprise Funds</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 56,460	\$ 969,758	\$ (1,996,252)	\$ (970,034)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	51,945	345,577	712,587	1,110,109
Pension expense	1,652	5,500	3,034	10,186
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	(64,687)	(15,595)	(2,335)	(82,617)
(Increase) decrease in prepaids	-	-	804	804
(Increase) decrease in deferred outflows of resources for pensions	(29,171)	(97,118)	(53,574)	(179,863)
Increase (decrease) in accounts payable	10,181	85,252	69,182	164,615
Increase (decrease) in accrued expenses	2,535	12,871	24,575	39,981
Increase (decrease) in unearned revenue	-	(27,020)	-	(27,020)
Increase (decrease) in compensated absences	1,518	28,404	(31,198)	(1,276)
Increase (decrease) in OPEB obligation	9,102	47,187	(5,542)	50,747
Net cash provided by (used for) operating activities	<u>\$ 39,535</u>	<u>\$ 1,354,816</u>	<u>\$ (1,278,719)</u>	<u>\$ 115,632</u>
Reconciliation of cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ -	\$ 3,025,138	\$ 986,603	\$ 4,011,741
Restricted	-	-	-	-
Total cash and cash equivalents	<u>\$ -</u>	<u>\$ 3,025,138</u>	<u>\$ 986,603</u>	<u>\$ 4,011,741</u>
Non-cash investing, capital, and financing activities:				
Net book value of asset received in transfer with governmental activities	<u>\$ 67,714</u>	<u>\$ 65,589</u>	<u>\$ -</u>	<u>\$ 133,303</u>

**CITY OF ASHEVILLE
STREET CUT UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 1,550,800	\$ 1,460,524	\$ (90,276)
Intergovernmental revenue	-	2,227	2,227
Total revenues	<u>1,550,800</u>	<u>1,462,751</u>	<u>(88,049)</u>
EXPENDITURES			
Operations	1,696,054	1,372,191	323,863
Capital outlay	70,210	-	70,210
Interest and other charges	-	664	(664)
Total expenditures	<u>1,766,264</u>	<u>1,372,855</u>	<u>393,409</u>
Revenues over (under) expenditures	<u>(215,464)</u>	<u>89,896</u>	<u>305,360</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	24,100	24,100
Proceeds from long-term debt issued	86,810	-	(86,810)
Transfer to other funds	-	(67,714)	(67,714)
Appropriated fund balance	128,654	-	-
Total other financing sources (uses)	<u>215,464</u>	<u>(43,614)</u>	<u>(259,078)</u>
Net change in net position	<u>\$ -</u>	<u>\$ 46,282</u>	<u>\$ 46,282</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in net position		\$ 46,282	
Reconciling items:			
Change in allowance for uncollectible accounts		946	
Depreciation		(51,945)	
Net book value of asset received in exchange for transfer		67,714	
Change in compensated absences		(1,518)	
Change in deferred outflows for pension		29,171	
Pension expense		(1,652)	
Change in OPEB obligation		<u>(9,102)</u>	
Change in net position		<u>\$ 79,896</u>	

**CITY OF ASHEVILLE
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 5,019,372	\$ 5,022,057	\$ 2,685
Other operating revenue	5,000	5,411	411
Interest earned	11,000	10,260	(740)
Total revenues	<u>5,035,372</u>	<u>5,037,728</u>	<u>2,356</u>
EXPENDITURES			
Administration	2,503,207	1,746,144	757,063
Operations	2,107,503	2,013,998	93,505
Capital outlay	415,593	410,263	5,330
Debt service:			
Principal	101,859	101,859	-
Interest and other charges	12,533	15,197	(2,664)
Total expenditures	<u>5,140,695</u>	<u>4,287,461</u>	<u>853,234</u>
Revenues over (under) expenditures	<u>(105,323)</u>	<u>750,267</u>	<u>855,590</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt issued	206,000	410,263	204,263
Transfer to Stormwater Capital Projects Fund	(507,434)	(411,334)	96,100
Transfer from other funds	-	19,345	19,345
Transfer to other funds	-	(84,934)	(84,934)
Proceeds from disposal of capital assets	20,000	35,934	15,934
Appropriated fund balance	386,757	-	(386,757)
Total other financing sources (uses)	<u>105,323</u>	<u>(30,726)</u>	<u>(136,049)</u>
Net change in net position	<u>\$ -</u>	<u>\$ 719,541</u>	<u>\$ 719,541</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in net position			
Stormwater Fund		\$ 719,541	
Stormwater Capital Projects Fund		(833,453)	
Total		<u>(113,912)</u>	
Reconciling items:			
Change in allowance for uncollectible accounts		(16,839)	
Debt issuance		(410,263)	
Amortization of premium on long-term debt issued		7,512	
Reduction of principal on long-term debt		101,859	
Depreciation		(345,577)	
Capitalized assets		2,725,852	
Capitalized interest		5,925	
Net book value of assets received in exchange for transfer		84,934	
Net book value of assets given in exchange for transfer		(19,345)	
Change in interest payable		(903)	
Change in compensated absences		(28,404)	
Change in deferred outflows for pension		97,118	
Change in deferred infows for pension		(5,500)	
Change in OPEB obligation		(47,187)	
Change in net position		<u>\$ 2,035,270</u>	

CITY OF ASHEVILLE
STORMWATER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 4,006,862	\$ 1,666,914	\$ 1,021,982	\$ -	\$ 2,688,896	\$ (1,317,966)
Charges for services	32,641	31,935	8,906	-	40,841	8,200
Total revenues	<u>4,039,503</u>	<u>1,698,849</u>	<u>1,030,888</u>	<u>-</u>	<u>2,729,737</u>	<u>(1,309,766)</u>
EXPENDITURES						
Craven Street Improvement	2,004,364	139,210	1,004,071	-	1,143,281	861,083
Azalea Road Improvements	2,216,132	1,314,810	774,699	-	2,089,509	126,623
FEMA Spooks Branch Road	30,757	79,446	-	-	79,446	(48,689)
FEMA Parks and Streets Debris Cleanup	6,125	6,125	-	-	6,125	-
FEMA Stormwater Repairs	347,684	302,942	-	-	302,942	44,742
FEMA Sweepers	37,869	34,207	-	-	34,207	3,662
Victoria Road	700,000	104,426	3,512	-	107,938	592,062
Michigan Avenue	290,000	-	-	-	-	290,000
Blair Street Stormwater System	194,766	194,060	-	-	194,060	706
Waynesville Avenue Stormwater System	90,000	-	-	-	-	90,000
Westover Drive Stormwater System	450,289	6,762	-	-	6,762	443,527
Westwood Avenue Stormwater System	313,101	-	219,306	-	219,306	93,795
RADTIP	387,069	-	215,872	-	215,872	171,197
French Broad River W. Greenway	48,662	-	-	-	-	48,662
Biltmore Avenue Bridge	750,000	-	58,215	-	58,215	691,785
Total expenditures	<u>7,866,818</u>	<u>2,181,988</u>	<u>2,275,675</u>	<u>-</u>	<u>4,457,663</u>	<u>3,409,155</u>
Revenues under expenditures	<u>(3,827,315)</u>	<u>(483,139)</u>	<u>(1,244,787)</u>	<u>-</u>	<u>(1,727,926)</u>	<u>2,099,389</u>
OTHER FINANCING SOURCES						
Proceeds from long-term debt	1,548,565	-	-	-	-	(1,548,565)
Transfers from Stormwater Fund	2,278,750	1,875,140	411,334	-	2,286,474	7,724
Total other financing sources	<u>3,827,315</u>	<u>1,875,140</u>	<u>411,334</u>	<u>-</u>	<u>2,286,474</u>	<u>(1,540,841)</u>
Net change in net position	<u>\$ -</u>	<u>\$ 1,392,001</u>	<u>\$ (833,453)</u>	<u>\$ -</u>	<u>\$ 558,548</u>	<u>\$ 558,548</u>

CITY OF ASHEVILLE
U.S. CELLULAR CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for services	\$ 263,500	\$ 210,351	\$ (53,149)
Rents	647,500	662,539	15,039
Concessions	1,153,922	610,960	(542,962)
Other operating revenue	286,000	137,832	(148,168)
Interest earned	2,000	3,078	1,078
Total revenues	<u>2,352,922</u>	<u>1,624,760</u>	<u>(728,162)</u>
EXPENDITURES			
Administration	1,724,576	1,546,285	178,291
Operations	1,701,843	1,241,171	460,672
Capital outlay	-	-	-
Debt service:			
Principal	160,000	165,000	(5,000)
Interest and other charges	128,950	128,950	-
Total expenditures	<u>3,715,369</u>	<u>3,081,406</u>	<u>633,963</u>
Revenues under expenditures	<u>(1,362,447)</u>	<u>(1,456,646)</u>	<u>(94,199)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	983,538	1,023,538	40,000
Appropriated fund balance	218,909	-	(218,909)
Total other financing sources (uses)	<u>1,202,447</u>	<u>1,023,538</u>	<u>(178,909)</u>
Net change in net position	<u>\$ (160,000)</u>	<u>\$ (433,108)</u>	<u>\$ (273,108)</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in net position			
U.S. Cellular Center Fund		\$ (433,108)	
U.S. Cellular Center Capital Projects Fund		1,027,574	
Total		<u>594,466</u>	
Reconciling items:			
Depreciation		(712,587)	
Reduction of principal on long-term debt		165,000	
Amortization of premium on long term debt		16,999	
Capitalized assets		28,284	
Change in interest payable		3,969	
Change in compensated absences		31,198	
Change in deferred outflows for pension		53,574	
Change in deferred infows for pension		(3,034)	
Change in OPEB obligation		5,542	
Change in net position		<u>\$ 183,411</u>	

CITY OF ASHEVILLE
U.S. CELLULAR CENTER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Project Closure</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Capital grants and contributions	\$ 5,824,619	\$ 4,881,061	\$ 952,940	\$ -	\$ 5,834,001	\$ 9,382
Other revenue	580,000	580,000	-	-	580,000	-
Total revenues	<u>6,404,619</u>	<u>5,461,061</u>	<u>952,940</u>	<u>-</u>	<u>6,414,001</u>	<u>9,382</u>
EXPENDITURES						
Southern Conference Renovations Phase 2	7,447,964	7,447,964	-	-	7,447,964	-
Southern Conference Renovations Phase 3	3,760,394	3,639,412	46,945	-	3,686,357	74,037
Thomas Wolfe Fire Exits	90,000	10,108	-	-	10,108	79,892
General Improvements	98,374	90,667	-	-	90,667	7,707
Center Maintenance	324,088	-	6,556	-	6,556	317,532
Thomas Wolfe Roof	185,000	-	179,953	-	179,953	5,047
Total expenditures	<u>11,905,820</u>	<u>11,188,151</u>	<u>233,454</u>	<u>-</u>	<u>11,421,605</u>	<u>484,215</u>
Revenues over (under) expenditures	<u>(5,501,201)</u>	<u>(5,727,090)</u>	<u>719,486</u>	<u>-</u>	<u>(5,007,604)</u>	<u>493,597</u>
OTHER FINANCING SOURCES						
Proceeds from long-term debt issued	3,217,976	3,217,976	-	-	3,217,976	-
Premium on long-term debt	339,977	339,977	-	-	339,977	-
Transfers from U.S. Cellular Center Fund	510,333	313,296	137,038	-	450,334	(59,999)
Transfers from other funds	1,432,915	1,261,047	171,050	-	1,432,097	(818)
Total other financing sources	<u>5,501,201</u>	<u>5,132,296</u>	<u>308,088</u>	<u>-</u>	<u>5,440,384</u>	<u>(60,817)</u>
Net change in net position	<u>\$ -</u>	<u>\$ (594,794)</u>	<u>\$ 1,027,574</u>	<u>\$ -</u>	<u>\$ 432,780</u>	<u>\$ 432,780</u>

Proprietary Funds

Internal Service Funds

Internal Service Funds are a sub-classification of the Proprietary Fund Types and are used to account for the operations of enterprises established to provide services primarily to other City functions. The financial statement of the Internal Service Funds 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 NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2015

	General Insurance	Health	Workers' Compensation	Property and Casualty	Total Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 1,193,802	\$ 4,096,747	\$ 1,990,172	\$ 1,514,581	\$ 8,795,302
Accounts receivable (net of allowance for uncollectibles)	-	314,648	114,297	4,283	433,228
Total current assets	<u>1,193,802</u>	<u>4,411,395</u>	<u>2,104,469</u>	<u>1,518,864</u>	<u>9,228,530</u>
Non-current assets:					
Net pension asset	-	23,454	-	4,755	28,209
Total assets	<u>1,193,802</u>	<u>4,434,849</u>	<u>2,104,469</u>	<u>1,523,619</u>	<u>9,256,739</u>
DEFERRED OUTFLOWS OF RESOURCES					
Employer contributions subsequent to the measurement date	-	15,288	-	3,100	18,388
Total deferred outflows of resources	<u>-</u>	<u>15,288</u>	<u>-</u>	<u>3,100</u>	<u>18,388</u>
LIABILITIES					
Current liabilities:					
Accounts payable	-	1,664,835	341,366	94,965	2,101,166
Other accrued liabilities	-	26,722	-	1,357	28,079
Total current liabilities	<u>-</u>	<u>1,691,557</u>	<u>341,366</u>	<u>96,322</u>	<u>2,129,245</u>
Non-current liabilities:					
Estimated claims payable, long-term	-	-	1,715,950	1,213,893	2,929,843
Total liabilities	<u>-</u>	<u>1,691,557</u>	<u>2,057,316</u>	<u>1,310,215</u>	<u>5,059,088</u>
DEFERRED INFLOWS OF RESOURCES					
Differences between expected and actual experience	-	2,563	-	520	3,083
Net difference between projected and actual earnings on pension plan investments	-	54,599	-	11,071	65,670
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,412	-	489	2,901
Total deferred inflows of resources	<u>-</u>	<u>59,574</u>	<u>-</u>	<u>12,080</u>	<u>71,654</u>
NET POSITION					
Unrestricted	<u>\$ 1,193,802</u>	<u>\$ 2,699,006</u>	<u>\$ 47,153</u>	<u>\$ 204,424</u>	<u>\$ 4,144,385</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>	<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES					
Charges for services	\$ -	\$ 13,171,632	\$ 1,433,000	\$ 1,886,300	\$ 16,490,932
Other operating revenue	-	508,794	194,887	151,078	854,759
Total operating revenues	<u>-</u>	<u>13,680,426</u>	<u>1,627,887</u>	<u>2,037,378</u>	<u>17,345,691</u>
OPERATING EXPENSES					
Administration	-	842,519	42,092	166,180	1,050,791
Benefits	-	12,365,108	1,032,490	1,004,850	14,402,448
Total operating expenses	<u>-</u>	<u>13,207,627</u>	<u>1,074,582</u>	<u>1,171,030</u>	<u>15,453,239</u>
Operating income	-	472,799	553,305	866,348	1,892,452
NON-OPERATING REVENUES					
Interest earned	-	9,683	5,657	3,627	18,967
Total non-operating revenues	<u>-</u>	<u>9,683</u>	<u>5,657</u>	<u>3,627</u>	<u>18,967</u>
Income before transfers and capital grants and contributions	-	482,482	558,962	869,975	1,911,419
Transfers to other funds	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(118,301)</u>	<u>(318,301)</u>
Change in net position	-	282,482	558,962	751,674	1,593,118
Total net position - beginning	1,193,802	2,451,779	(511,809)	(540,102)	2,593,670
Restatement (Note XIV)	-	(35,255)	-	(7,148)	(42,403)
Total net position - ending	<u>\$ 1,193,802</u>	<u>\$ 2,699,006</u>	<u>\$ 47,153</u>	<u>\$ 204,424</u>	<u>\$ 4,144,385</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>	<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:					
Cash received from customers, users and others	\$ -	\$ 14,023,151	\$ 1,657,302	\$ 2,069,390	\$ 17,749,843
Cash paid for goods and services	-	(12,333,917)	(1,423,947)	(1,533,306)	(15,291,170)
Cash paid to employees	-	(393,190)	-	(57,700)	(450,890)
Net cash provided by operating activities	-	1,296,044	233,355	478,384	2,007,783
Cash flows from non-capital financing activities:					
Transfers to other funds	-	(200,000)	-	(118,301)	(318,301)
Net cash used for non-capital financing activities	-	(200,000)	-	(118,301)	(318,301)
Cash flows from investing activities:					
Interest earned	-	9,683	5,657	3,627	18,967
Net increase in cash and cash equivalents	-	1,105,727	239,012	363,710	1,708,449
Cash and cash equivalents:					
Beginning of year, July 1	1,193,802	2,991,020	1,751,160	1,150,871	7,086,853
End of year, June 30	<u>\$ 1,193,802</u>	<u>\$ 4,096,747</u>	<u>\$ 1,990,172</u>	<u>\$ 1,514,581</u>	<u>\$ 8,795,302</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income	\$ -	\$ 472,799	\$ 553,305	\$ 866,348	\$ 1,892,452
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Pension expense	-	865	-	177	1,042
Changes in assets, liabilities and deferred outflows and inflows of resources:					
(Increase) decrease in accounts receivable	-	342,725	29,415	32,012	404,152
(Increase) decrease in prepaids	-	4,152	-	-	4,152
(Increase) decrease in deferred outflows of resources for pensions	-	(15,288)	-	(3,100)	(18,388)
Increase (decrease) in accounts payable	-	545,880	191,740	29,982	767,602
Increase (decrease) in other accrued liabilities	-	(55,089)	-	183	(54,906)
Increase (decrease) in estimated claims payable	-	-	(541,105)	(447,218)	(988,323)
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 1,296,044</u>	<u>\$ 233,355</u>	<u>\$ 478,384</u>	<u>\$ 2,007,783</u>

**CITY OF ASHEVILLE
GENERAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Benefits	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES			
Appropriated fund balance	-	-	-
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ASHEVILLE
HEALTH FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 13,237,606	\$ 13,171,632	\$ (65,974)
Other operating revenue	150,000	508,791	358,791
Interest earned	-	9,683	9,683
Total revenues	13,387,606	13,690,106	302,500
EXPENDITURES			
Administration	1,007,209	856,941	150,268
Benefits	13,029,527	12,365,238	664,289
Total expenditures	14,036,736	13,222,179	814,557
Revenues over (under) expenditures	(649,130)	467,927	1,117,057
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(200,000)	(200,000)	-
Appropriated fund balance	849,130	-	(849,130)
Total other financing sources (uses)	649,130	(200,000)	(849,130)
Net change in net position	\$ -	267,927	\$ 267,927
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in net position:		\$ 267,927	
Reconciling items:			
Change in allowance for uncollectible accounts		132	
Change in deferred outflows for pension		15,288	
Pension expense		(865)	
Change in net position		\$ 282,482	

**CITY OF ASHEVILLE
WORKERS' COMPENSATION FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 1,433,000	\$ 1,433,000	\$ -
Other operating revenue	92,964	194,886	101,922
Interest earned	10,000	5,657	(4,343)
Total revenues	1,535,964	1,633,543	97,579
EXPENDITURES			
Administration	78,200	42,092	36,108
Benefits	1,457,764	1,573,594	(115,830)
Total expenditures	1,535,964	1,615,686	(79,722)
Revenues over expenditures	-	17,857	17,857
OTHER FINANCING SOURCES			
Appropriated fund balance	860,590	-	(860,590)
Net change in net position	\$ 860,590	17,857	\$ (842,733)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in net position:		\$ 17,857	
Reconciling items:			
Change in estimate for claims incurred but not reported		541,105	
Change in net position		\$ 558,962	

**CITY OF ASHEVILLE
PROPERTY AND CASUALTY FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Charges for services	\$ 1,886,297	\$ 1,886,300	\$ 3
Other operating revenue	55,263	151,079	95,816
Interest earned	-	3,627	3,627
Total revenues	<u>1,941,560</u>	<u>2,041,006</u>	<u>99,446</u>
EXPENDITURES			
Administration	267,710	166,178	101,532
Benefits	<u>1,564,613</u>	<u>1,454,992</u>	<u>109,621</u>
Total expenditures	<u>1,832,323</u>	<u>1,621,170</u>	<u>211,153</u>
Revenues over expenditures	109,237	419,836	310,599
OTHER FINANCING SOURCES (USES)			
Transfers out	(118,301)	(118,301)	-
Appropriated fund balance	<u>9,064</u>	<u>-</u>	<u>(9,064)</u>
Total other financing sources (uses)	<u>(109,237)</u>	<u>(118,301)</u>	<u>(9,064)</u>
Net change in net position	<u>\$ -</u>	<u>301,535</u>	<u>\$ 301,535</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in net position:		\$ 301,535	
Reconciling items:			
Change in allowance for uncollectible accounts		(2)	
Change in deferred outflows for pension		3,100	
Pension expense		(177)	
Change in estimate for claims incurred but not reported		<u>447,218</u>	
Change in net position		<u>\$ 751,674</u>	

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.

- **U.S. Cellular Center Agency Fund** – This fund is used to segregate U.S. Cellular Center box office activities for various promoters.
- **Metropolitan Sewerage District (“MSD”) 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, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
U.S. CELLULAR CENTER AGENCY FUND:				
ASSETS				
Cash and investments	\$ 265,102	\$ 2,457,353	\$ 2,531,062	\$ 191,393
LIABILITIES				
Due to others	\$ 265,102	\$ 2,457,353	\$ 2,531,062	\$ 191,393
MSD AGENCY FUND:				
ASSETS				
Cash and investments	\$ 667,041	\$ 22,368,787	\$ 22,286,910	\$ 748,918
Due from customers	1,404,311	22,754,833	22,702,815	1,456,329
Total assets	<u>\$ 2,071,352</u>	<u>\$ 45,123,620</u>	<u>\$ 44,989,725</u>	<u>\$ 2,205,247</u>
LIABILITIES				
Due to other governments	<u>\$ 2,071,352</u>	<u>\$ 45,123,620</u>	<u>\$ 44,989,725</u>	<u>\$ 2,205,247</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash and investments	\$ 932,143	\$ 24,826,140	\$ 24,817,972	\$ 940,311
Due from customers	1,404,311	22,754,833	22,702,815	1,456,329
Total assets	<u>\$ 2,336,454</u>	<u>\$ 47,580,973</u>	<u>\$ 47,520,787</u>	<u>\$ 2,396,640</u>
LIABILITIES				
Due to others	\$ 265,102	\$ 2,457,353	\$ 2,531,062	\$ 191,393
Due to other governments	<u>2,071,352</u>	<u>45,123,620</u>	<u>44,989,725</u>	<u>2,205,247</u>
Total liabilities	<u>\$ 2,336,454</u>	<u>\$ 47,580,973</u>	<u>\$ 47,520,787</u>	<u>\$ 2,396,640</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, 2015**

Fiscal Year Ended June 30,	Taxes Receivable July 1, 2014	Additions	Collections and Other Reductions	Taxes Receivable June 30, 2015
2005 and prior	\$ 98,325	\$ -	\$ 49,622	\$ 48,703
2006	49,379	-	610	48,769
2007	37,977	-	583	37,394
2008	35,642	-	895	34,747
2009	50,637	-	1,413	49,224
2010	48,246	-	2,492	45,754
2011	59,741	-	5,921	53,820
2012	67,230	-	11,025	56,205
2013	78,170	-	22,611	55,559
2014	679,560	-	602,277	77,283
2015	-	50,677,329	50,605,061	72,268
Totals	\$ 1,204,907	\$ 50,677,329	\$ 51,302,510	579,726
Less: Allowance for uncollectible ad valorem tax receivable				(435,405)
Ad valorem taxes receivable-net				\$ 144,321
Ad valorem taxes receivable-net				\$ 144,321
Motor Vehicle Licenses and Taxes collected, but due from the State				571,208
General Fund Property taxes receivable per the fund financial statement (Exhibit C)				\$ 715,529
Reconciliation to revenues collected:				
Revenue - General Fund				\$ 51,888,019
Motor Vehicle Licenses and Taxes receivable from the State				(571,208)
Increase in allowance for uncollectible taxes				16,318
Other adjustments				(30,619)
Collections and other reductions				\$ 51,302,510

CITY OF ASHEVILLE
ANALYSIS OF CURRENT TAX LEVY AND SECONDARY MARKET DISCLOSURES
CITY - WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	City - Wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 11,027,207,346	0.46	\$ 50,725,154	\$ 48,681,430	\$ 2,043,724
Discoveries	6,826,739	0.46	31,403	31,403	-
Penalties	-		29,744	29,744	-
Releases	<u>(23,689,565)</u>	0.46	<u>(108,972)</u>	<u>(108,972)</u>	<u>-</u>
Total Property Valuation	<u><u>\$ 11,010,344,520</u></u>				
Net Levy			50,677,329	48,633,605	2,043,724
Uncollected taxes at June 30, 2015			<u>(72,268)</u>	<u>(72,268)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 50,605,061</u>	<u>\$ 48,561,337</u>	<u>\$ 2,043,724</u>
Current levy collection percentage			<u>99.86%</u>	<u>99.85%</u>	<u>100.00%</u>

Secondary Market Disclosures:

Assessed Valuation: (dollars in thousands)

Assessment Ratio	100%
Real Property	\$ 9,638,908
Personal Property	743,976
Public Service Companies	183,173
Motor Vehicles	<u>444,288</u>
Total Assessed Valuation (dollars in thousands)	\$ 11,010,345
Tax Rate per \$100	<u>0.46</u>
Total Tax Levy (excluding penalties)	<u>\$ 50,647,586</u>

Source: Buncombe County Tax Collector and North Carolina Department of Motor Vehicles



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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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities:				
Net investment in capital assets	\$ 173,599	\$ 166,595	\$ 165,821	\$ 163,616
Restricted	12,076	7,272	6,362	4,642
Unrestricted	<u>27,118</u>	<u>44,754</u>	<u>40,338</u>	<u>37,208</u>
Total Governmental Activities Net Position	<u>\$ 212,793</u>	<u>\$ 218,621</u>	<u>\$ 212,521</u>	<u>\$ 205,466</u>
Business-type Activities:				
Net investment in capital assets	\$ 92,519	\$ 99,339	\$ 133,002	\$ 119,193
Unrestricted	<u>29,832</u>	<u>39,540</u>	<u>21,917</u>	<u>43,206</u>
Total Business-type Activities Net Position	<u>\$ 122,351</u>	<u>\$ 138,879</u>	<u>\$ 154,919</u>	<u>\$ 162,399</u>
Primary Government:				
Net investment in capital assets	\$ 266,118	\$ 265,934	\$ 298,823	\$ 282,809
Restricted	12,076	7,272	6,362	4,642
Unrestricted	<u>56,950</u>	<u>84,294</u>	<u>62,255</u>	<u>80,414</u>
Total Primary Government Net Position	<u>\$ 335,144</u>	<u>\$ 357,500</u>	<u>\$ 367,440</u>	<u>\$ 367,865</u>

2010	2011	2012	2013	2014	2015
\$ 164,710	\$ 154,318	\$ 145,401	\$ 139,093	\$ 134,534	\$ 141,191
3,904	13,358	16,287	13,044	15,967	13,577
32,114	19,880	19,810	24,067	25,131	28,112
<u>\$ 200,728</u>	<u>\$ 187,556</u>	<u>\$ 181,498</u>	<u>\$ 176,204</u>	<u>\$ 175,632</u>	<u>\$ 182,880</u>
\$ 124,758	\$ 125,135	\$ 126,834	\$ 130,733	\$ 138,358	\$ 135,964
40,800	45,807	50,947	52,999	55,313	68,114
<u>\$ 165,558</u>	<u>\$ 170,942</u>	<u>\$ 177,781</u>	<u>\$ 183,732</u>	<u>\$ 193,671</u>	<u>\$ 204,078</u>
\$ 289,468	\$ 279,453	\$ 272,235	\$ 269,826	\$ 272,892	\$ 277,155
3,904	13,358	16,287	13,044	15,967	13,577
72,914	65,687	70,757	77,066	80,444	96,226
<u>\$ 366,286</u>	<u>\$ 358,498</u>	<u>\$ 359,279</u>	<u>\$ 359,936</u>	<u>\$ 369,303</u>	<u>\$ 386,958</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses:				
Governmental Activities:				
General Government	\$ 15,907	\$ 18,338	\$ 21,871	\$ 14,206
Public Safety	33,384	34,454	39,465	43,305
Environmental Services	20,076	21,239	21,571	28,754
Community Development	4,785	5,920	5,046	2,941
Transportation	-	-	-	-
Culture and Recreation	7,783	9,767	10,122	12,626
Interest on Long-term Debt	1,179	1,243	977	1,125
Total Governmental Activities Expenses	<u>83,114</u>	<u>90,961</u>	<u>99,052</u>	<u>102,957</u>
Business-type Activities:				
Water Resources	20,194	20,617	22,202	24,823
Parking Services	1,249	1,330	1,769	1,106
Street Cut Utility	-	-	-	-
Stormwater	1,995	2,500	2,919	3,382
U.S. Cellular Center	2,252	2,220	2,259	2,374
Mass Transit	4,262	4,633	5,086	5,475
Golf Course	884	997	1,050	1,114
Festivals	1,270	1,315	1,170	2,013
Total Business-type Activities Expenses	<u>32,106</u>	<u>33,612</u>	<u>36,455</u>	<u>40,287</u>
 Total Primary Government Expenses	 <u>\$ 115,220</u>	 <u>\$ 124,573</u>	 <u>\$ 135,507</u>	 <u>\$ 143,244</u>

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	21,245	\$ 18,381	\$ 17,924	\$ 15,049	\$ 17,909	\$ 18,461
	44,282	44,323	46,574	49,988	45,206	46,311
	17,481	10,111	9,834	9,869	6,083	6,099
	6,016	6,493	5,193	5,389	8,682	8,054
	9,328	14,233	16,154	14,693	17,456	14,654
	7,359	10,932	11,708	10,665	9,923	10,423
	930	861	975	662	856	757
	<u>106,641</u>	<u>105,334</u>	<u>108,362</u>	<u>106,315</u>	<u>106,115</u>	<u>104,759</u>
	27,490	31,045	30,810	31,539	28,107	28,733
	1,669	1,920	2,177	2,446	3,121	3,288
	-	1,073	1,423	1,337	1,417	1,407
	3,055	2,771	2,618	2,596	3,318	4,069
	2,147	2,510	2,855	3,137	3,636	3,726
	5,542	5,751	6,042	7,654	7,293	7,143
	1,031	979	925	2,081	-	-
	758	654	-	-	-	-
	<u>41,692</u>	<u>46,703</u>	<u>46,850</u>	<u>50,790</u>	<u>46,891</u>	<u>48,366</u>
\$	<u>148,333</u>	<u>\$ 152,037</u>	<u>\$ 155,212</u>	<u>\$ 157,105</u>	<u>\$ 153,006</u>	<u>\$ 153,125</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Program revenues:				
Governmental Activities:				
Charges for Services:				
General Government	\$ 9,255	\$ 8,766	\$ 9,568	\$ 6,180
Public Safety	2,881	3,747	4,358	4,467
Other Activities	3,029	3,140	3,120	1,705
Operating Grants and Contributions	6,645	6,578	8,114	8,690
Capital Grants and Contributions	2,897	2,374	103	5,639
Total Governmental Activities	<u>24,707</u>	<u>24,605</u>	<u>25,263</u>	<u>26,681</u>
Program Revenues	<u>24,707</u>	<u>24,605</u>	<u>25,263</u>	<u>26,681</u>
Business-type Activities:				
Charges for Services:				
Water Resources	23,992	30,465	31,535	30,841
Parking Services	2,383	2,870	3,009	771
Street Cut Utility	-	-	-	-
Stormwater	2,357	3,035	3,050	2,901
U.S. Cellular Center	1,526	1,556	1,671	1,730
Mass Transit	752	968	1,178	1,136
Golf Course	839	894	966	870
Festivals	1,033	868	860	2,850
Operating Grants and Contributions	2,171	2,374	2,076	2,554
Capital Grants and Contributions	4,137	3,571	3,751	1,044
Total Business-type Activities	<u>39,190</u>	<u>46,601</u>	<u>48,096</u>	<u>44,697</u>
Program Revenues	<u>39,190</u>	<u>46,601</u>	<u>48,096</u>	<u>44,697</u>
Total Primary Government				
Program Revenues	<u>\$ 63,897</u>	<u>\$ 71,206</u>	<u>\$ 73,359</u>	<u>\$ 71,378</u>
Net (Expense) Revenue:				
Governmental Activities	\$ (58,407)	\$ (66,356)	\$ (73,789)	\$ (76,276)
Business-type Activities	<u>7,084</u>	<u>12,989</u>	<u>11,641</u>	<u>4,410</u>
Total Primary Government Net Expense	<u>\$ (51,323)</u>	<u>\$ (53,367)</u>	<u>\$ (62,148)</u>	<u>\$ (71,866)</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 10,974	\$ 7,999	\$ 9,849	\$ 7,682	\$ 8,262	\$ 9,414
4,382	3,750	4,385	4,572	1,622	1,348
3,239	3,149	3,874	4,116	8,402	8,452
6,152	5,422	6,762	7,275	6,092	7,325
8,942	8,616	6,159	4,474	3,240	7,887
<u>33,689</u>	<u>28,936</u>	<u>31,029</u>	<u>28,119</u>	<u>27,618</u>	<u>34,426</u>
31,276	33,617	34,354	33,634	34,186	35,564
2,802	2,928	3,253	3,876	4,385	5,221
-	40	1,388	1,446	1,350	1,461
3,188	3,131	3,036	3,172	3,149	5,036
1,418	2,594	1,696	2,320	2,418	1,622
1,145	1,253	1,152	1,121	1,281	1,215
728	742	794	255	-	-
638	492	-	-	-	-
3,049	2,983	3,541	2,840	2,504	2,818
640	3,310	2,991	6,198	4,973	3,760
<u>44,884</u>	<u>51,090</u>	<u>52,205</u>	<u>54,862</u>	<u>54,246</u>	<u>56,697</u>
<u>\$ 78,573</u>	<u>\$ 80,026</u>	<u>\$ 83,234</u>	<u>\$ 82,981</u>	<u>\$ 81,864</u>	<u>\$ 91,123</u>
\$ (72,952)	\$ (76,398)	\$ (77,333)	\$ (78,196)	\$ (78,497)	\$ (70,333)
3,192	4,387	5,355	4,072	7,355	8,331
<u>\$ (69,760)</u>	<u>\$ (72,011)</u>	<u>\$ (71,978)</u>	<u>\$ (74,124)</u>	<u>\$ (71,142)</u>	<u>\$ (62,002)</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Revenues and Other Changes in Net Position:				
Governmental Activities:				
Taxes				
Property Taxes	\$ 36,914	\$ 41,254	\$ 42,119	\$ 43,971
Sales Taxes	16,107	17,399	16,548	15,036
Other Taxes	6,086	6,163	7,456	8,054
Unrestricted Grants and Contributions	1,059	1,513	1,242	1,771
Investment Earnings and Miscellaneous	2,724	3,127	3,025	2,254
Special Item	7,189	5,044	-	-
Transfers Out	(1,943)	(2,317)	(2,701)	(1,865)
Total Governmental Activities	<u>68,136</u>	<u>72,183</u>	<u>67,689</u>	<u>69,221</u>
Business-type Activities:				
Miscellaneous	559	1,222	1,700	1,205
Special Item	7,004	-	-	-
Transfers In	1,943	2,317	2,701	1,865
Total Business-type Activities	<u>9,506</u>	<u>3,539</u>	<u>4,401</u>	<u>3,070</u>
Total Primary Government	<u>\$ 77,642</u>	<u>\$ 75,722</u>	<u>\$ 72,090</u>	<u>\$ 72,291</u>
Change in Net Position:				
Governmental Activities	\$ 9,729	\$ 5,827	\$ (6,100)	\$ (7,055)
Business-type Activities	<u>16,590</u>	<u>16,528</u>	<u>16,042</u>	<u>7,480</u>
Total Primary Government	<u>\$ 26,319</u>	<u>\$ 22,355</u>	<u>\$ 9,942</u>	<u>\$ 425</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 45,238	\$ 45,979	\$ 46,521	\$ 46,836	\$ 52,052	\$ 51,783
14,173	14,718	15,752	16,569	17,250	21,372
389	956	735	741	890	540
8,308	8,511	8,661	10,415	8,682	13,058
232	585	784	775	1,337	1,199
-	-	-	-	-	-
(125)	(2,333)	(1,179)	(2,434)	(2,286)	(3,133)
<u>68,215</u>	<u>68,416</u>	<u>71,274</u>	<u>72,902</u>	<u>77,925</u>	<u>84,819</u>
403	200	305	254	298	450
-	-	-	-	-	-
125	2,333	1,179	2,434	2,286	3,133
<u>528</u>	<u>2,533</u>	<u>1,484</u>	<u>2,688</u>	<u>2,584</u>	<u>3,583</u>
<u>\$ 68,743</u>	<u>\$ 70,949</u>	<u>\$ 72,758</u>	<u>\$ 75,590</u>	<u>\$ 80,509</u>	<u>\$ 88,402</u>
\$ (4,737)	\$ (7,982)	\$ (6,059)	\$ (5,294)	\$ (572)	\$ 14,486
<u>3,720</u>	<u>6,920</u>	<u>6,839</u>	<u>6,760</u>	<u>9,939</u>	<u>11,914</u>
<u>\$ (1,017)</u>	<u>\$ (1,062)</u>	<u>\$ 780</u>	<u>\$ 1,466</u>	<u>\$ 9,367</u>	<u>\$ 26,400</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008^(a)</u>	<u>2009</u>
General fund:				
Reserved	\$ 13,834	\$ 19,762	\$ 10,460	\$ 8,665
Unreserved	23,792	21,852	18,232	16,697
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 37,626</u>	<u>\$ 41,614</u>	<u>\$ 28,692</u>	<u>\$ 25,362</u>
All other governmental funds:				
Reserved	\$ 7,793	\$ 5,462	\$ 5,682	\$ 7,884
Unreserved as Reported in:				
Special Revenue Funds	1,362	834	830	(438)
Capital Projects Funds	1,543	3,343	7,470	4,485
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Government Funds	<u>\$ 10,698</u>	<u>\$ 9,639</u>	<u>\$ 13,982</u>	<u>\$ 11,931</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.

(c)The fund balance in the governmental funds increased primarily due to changes in accounting principles for revolving loans and pensions.

2010	2011^(b)	2012	2013	2014	2015^(c)
\$ 10,150	\$ -	\$ -	\$ -	\$ -	\$ -
11,163	-	-	-	-	-
-	465	448	471	469	7,407
-	5,995	6,663	7,196	9,426	12,394
-	-	-	893	623	842
-	73	1,052	-	6,545	8,683
-	13,102	13,626	15,485	15,040	16,647
<u>\$ 21,313</u>	<u>\$ 19,635</u>	<u>\$ 21,789</u>	<u>\$ 24,045</u>	<u>\$ 32,103</u>	<u>\$ 45,973</u>
\$ 5,931	\$ -	\$ -	\$ -	\$ -	\$ -
(694)	-	-	-	-	-
4,582	-	-	-	-	-
-	324	324	317	317	4,613
-	3,978	5,489	5,530	6,224	866
-	4,006	14,920	8,921	915	-
-	-	-	-	-	-
-	-	-	-	-	(3,535)
<u>\$ 9,819</u>	<u>\$ 8,308</u>	<u>\$ 20,733</u>	<u>\$ 14,768</u>	<u>\$ 7,456</u>	<u>\$ 1,944</u>

CITY OF ASHEVILLE
GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2006 ^(a)</u>	<u>2007 ^(a)</u>	<u>2008 ^(a)</u>	<u>2009 ^(a)</u>
Revenues:				
Taxes	\$ 53,356	\$ 59,123	\$ 59,073	\$ 59,313
Intergovernmental	15,440	14,969	16,590	18,313
Licenses and Permits	4,948	5,878	5,187	5,497
Charges for services	9,023	9,775	10,319	7,359
Private Donations	1,059	1,360	122	1,883
Investment Earnings	1,833	1,930	1,588	1,243
Miscellaneous	891	876	1,038	1,231
Total Revenues	<u>86,550</u>	<u>93,911</u>	<u>93,917</u>	<u>94,839</u>
Expenditures:				
Current:				
General Government	13,686	14,796	17,258	10,451
Public Safety	31,003	32,550	35,826	39,699
Environmental Services	10,058	11,125	10,483	13,954
Community Development	3,450	3,720	3,074	2,941
Planning	1,319	2,199	1,872	1,748
Engineering	1,761	2,632	2,502	2,413
Transportation	-	-	-	-
Culture and Recreation	6,622	8,477	5,935	11,079
Capital Outlay	10,137	7,729	13,819	10,904
Debt Service:				
Principal	3,803	4,408	3,892	4,207
Interest	1,128	1,283	1,122	1,105
Total Expenditures	<u>82,967</u>	<u>88,919</u>	<u>95,782</u>	<u>98,501</u>
Revenues Over/Under Expenditures	<u>3,583</u>	<u>4,992</u>	<u>(1,865)</u>	<u>(3,662)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	4,254	4,099	5,156	3,442
Transfer to Other Funds	(6,197)	(6,416)	(16,906)	(5,307)
Long-term Debt Issued	8,030	-	5,000	-
Payment to Defease Long-term Debt	-	-	-	-
Sale of Capital Assets	1,312	254	35	147
Total Other Financing Sources (Uses)	<u>7,399</u>	<u>(2,063)</u>	<u>(6,715)</u>	<u>(1,718)</u>
Net Change in Fund Balance	<u>\$ 10,982</u>	<u>\$ 2,929</u>	<u>\$ (8,580)</u>	<u>\$ (5,380)</u>
Debt Service as a Percentage of Non-capital Expenditures	<u>6.77%</u>	<u>7.01%</u>	<u>6.12%</u>	<u>6.06%</u>

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

	2010	2011	2012	2013	2014	2015
\$	59,814	\$ 61,595	\$ 63,024	\$ 64,202	\$ 70,192	\$ 71,901
	19,681	17,637	16,938	15,064	14,697	20,519
	4,290	5,224	4,542	5,213	5,585	5,974
	7,828	6,114	7,491	7,182	9,055	9,459
	-	-	-	-	-	-
	77	116	151	85	173	142
	2,003	2,467	2,222	1,947	2,017	2,457
	<u>93,693</u>	<u>93,153</u>	<u>94,368</u>	<u>93,693</u>	<u>101,719</u>	<u>110,452</u>
	11,196	13,851	13,459	10,502	13,177	18,427
	41,734	41,743	42,038	47,174	45,721	44,840
	5,231	9,734	13,286	9,504	5,609	5,669
	7,547	6,457	5,127	5,349	6,081	8,524
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,359	4,246	2,241	4,542	7,267	6,826
	8,320	9,253	9,973	9,048	8,314	9,072
	11,707	5,740	6,892	6,288	9,837	15,458
	4,313	3,654	3,168	4,093	3,516	3,906
	959	841	1,010	723	1,201	1,105
	<u>98,366</u>	<u>95,519</u>	<u>97,194</u>	<u>97,224</u>	<u>100,723</u>	<u>113,827</u>
	<u>(4,673)</u>	<u>(2,366)</u>	<u>(2,826)</u>	<u>(3,531)</u>	<u>996</u>	<u>(3,375)</u>
	6,041	3,651	3,570	1,936	1,152	1,107
	(6,166)	(5,984)	(4,749)	(4,369)	(3,343)	(3,788)
	131	64	28,758	2,143	1,591	2,815
	-	-	(10,506)	-	-	-
	1,300	1,100	332	111	351	347
	<u>1,306</u>	<u>(1,169)</u>	<u>17,405</u>	<u>(179)</u>	<u>(249)</u>	<u>481</u>
\$	<u>(3,367)</u>	<u>(3,535)</u>	<u>14,579</u>	<u>(3,710)</u>	<u>747</u>	<u>(2,894)</u>
	<u>6.08%</u>	<u>5.01%</u>	<u>4.63%</u>	<u>5.30%</u>	<u>5.19%</u>	<u>5.09%</u>

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

Fiscal Year Ended June 30	Ad Valorem Taxes	Local Option Sales Taxes	Other Taxes	Total
2006	\$ 36,874	\$ 16,107	\$ 375	\$ 53,356
2007	41,264	17,399	460	59,123
2008	42,138	16,548	387	59,073
2009	43,840	15,036	437	59,313
2010	45,253	14,105	691	60,049
2011	46,223	14,637	704	61,564
2012	46,537	15,752	735	63,024
2013	46,892	16,569	741	64,202
2014	52,053	17,250	890	70,193
2015	51,888	19,473	540	71,901

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)
2006	\$ 3,284,605	\$ 2,309,749	\$ 5,594,354	\$ 165,360	\$ 509,456	\$ 597,418
2007	4,867,777	3,598,231	8,466,008	189,426	549,169	613,292
2008	5,007,378	3,589,744	8,597,122	190,305	572,808	654,581
2009	5,286,384	3,663,006	8,949,390	195,966	571,182	718,508
2010	5,521,476	3,857,533	9,379,009	193,434	520,998	707,473
2011	5,530,052	3,984,322	9,514,374	186,956	480,112	699,285
2012	5,546,498	4,088,220	9,634,718	191,230	513,711	673,731
2013	5,583,116	4,113,726	9,696,842	190,235	551,327	688,439
2014	5,526,111	4,127,192	9,653,303	185,757	597,911	731,028
2015	5,331,980	4,306,928	9,638,908	183,173	444,288	743,976

^(a)NC Department of Revenue, Municipal Certification Valuation & Property Tax Levies, NC Division of Motor Vehicles, and Buncombe County.

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

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

Note: The levy of property taxes each year is based on the assessed value of taxable property as of January 1, preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at time of revaluation. Revaluation of real property is required by statute at least once every eight years, but is done every four years in Buncombe County. Revaluations were effective in fiscal years 2007 and 2014.

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
\$ 1,106,874	\$ 6,866,588	0.53	98.91%	\$ 6,928,238	99.11%
1,162,461	9,817,895	0.42	87.40%	11,038,395	88.94%
1,227,389	10,014,816	0.42	83.60%	11,701,333	85.59%
1,289,690	10,435,046	0.42	86.52%	11,829,380	88.21%
1,228,471	10,800,914	0.42	93.56%	11,446,498	94.36%
1,179,397	10,880,727	0.42	93.53%	11,538,890	94.30%
1,187,442	11,013,390	0.42	99.00%	11,110,710	99.12%
1,239,766	11,126,843	0.42	96.91%	11,436,029	97.30%
1,328,939	11,167,999	0.46	95.17%	11,657,917	95.80%
1,188,264	11,010,345	0.46	90.00%	12,081,335	91.14%

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

Fiscal Year	City of Asheville			Buncombe County	Asheville City Schools	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total Millage	Total County Millage (b)	Total District Millage (b)	
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
2014	0.438	0.022	0.46	0.569	0.15	1.179
2015	0.440	0.020	0.46	0.604	0.15	1.214

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 are not available for Buncombe County and Asheville City Schools.

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

	June 30, 2015			June 30, 2006		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
GPI Resort Holdings, LLC	\$ 104,310	1	0.99%	\$ -		-
Town Square West, LLC	97,684	2	0.92%	-		-
Duke Energy Progress, Inc.	90,536	3	0.86%	-		-
Asheville Mall CMBS, LLC	75,135	4	0.71%	-		-
Linamar North Carolina, Inc.	59,782	5	0.57%	-		
Ingles Markets, Inc.	50,827	6	0.48%	44,302	5	0.65%
The Forest at Asheville Prop et al	31,500	7	0.30%	-		-
Nesbitt Asheville Venture, LLC (Renaissance)	29,047	8	0.27%	-		-
Bellsouth Telephone Co. dba AT&T North Carolina	28,724	9	0.27%	51,592	4	0.75%
Day International, Inc.	28,029	10	0.27%	25,597	7	0.37%
Jack Tar Hotel				80,365	1	1.17%
Carolina Power and Light				63,387	2	0.92%
Asheville LLC				56,921	3	0.83%
Biltmore Square				27,000	6	0.39%
Pechiney Plastic Packaging, Inc				24,526	8	0.36%
NCI, Inc				19,481	9	0.28%
Simpson Financing Limited Partnership				18,111	10	0.26%
	\$ 595,574		5.64%	\$ 411,282		5.98%

Source: Buncombe County Tax Collector

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Current Outstanding Balance	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
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%	78	227	46,759	99.8%
2014	52,284	51,604	98.7%	679	1	51,605	98.7%
2015	50,677	50,605	99.9%	72	-	50,605	99.9%

Note: 2014 and 2015 amounts reflect the NC Tag & Tax Together program implemented in Fall of 2013.



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

Fiscal Year	Governmental Activities				Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds	Installment Financing Contracts and Other Long-Term Debt	Total Governmental Activities			
2005	\$ 7,676	\$ 17,278	\$ 24,954		0.37%	\$ 338
2006	6,057	23,146	29,203		0.43%	391
2007	4,456	20,396	24,852		0.25%	327
2008	2,985	22,976	25,961		0.26%	334
2009	2,279	21,690	23,969		0.23%	302
2010	1,652	19,303	20,955		0.19%	251
2011	1,230	17,171	18,401		0.17%	216
2012	960	29,671	30,631		0.28%	355
2013	770	27,917	28,687		0.26%	326
2014	670	26,092	26,762		0.24%	(a)
2015	570	27,011 (b)	27,581		0.25%	(a)

(a) Information not available.

(b) Reported at par value outstanding, net of related premiums, discounts and adjustments.

Business-Type Activities

General Obligation Bonds	Revenue Bonds	Installment Financing Contracts and Other Long-Term Debt	Total Primary Government	Percentage of Personal Income	Debt Per Capita
\$ 7,719	\$ 42,960	\$ 3,410	\$ 79,043	3.56%	\$ 1,072
6,413	41,800	2,970	80,386	3.38%	1,078
5,124	40,580	2,242	72,798	2.86%	959
3,750	78,170	1,479	109,360	4.07%	1,405
2,401	76,050	1,286	103,706	4.01%	1,306
998	73,570	1,093	96,616	3.51%	1,156
60	71,005	7,403	96,869	3.33%	1,138
-	68,340	14,228	113,199	3.63%	1,313
-	65,570	13,353	107,610	3.30%	1,223
-	62,685	12,682	102,129	(a)	1,162
-	57,499 (b)	18,647 (b)	103,727	(a)	(a)

CITY OF ASHEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015
(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	\$ 25,670 (a)	100.00%	\$ 25,670
Overlapping Debt ^(b) :			
Buncombe County	<u>506,282</u>	39.85%	<u>201,777</u>
Total direct and overlapping debt:	<u>\$ 531,952</u>		<u>\$ 227,447</u>

Notes

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

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

(b) Allocation based on assessed valuation.

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

Fiscal Year	Total Taxable Assessed Value	Debt Limit (8% of Total Assessed Value)	Outstanding Debt (a)	Legal Debt Margin	Net Debt as a % of Debt Limit
2006	\$ 6,866,588	\$ 549,327	\$ 29,227	\$ 520,100	5.32%
2007	9,817,895	785,432	24,852	760,580	3.16%
2008	10,014,816	801,185	25,960	775,225	3.24%
2009	10,435,046	834,804	25,168	809,636	3.01%
2010	10,800,914	864,073	20,955	843,118	2.43%
2011	10,880,727	870,458	24,576	845,882	2.82%
2012	11,013,390	881,071	43,922	837,149	4.99%
2013	11,126,843	890,147	41,262	848,885	4.64%
2014	11,167,999	893,440	38,826	854,614	4.35%
2015	11,010,345	880,828	37,397	843,431	4.25%

(a) Excludes debt not applicable to the limit.

Notes:

	<u>FY 2014</u>	<u>FY 2015</u>
(1) Net Outstanding Debt Calculation:		
General Government General Obligation Bonds	\$ 670	\$ 570
Water System General Obligation Bonds	-	-
Installment Financing Contracts	37,372	36,109
Other debt agreements	1,402	1,177
	<u>39,444</u>	<u>37,856</u>
Statutory Deductions:		
Incurred for Water Enterprise System	(618)	(459)
	<u>\$ 38,826</u>	<u>\$ 37,397</u>

(2) There were no General Obligation Bonds Authorized, Unissued at June 30, 2015.

**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
2006	\$ 24,420	\$ 13,581	\$ 10,839	\$ 1,185	\$ 2,276
2007	31,455	14,091	17,364	1,220	2,208
2008	32,986	15,262	17,724	1,435	1,864
2009	31,934	16,855	15,079	2,120	3,829
2010	31,586	17,088	14,498	2,480	3,467
2011	33,808	20,652	13,156	2,565	3,374
2012	34,638	20,022	14,616	2,665	3,274
2013	33,881	21,091	12,790	2,770	3,163
2014	34,394	17,795	16,599	2,885	3,048
2015	35,994	18,135	17,859	3,005	2,921

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
\$ 3,461	3.13	\$ 1,844	\$ 5,305	2.04
3,428	5.07	1,768	5,196	3.34
3,299	5.37	1,795	5,094	3.48
5,949	2.53	1,708	7,657	1.97
5,947	2.44	1,702	7,649	1.90
5,939	2.22	1,170	7,109	1.85
5,939	2.46	254	6,193	2.36
5,933	2.16	492	6,425	1.99
5,933	2.80	492	6,425	2.58
5,926	3.01	175	6,101	2.93

**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)
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	36,125	3,114,228	4,048	8.2%
2013	88,003	37,029	3,258,663	4,360	7.0%
2014	87,882	(e)	(e)	4,377	5.3%
2015	(e)	(e)	(e)	4,422	5.0%

Sources:

^(a)State Office of Budget and Management and US Census Bureau

^(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	2015			2006		
		Rank	Employees Range	Percent of Total Employed	Rank	Employees Range	Percent of Total Employed
Memorial Mission Hospitals, Inc.	Education and Health Services	1	3,000 +	2.38%	1	1,000 +	0.87%
Buncombe County Board of Education	Education and Health Services	2	3,000 +	2.38%	2	1,000 +	0.87%
Ingles Market, Inc.	Trade, Transportation, and Utilities	3	1,000 +	1.58%	4	1,000 +	0.87%
Veterans Administration	Public Administration	4	1,000 +	1.58%	6	1,000 +	0.87%
County of Buncombe	Public Administration	5	1,000 +	1.58%	5	1,000 +	0.87%
Wal-Mart	Trade, Transportation, and Utilities	6	1,000 +	1.58%	11	500-999	0.65%
City of Asheville	Public Administration	7	1,000 +	1.58%	7	1,000 +	0.87%
Eaton Corporation	Manufacturing	8	1,000 +	1.58%			
AB Technical Community College	Education and Health Services	9	1,000 +	1.58%	10	500-999	0.65%
The Biltmore Company	Leisure and Hospitality	10	1,000 +	1.58%	8	1,000 +	0.87%
Omni Hotels Management Corp	Leisure and Hospitality	11	1,000 +	1.58%			
Community Carepartners Inc	Education and Health Services	12	500-999	0.59%	14	500-999	0.65%
UNC Asheville	Education and Health Services	13	500-999	0.59%			
Asheville City Schools	Education and Health Services	14	500-999	0.59%	12	500-999	0.65%
NC Dept of Health & Human Services	Public Administration	15	500-999	0.59%			
US Airways Express	Trade, Transportation, and Utilities	16	500-999	0.59%	19	500-999	0.65%
Mission Medical Associates Inc	Education and Health Services	17	500-999	0.59%			
Kendro Laboratory Products LP	Manufacturing	18	500-999	0.59%	20	250-499	0.33%
Lowes Home Centers, Inc	Trade, Transportation, and Utilities	19	500-999	0.59%			
BorgWarner Turbo Systems	Manufacturing	20	500-999	0.59%	16	500-999	0.65%

Note: Information is for the Buncombe County area and was obtained from the Employment Security Commission, Labor Market Information Division

CITY OF ASHEVILLE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Nine Fiscal Years

<u>Service Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012^(a)</u>	<u>2013</u>	<u>2014</u>	<u>2015^(c)</u>
<u>Primary Government:</u>									
General Government	198	197	281	227	223	103	110	122	134
Public Safety	472	473	461	489	482				
Fire Department						258	244	259	257
Police Department						251	242	241	279
Building Safety						42	40	41	-
Environmental Services	37	36	37	29	27	58	47	38	37
Community and Economic Development						28	24	21	64
Transportation	162	163	79	58	97	42	47	54	65
Culture and Recreation	144	143	126	157	92	96	83	100	108
<u>Business Type:</u>									
Water Resources	135	130	137	148	142	139	139	143	148
Parking Services						15	17	20	22
Street Cut Utility						12	9	9	10
Stormwater						27	22	27	30
U.S. Cellular Center						16	14	15	16
Mass Transit						3	3	3	3
Golf Course ^(b)						10	-	-	-
Total City Government Employees	1,148	1,142	1,121	1,108	1,063	1,100	1,041	1,093	1,173

Source: City of Asheville, Human Resources Department and Budget and Financial Reporting Division

^(a) Function classification was modified to correspond with financial statements in fiscal year 2012. Data is not comparable to prior years by function.

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

^(c) Building Safety (Development Services Department) moved to Community and Economic Development classification in fiscal year 2015.



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**CITY OF ASHEVILLE
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years**

Function	2006	2007	2008	2009
Police:				
Number of Police Personnel and Officers	249	251	254	261
Number of Calls for Service	108,491	112,594	114,228	113,313
Number of Law Violations:				
Uniform Crime Report Part I Crimes Reported	5,186	4,453	4,844	4,263
Uniform Crime Report Part II Crimes Reported	4,495	4,903	4,135	4,027
Accidents Investigated	3,270	7,781	7,280	6,517
Number of Physical Arrests	5,862	9,757	6,523	6,196
Number of Traffic Violations	9,315	14,061	5,468	17,951
Number of Incident Reports	9,612	9,551	9,941	9,401
Fire:				
Number of Fire Personnel and Officers	221	224	233	239
Number of Calls Answered	13,067	15,339	13,532	13,394
Inspections	5,508	5,477	8,900	12,740
Water:				
Number of Service Connections	50,415	51,109	51,769	55,171
Maximum Daily Capacity of Plants in Gallons	44,000,000	43,500,000	44,000,000	43,500,000
Daily Average Consumption in Gallons	21,200,000	21,500,000	20,950,000	20,470,000
Education:				
Number of Preschool Instructors	(a)	(a)	17	15
Number of Elementary School Instructors	150	112	149	114
Number of Middle School Instructors	60	63	65	64
Number of Secondary School Instructors	95	98	86	86
Miscellaneous:				
Number of Full-time Equivalent Employees	1,148	1,148	1,142	1,121
Area in Square Miles	43.64	43.77	44.44	45.24

Sources: Various City departments and Asheville City Schools.

^(a) Not available

2010	2011	2012	2013	2014	2015
259	254	251	242	241	283
110,353	110,059	111,230	115,348	113,448	113,702
4,210	3,804	5,194	5,304	5,597	4,701
3,720	3,518	5,076	5,172	4,756	5,019
6,554	6,240	6,565	6,771	5,025	6,859
5,661	5,904	6,352	6,218	5,453	5,622
13,157	9,304	7,278	5,056	3,693	10,005
8,000	7,308	10,280	10,476	10,353	9,720
239	239	258	244	259	261
13,585	14,110	14,216	15,012	15,012	16,897
6,569	10,480	11,215	8,077	3,397	9,112
55,538	55,921	56,419	56,900	57,516	58,289
43,500,000	43,500,000	43,500,000	43,500,000	43,500,000	43,500,000
21,600,000	20,600,000	21,050,000	20,130,000	19,700,000	20,400,000
15	13	12	11	11	10
167	152	176	158	186	190
67	63	71	65	75	74
88	83	112	97	118	128
1,108	1,063	1,100	1,041	1,093	1,155
45.25	45.52	45.79	45.73	45.73	45.25

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

Function	2006	2007	2008	2009
Public safety:				
Police Stations/Resource Centers	1/3	1/4	1/4	1/5
Police Patrol Districts	3	3	3	3
Police Patrol Units (Beats)	12	12	13	13
Fire Stations	9	9	11	11
Highways and Streets:				
Streets (miles)	394	395	398	399
Street Lights	12,585	9,790	9,809	9,856
Traffic Lights	270	295	295	295
Culture and Recreation:				
Parks Acreage	942	972	987	987
Parks and Playgrounds	43	54	57	57
Swimming Pools	3	3	3	3
Tennis Courts	29	32	32	32
Community Centers	11	11	11	11
Water:				
Water Mains (Miles)	1,600	1,625	1,643	1,653
Fire Hydrants	6,355	6,178	6,307	6,470
Number of Treatment Plants	3		3	3
City Schools ^(a):				
Number of Preschools	1	1	1	1
Number of Elementary Schools	5	5	5	5
Number of Middle Schools	1	1	1	1
Number of Secondary Schools	1	1	1	1
Number of Community Colleges	1	1	1	1
Number of Colleges/Universities	2	2	2	2
Hospitals:				
Number of Hospitals	2	2	2	2
Number of Patient Beds (includes VA nursing home)	1032	1032	1032	1054

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.

2010	2011	2012	2013	2014	2015
1/6	1/6	1/6	1/6	1/6	1/6
3	3	3	3	3	3
13	13	13	13	13	13
12	12	12	12	12	12
401	402	403	404	404	404
9,885	9,868	9,872	9,810	9,804	10,189
295	295	295	295	295	295
769	872	874	874	874	874
59	59	59	59	59	59
3	3	3	3	3	3
28	26	26	26	26	26
11	11	11	11	11	11
1,658	1,661	1,666	1,673	1,674	1,681
6,530	6,644	6,736	6,780	6,846	6,916
3	3	3	3	3	3
1	1	1	1	1	2
5	5	5	5	5	5
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
1054	1054	1054	1057	1052	1039

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

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Water Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Street and Sidewalk Bonds	235	90	-	-	-
Refunding Bonds	60	-	-	-	-
General Government Bonds	<u>970</u>	<u>870</u>	<u>770</u>	<u>670</u>	<u>570</u>
Total Debt Outstanding	<u>\$ 1,265</u>	<u>\$ 960</u>	<u>\$ 770</u>	<u>\$ 670</u>	<u>\$ 570</u>

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

Fiscal Year	Total GO Debt (in thousands)	Assessed Valuation (in thousands)^(a)	Percent of Valuation	Population^(b)	Total GO Debt Per Capita^(c)	Total Assessed Value Per Capita
2008	\$ 6,735	\$ 10,014,816	0.07%	77,838	\$ 87	\$ 128,662
2009	4,680	10,435,046	0.04%	79,395	59	131,432
2010	2,640	10,800,914	0.02%	83,559	32	129,261
2011	1,290	10,880,727	0.01%	85,145	15	127,791
2012	960	11,013,390	0.01%	86,207	11	127,755
2013	770	11,126,843	0.01%	88,003	9	126,437
2014	670	11,167,999	0.01%	87,882	8	127,079
2015	570	11,010,345	0.01%	(d)	(d)	(d)

(a) Real property in the City was revalued in 2014 for the first time since 2007.

(b) Source: State Office of Budget and Management and US Department of the Census.

(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, 2015

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, 2015

<u>Fiscal Year</u>	<u>Principal</u>	<u>Total Principal and Interest Payments</u>
2015-16	\$ 4,149,835	\$ 5,093,594
2016-17	4,384,128	5,201,279
2017-18	4,106,330	4,752,396
2018-19	2,446,850	2,938,571
2019-20	2,283,502	2,717,050
2020-21	1,429,373	1,796,362
2021-22	1,099,374	1,399,992
2022-23	804,374	1,053,304
2023-24	656,433	870,772
2024-25	598,333	782,316
2025-26	561,666	725,251
2026-27	525,000	661,500
2027-28	525,000	643,125
2028-29	525,000	616,875
2029-30	525,000	597,188
2030-31	525,000	570,937
2031-32	525,000	551,250
Total Remaining Payments	<u>\$ 25,670,198</u>	<u>\$ 30,971,762</u>

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, 2016

	<u>General Fund</u>	<u>Enterprise Funds</u>
Estimated Revenues:		
Ad Valorem taxes	\$ 54,833,390	\$ -
Other taxes	20,129,180	-
Intergovernmental revenues	12,098,379	3,063,000
Licenses and permits	4,550,994	547,000
Sales and services	9,985,234	44,512,294
Investment earnings	150,000	140,544
Miscellaneous revenues	1,401,450	4,556,600
Total estimated revenues	<u>103,148,627</u>	<u>52,819,438</u>
Appropriations:		
Current:		
General government	13,788,035	-
Public safety	46,062,508	-
Transportation	7,784,574	4,713,345
Environmental services	5,959,189	5,224,749
Economic & physical development	7,641,544	-
Culture and recreation	9,905,874	-
Civic Center	-	2,734,266
Water	-	19,346,792
Mass transit	-	6,639,992
Debt service	5,387,021	7,350,605
Total appropriations	<u>96,528,745</u>	<u>46,009,749</u>
Estimated revenues over (under) appropriations	6,619,882	6,809,689
Other financing sources (uses):		
Operating transfers from other funds:		
General fund	-	2,839,828
Enterprise funds	-	616,875
Grant fund	-	-
Capital Project Fund	-	-
Operating transfers to other funds:		
Capital project fund	(3,699,857)	(12,285,500)
Enterprise funds	(2,839,828)	(616,875)
General fund	-	-
Other Funds	(80,197)	-
Proceeds of capital leases	-	445,000
Appropriated fund balances	-	2,190,983
Total other financing sources (uses)	<u>(6,619,882)</u>	<u>(6,809,689)</u>
Estimated revenues and other sources over appropriations and other uses	<u>\$ -</u>	<u>\$ -</u>

CITY OF ASHEVILLE
CURRENT WATER RATE INFORMATION
Effective July 1, 2014

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:	\$ 3.87
Irrigation:	\$ 4.08
Multi-Family Residential:	\$ 3.27
Commercial (<= 1,000 CCF monthly):	\$ 3.27
Commercial (> 1,000 CCF monthly):	\$ 1.80
Commercial (<= 2,000 CCF bimonthly):	\$ 3.27
Commercial (> 2,000 CCF bimonthly):	\$ 1.80
Manufacturer (<= 1,000 CCF monthly):	\$ 3.27
Manufacturer (> 1,000 CCF monthly):	\$ 1.75
Manufacturer (<= 2,000 CCF bimonthly):	\$ 3.27
Manufacturer (> 2,000 CCF bimonthly):	\$ 1.75
Wholesale Consumption:	\$ 1.03
Wholesale 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	\$ 3.92	3 inch	\$ 492.56
3/4 inch	\$ 4.48	4 inch	\$ 861.99
1 inch	\$ 53.74	6 inch	\$ 1,108.27
1 1/2 inch	\$ 89.56	8 inch	\$ 1,354.55
2 inch	\$ 156.72	10 inch	\$ 1,600.83

Note: All Single Family Residential customers are charged \$3.92 per month for their Capital Improvement Fee regardless of their meter size. If a Single Family Residential customer has an irrigation account, they will be charged a CIP fee according to their meter size as provided above.

Fee for Water Availability (application/letter of commitment)

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

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

^(a) Includes \$2 Technology Fee

^(b) Includes \$3 Technology Fee

^(c) Includes \$12 Technology Fee

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total # of Accounts:				
Residential Single Family	43,660	44,899	45,706	45,968
Residential Multi-Family	1,509	1,523	1,546	1,568
Non-Residential	4,377	4,481	4,524	4,573
Total Number of Accounts:	<u>49,546</u>	<u>50,903</u>	<u>51,776</u>	<u>52,109</u>
Total # of Bills:				
Residential Single Family	253,411	258,111	267,134	276,263
Residential Multi-Family	9,456	9,039	9,249	10,069
Non-Residential	25,826	24,918	26,111	28,089
Total Number of Bills:	<u>288,693</u>	<u>292,068</u>	<u>302,494</u>	<u>314,421</u>
Annual Usage Volume (in thousands of gallons):				
Residential Single Family	2,642,539	2,772,653	2,844,103	2,796,210
Residential Multi-Family	975,238	982,227	999,955	990,837
Non-Residential	3,274,229	3,209,849	2,832,160	2,590,537
Total Volume of Usage:	<u>6,892,006</u>	<u>6,964,729</u>	<u>6,676,218</u>	<u>6,377,584</u>

^(a) City of Asheville Water Resources Department.

2010	2011	2012	2013	2014	2015
46,329	46,683	47,149	47,589	47,810	48,498
1,576	1,580	1,537	1,487	1,451	1,467
4,573	4,633	4,712	4,763	4,860	4,961
<u>52,478</u>	<u>52,896</u>	<u>53,398</u>	<u>53,839</u>	<u>54,121</u>	<u>54,926</u>
280,518	282,423	282,330	290,669	288,535	293,579
10,262	10,242	9,562	9,474	8,692	8,956
28,437	28,572	28,104	28,757	29,907	30,442
<u>319,217</u>	<u>321,237</u>	<u>319,996</u>	<u>328,900</u>	<u>327,134</u>	<u>332,977</u>
2,663,582	2,699,304	2,757,400	2,774,177	2,746,714	2,776,912
987,162	983,663	936,952	946,852	958,903	996,330
2,479,587	2,669,466	2,669,541	2,691,711	2,722,144	2,875,165
<u>6,130,331</u>	<u>6,352,433</u>	<u>6,363,893</u>	<u>6,412,740</u>	<u>6,427,761</u>	<u>6,648,407</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues	\$ 33,617	\$ 34,354	\$ 33,634	\$ 34,186	\$ 35,564
Operation and Maintenance Expense	(20,652)	(20,022)	(21,091)	(17,795)	(18,135)
Operating Income Before Depreciation	12,965	14,332	12,543	16,391	17,429
Depreciation	(7,206)	(7,584)	(7,448)	(7,386)	(7,376)
Operating Income	<u>5,759</u>	<u>6,748</u>	<u>5,095</u>	<u>9,005</u>	<u>10,053</u>
Non-operating Revenues/(Expenses):					
Investment Income	143	191	73	177	175
Non-operating Income/(Expenses)	48	93	174	31	256
Bond Interest Expense	(3,187)	(3,204)	(3,000)	(2,926)	(3,222)
Net Income	<u>2,763</u>	<u>3,828</u>	<u>2,342</u>	<u>6,287</u>	<u>7,262</u>
Adjustments to Net Income					
Depreciation	7,206	7,584	7,448	7,386	7,376
Non-operating Expenses	3,187	3,204	3,000	2,926	3,222
Net Revenues (Revenue available for debt service)	<u>\$ 13,156</u>	<u>\$ 14,616</u>	<u>\$ 12,790</u>	<u>\$ 16,599</u>	<u>\$ 17,860</u>
<u>Debt Service Coverage</u>					
Total Senior Lien Obligations Debt Service	<u>\$ 5,939</u>	<u>\$ 5,939</u>	<u>\$ 5,933</u>	<u>\$ 5,933</u>	<u>\$ 5,925</u>
Senior Debt Service Coverage	<u>2.22</u>	<u>2.46</u>	<u>2.16</u>	<u>2.80</u>	<u>3.01</u>
Subordinated Debt Service	<u>\$ 1,170</u>	<u>\$ 254</u>	<u>\$ 492</u>	<u>\$ 487</u>	<u>\$ 175</u>
Subordinated Debt Service Coverage ^(a)	<u>5.15</u>	<u>29.49</u>	<u>11.53</u>	<u>19.47</u>	<u>61.43</u>
Total System Debt Service	<u>\$ 7,109</u>	<u>\$ 6,193</u>	<u>\$ 6,425</u>	<u>\$ 6,420</u>	<u>\$ 6,100</u>
Total System Debt Service Coverage	<u>1.85</u>	<u>2.36</u>	<u>1.99</u>	<u>2.59</u>	<u>2.93</u>

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

Compliance Section

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



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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, 2015, 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 30, 2015. Our report includes a reference to other auditors who audited the financial statements of the City of Asheville ABC Board (the "Board"), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature of Cherry Burchett LLP in black ink.

Raleigh, North Carolina
October 30, 2015

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, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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 Barchert LLP

Raleigh, North Carolina
October 30, 2015

**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, 2015. The City’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

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.

Handwritten signature of Cherry Ruchert LLP in cursive script.

Raleigh, North Carolina
October 30, 2015

**CITY OF ASHEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: *Unmodified*

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
14.239	Home Investment Partnership Program
14.248	Section 108 Loan Program
20.600	Highway Safety Cluster
	State and Community Highway Safety Program
11.300	Investments for Public Works and Economic Development Facilities

**CITY OF ASHEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program Name

Powell Bill
Senate Bill No. 7 – Lake Craig

**CITY OF ASHEVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**CITY OF ASHEVILLE
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**CITY OF ASHEVILLE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
<u>U.S. Department of Agriculture</u>				
Passed through NC Dept of Health & Human Services:				
Summer Camp and Afterschool Food Service	10.559	7197	\$ 7,273	-
Total U.S Department of Agriculture			7,273	-
<u>U.S. Department of Commerce</u>				
Direct Programs				
Economic Development Administration Public Works Program	11.300	04-79-06747	573,540	-
Total U.S Department of Commerce			573,540	-
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-14-MC-370001	902,433	-
Community Development Block Grant	14.218	B-13-MC-370001	287,947	-
Community Development Block Grant	14.218	B-12-MC-370001	38,076	-
Community Development Block Grant	14.218	B-11-MC-370001	40,037	-
Community Development Block Grant	14.218	B-10-MC-370001	7,218	-
HOME Program	14.239	M-15-DC-370201	17	-
HOME Program	14.239	M-14-DC-370201	158,875	-
HOME Program	14.239	M-13-DC-370201	291,578	-
HOME Program	14.239	M-12-DC-370201	294,388	-
HOME Program	14.239	M-11-DC-370201	30,753	-
HOME Program	14.239	M-08-DC-370201	2,000	-
Continuum of Care Program	14.267	NC0292L4F011200	13,180	-
Passed Through NC Department of Administration, Division of Human Relations Commission:				
Fair Housing Outreach Program	14.401	FF204K144006	22,000	-
Passed Through NC Department of Health and Human Services:				
HUD Emergency Solutions Grant	14.231	N/A	108,513	-
Outstanding Section 108 Loan Balances	14.248	N/A	1,105,021	-
Total U.S. Department of Housing and Urban Development			3,302,036	-
<u>U.S. Department of Justice</u>				
Direct Programs				
OCDETF Overtime Reimbursement Grant	16.000	SE-NCW-0246	4,820	-
Bulletproof Vest Partnership 2014	16.607	N/A	23,544	-
COPS Hiring Grant	16.710	2011UMWX0114	282,867	-
Justice Assistant Grant - BJA - 2014	16.738	2014-DJ-BX-1086	38,429	-
Total U.S. Department of Justice			349,660	-

(continued)

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<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 - Capital Investment	20.500	Various	\$ 60,662	-
Federal Transit Authority - Formula Grants	20.507	Various	2,076,712	14,486
Transit Services Program Cluster:				
Federal Transit Authority - JARC	20.516	Various	171,590	-
FTA - New Freedom Program	20.521	NC-57-x002	33,257	-
Passed through North Carolina Department of Transportation				
Highway Planning and Construction Cluster:				
Federal Multimodal Transportation Planning Grant	20.205	N/A	182,544	-
Federal Transit Metropolitan Planning Grant	20.505	15-08-100 & 36230.1.14.6	44,254	5,532
Governor's Highway Safety Program Cluster:				
Traffic Safety - Law Enforcement Liasons	20.600	PT-15-09-40	15,026	-
Traffic Safety - DWI Task Force	20.600	154AL-14-18-08 & 154AL-15-02-08	596,324	-
Total U.S. Department of Transportation			<u>3,180,369</u>	<u>20,018</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	72,599	-
Total Executive Office of the President			<u>72,599</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through NC Dept of Public Safety:				
FEMA Storm Reimbursements	97.036	FEMA-4146-DR-NC	1,145,548	381,879
RRT6 Hazmat 2011	97.067	2011-SS-00119-S01-1056	869	-
Total U.S. Department of Homeland Security			<u>1,146,417</u>	<u>381,879</u>
Total Federal Awards Expended			<u>8,631,894</u>	<u>401,897</u>

(continued)

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<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	N/A	\$ -	\$ 2,436,105
State Maintenance Assistance Program	15-SMAP-002	-	561,521
Apprentice/Intern Program	36223.4.4.1	-	14,278
Total N.C. Department of Transportation		<u>-</u>	<u>3,011,904</u>
<u>N.C. Department of Commerce</u>			
Direct Programs:			
Grassroots Science Museum Collaborative-WNC Nature Center	G40431003614MUS	-	109,864
Total N.C. Department of Commerce		<u>-</u>	<u>109,864</u>
<u>N.C. Department of Health and Human Services</u>			
Passed through Land of Sky Regional Council:			
Senior Center Gen'l Purpose - Senior Opportunity	HB-1473	-	3,893
Senior Center Gen'l Purpose - Harvest House	HB-1473	-	3,893
Total N.C. Department of Health and Human Services		<u>-</u>	<u>7,786</u>
<u>N.C. Department of Environment and Natural Resources</u>			
Direct Programs:			
Senate Bill 7	W07019	-	832,914
Total N.C. Department of Environment and Natural Resources		<u>-</u>	<u>832,914</u>
<u>N.C. Department of Cultural Resources</u>			
Direct Programs			
Asheville Buncombe Preservation Plan	N/A	-	5,100
Total N.C. Department of Cultural Resources		<u>-</u>	<u>5,100</u>
<u>N.C. Department of Public Safety</u>			
Direct Programs:			
RRT6 2014 Operating Reimbursements	N/A		44,222
RRT6 2014 Operating Allotment	N/A	-	57,000
Total N.C. Department of Public Safety		<u>-</u>	<u>101,222</u>
Golden LEAF Foundation	FY2012-156	-	240,000
Total State Awards Expended		<u>-</u>	<u>4,308,790</u>
Total Federal and State Awards Expended		<u>\$ 8,631,894</u>	<u>\$ 4,710,687</u>

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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>
Madison County Community Housing Coalition	HOME Investment Partnerships	14.239	\$ 5,701
Henderson County Habitat for Humanity	HOME Investment Partnerships	14.239	63,973
Homeward Bound of Asheville	HOME Investment Partnerships	14.239	128,350
Housing Assistance Corporation	HOME Investment Partnerships	14.239	86,517
Mountain Housing Opportunities	HOME Investment Partnerships	14.239	379,261
Western Carolina Community	HOME Investment Partnerships	14.239	1,234
	Subtotal:		<u>665,036</u>
Asheville Area Habitat for Humanity	Community Develop Block Grant	14.218	96,420
Asheville Buncombe Community Relations Council	Community Develop Block Grant	14.218	15,372
Helpmate, Inc.	Community Develop Block Grant	14.218	16,567
Homeward Bound of Asheville	Community Develop Block Grant	14.218	135,265
Housing Authority of the City of Asheville	Community Develop Block Grant	14.218	40,037
Mountain Bizworks	Community Develop Block Grant	14.218	52,722
Mountain Housing Opportunities	Community Develop Block Grant	14.218	307,132
On Track - Financial/Housing Counseling	Community Develop Block Grant	14.218	12,574
Pisgah Legal Services	Community Develop Block Grant	14.218	50,265
Green Opportunities	Community Develop Block Grant	14.218	134,297
ABCCM	Community Develop Block Grant	14.218	19,543
Irene Wortham Center	Community Develop Block Grant	14.218	38,076
Women's Wellbeing & Development Foundation	Community Develop Block Grant	14.218	27,000
ACSF	Community Develop Block Grant	14.218	12,271
	Subtotal:		<u>957,541</u>
Helpmate Inc - Emergency Response	HUD Emergency Solutions Grant	14.231	24,439
Homeward Bound	HUD Emergency Solutions Grant	14.231	41,209
ABCCM	HUD Emergency Solutions Grant	14.231	14,946
Salvation Army	HUD Emergency Solutions Grant	14.231	20,719
Michigan Coalition	HUD Emergency Solutions Grant	14.231	2,759
	Subtotal:		<u>104,072</u>
Buncombe County	FTA - New Freedom Program	20.521	33,257
Buncombe County Sheriff's Department	GHSP - Traffic Safety - DWI Task Force	20.600	228,195
Henderson County	FTA - Formula Grants	20.507	320,006
Buncombe County	FTA - JARC	20.516	52,454
Buncombe County	FTA - New Freedom	20.521	33,257
	Subtotal:		<u>405,717</u>
TOTAL:			<u>\$ 2,393,818</u>

CITY OF ASHEVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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.