

City of Asheville, North Carolina

**Comprehensive Annual Financial Report
With Single Audit Compliance Supplements**

Fiscal Year Ended June 30, 2008

Prepared by the Finance Department

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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emswiler

Executive Director

**CITY OF ASHEVILLE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2008**

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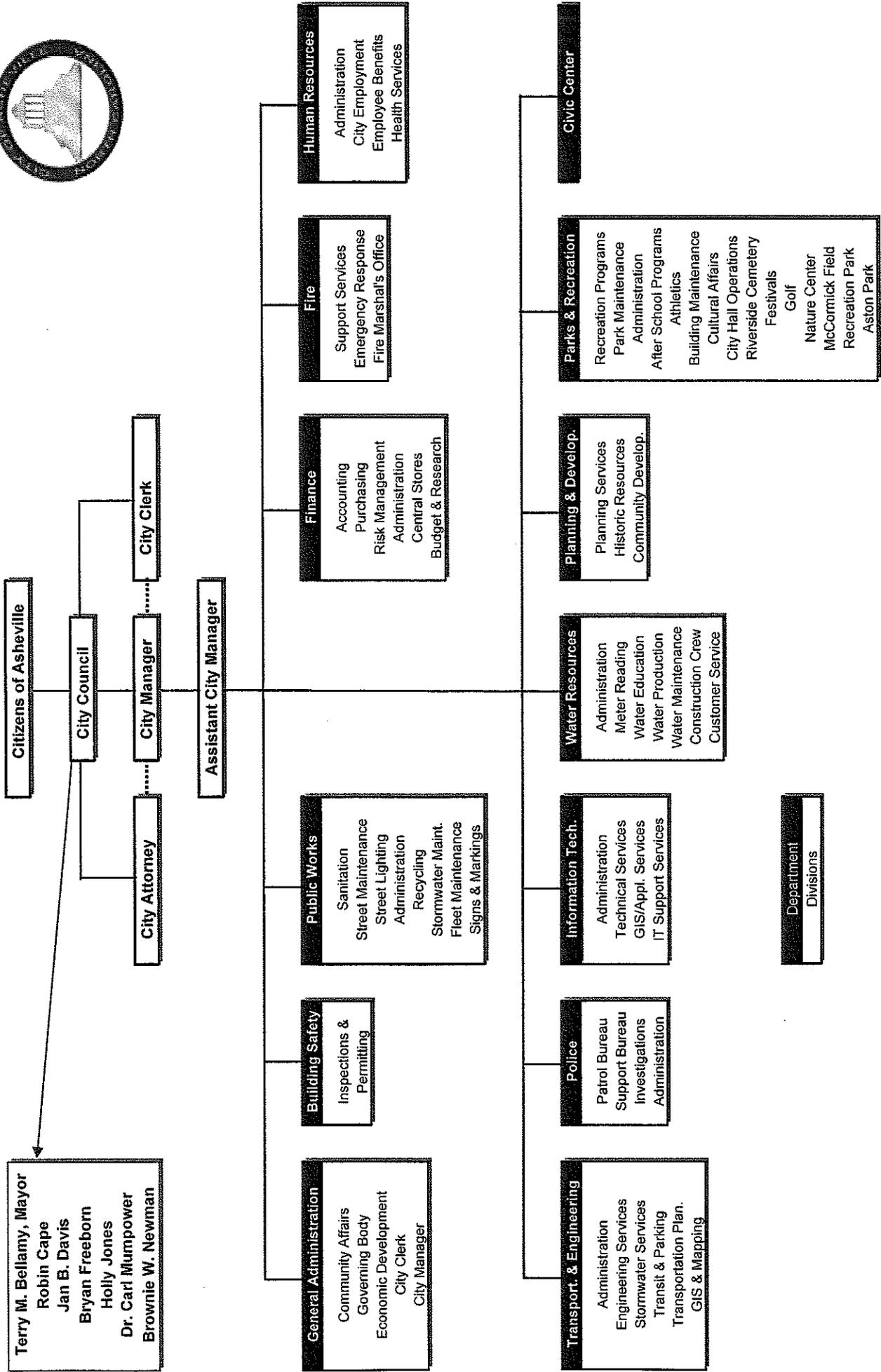
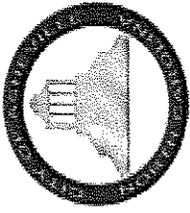
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CITY OF ASHEVILLE ORGANIZATION CHART



City of Asheville

MISSION STATEMENT

The City of Asheville is committed to delivering an excellent quality of service to enhance your quality of life.

CORE VALUES

In order to achieve our mission of providing quality service to enhance the quality of life in Asheville, we adhere to the following core values:

Accountability:

By being responsive and responsible to citizens and their elected representatives.

Service:

By treating those whom we serve with respect and dignity.

Honesty:

By providing accurate, truthful, and complete information.

Efficiency:

By constantly striving to use technology and innovation to provide the highest level of service for the lowest possible cost.

Vision:

By looking toward the future with a focus on creating a better Asheville.

Integrity:

By approaching our work honestly, ethically, and with sincerity.

Loyalty:

By diligently promoting and supporting the interests of the community we serve.

Leadership:

By being a model for quality service and professionalism in our community and throughout the nation.

Equal Opportunity:

By encouraging our diverse population to participate in the government of our city as citizens and employees.

"Our Quality of Service, Your Quality of Life"



City of Asheville, NC

Finance Department

December 30, 2008

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

State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

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.

Dixon Hughes PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Asheville's ("the City") statements for the year ended June 30, 2008. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. 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 43.64 square miles and serves a population of 75,948. The City is the county seat of Buncombe County, the largest city in Western North Carolina and tenth largest city in the State. Asheville is nestled between the Blue Ridge and Great Smoky Mountains and located astride the French Broad and Swannanoa Rivers. The City is surrounded by lush mountains, many with elevations above 5,000 feet. Asheville's natural and architectural beauty, moderate climate, strong job market and outstanding educational and health care facilities make it one of the most attractive locations in the United States. Asheville is consistently ranked high among the best places to live, work, and retire. The City's long-range planning is directed toward preserving this area's high quality of life, so that it shall remain one of the "best places."

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

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

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

In government, much more than in private business, the budget is an integral part of a unit's accounting system and daily operations. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The City's budget ordinance, passed by Council, establishes a legal limit on spending authorizations. In general, the City's operating budget remains in affect 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 reappropriated 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 manufacturing, distribution, health care, retail trade and tourism.

In addition to being an important indicator of overall local economic health, Buncombe County retail sales activity also directly impacts the City's general fund budget through sales tax receipts. Retail sales countywide have shown strong growth since the recession of 2001-2002. However, with slowing economic conditions over the last year, retail sales have been impacted. Buncombe County retail sales declined 3.7% from FY2007 to FY2008. Of the \$3.3 billion in retail sales recorded in Buncombe County during FY 2007, \$2.47 billion or 75% of those sales occurred within the City of Asheville. Among the eleven largest cities in North Carolina, Asheville had the highest level of retail sales per resident in FY 2007. This data reflects Asheville's position as the regional economic center for Western North

Carolina. Asheville's high level of retail sales per resident is also likely associated with Asheville's status as a tourist destination.

Asheville'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 \$709.38 million in 2007, an increase of 9.9% over 2006. Buncombe County ranks 5th in travel impact among the state's 100 counties. Approximately 9,300 jobs in Buncombe County are directly linked to travel and tourism. Growth in hotel/motel sales is a good indicator of the status of the local tourist economy. Hotel/motel sales increased 7.7% between 2006 and 2007.

The unemployment rate is a critical indicator of relative strength in the economy. Buncombe County's unemployment rate remained flat from FY2006 to FY2007 but has increased as a result of the declining economic conditions. As of September 2008, the county's unemployment rate was 5.1%. Local unemployment rates are below both the statewide (7.0%) and national (6.1%) unemployment rates.

Between 2001 and 2007, the total employment in Buncombe County increased by 10,652 jobs or 10.1%. In 2007, average Buncombe County employment increased by 3.6%, reaching an all-time high of 116,030.

The County's leading industry in terms of employment is health care and social assistance, which employed 18,955 people in 2007. Over the last 5 years, health services added twice as many jobs as any other sector. Other leading industry sectors include retail trade, manufacturing, accommodation and food services. Together these four sectors accounted for approximately 37% of all Buncombe County jobs in 2007. Despite the fact that it remains the fourth largest industry sector in Buncombe County, the manufacturing sector has experienced a significant decline in recent years. Over the last five years, local manufacturing employment has declined 9%.

According to the U.S. Bureau of Economic Analysis, in 2006 Buncombe County had a per capita personal income (PCPI) of \$31,345. This PCPI was 97 percent of the state average, \$32,247, and 85 percent of the national average, \$36,714. The 2006 PCPI reflected an increase of 5.7 percent from 2005.

Long-Term Financial Planning

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

The CIP is updated annually based on input from Council, the public and City staff. The FY 2008 CIP was influenced by a number of other planning processes, including the City's long-range Strategic Operating Plan, the Unified Development Ordinance, the Parks & Recreation Master Plan, the Pedestrian Thoroughfare Plan, and the 1998 Parking Study.

In order to be included in the CIP, a capital item or construction project must have a useful life of more than one year and an initial cost of at least \$25,000. All capital items not meeting these criteria are included in the annual operating budget as capital outlay. The one exception to this rule is vehicles. All vehicle purchases, regardless of price, are included in the CIP.

The General Capital Reserve Fund provides funding for all general government capital needs. FY 2008 funding was provided by a \$9,706,102 pay-as-you-go contribution from the General Fund, \$3,907,950 in

debt proceeds, \$80,000 in funding from the N.C. Department of Transportation (NCDOT), and \$3,767,500 from a fund balance appropriation.

CIP items and projects in the Water Resources Operating & Capital Improvement Funds were funded with utility revenues generated by the Water Resources Operating Fund and the capital maintenance fee. In addition, the City issued approximately \$40.0 million in Water Revenue Bonds during FY 2008 for major water system improvement projects. Between the bond funding and pay-as-you-go funding, over \$47.0 million in Water capital improvements were budgeted in FY 2008. This total included funding for mandatory capital improvement projects, an aggressive meter change-out program, rolling stock, and small capital equipment.

Relevant Financial Policies

As a recipient of federal and state assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management and the Finance Department staff of the City. As a part of the City's single audit requirements, tests are made to determine the adequacy of internal controls as well as to determine that the City has complied with applicable laws and regulations.

The Governmental Accounting Standards Board issued Statement No. 45 in June of 2004. This Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenses and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

This statement will impact the City to the extent the City provides health insurance benefits to retirees. When implemented, Statement 45 will provide those who use government financial reports with improved information about the cost of providing post-employment benefits, the commitments that governments have made related to those benefits, and the extent to which those commitments have been funded.

Implementation of GASB Statement No. 45 will be required no later than the fiscal year ending June 30, 2009. An actuarial firm has prepared preliminary estimates of the financial impacts this pronouncement might have. Management will use the intervening time to review the nature of the commitment to current and future retirees, the potential magnitude of the liability and expense, and to evaluate alternatives for managing this liability and expense upon the required implementation date.

Insurance Programs

The City maintains "insurance programs" for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the Risk and Benefits Management Division of the General Fund. For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustments of claims. The City is protected by the placement of a \$15,000,000 excess-only liability program across the liability lines under the contract. The City also insures its real and property holdings, including its dams for a total of \$240,000,000 in assets. For the City's self-insured Workers Compensation and Employer Liability, the City retains out-of-pocket losses of \$300,000 on specific claims and an aggregate loss of \$3,600,000 over a three-year period. The City carries a \$3,000,000 specific and aggregate excess over these deductibles, with the aggregate excess attachment 75 percent of the annual loss over a three-year period.

Awards and Acknowledgements

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the twenty-eighth time that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the government'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, Dixon Hughes PLLC, in its preparation. Also, this report would not have been possible without the efficient and dedicated service of the entire staff of the City's Accounting Division as well as the cooperation of all other departments and divisions of the City. We would also like to thank the members of Council for their interest and support.

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

Respectfully submitted,



Gary W. Jackson
City Manager



Benjamin C. Durant, III
Chief Financial Officer

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

- Independent Auditors' Report -

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the City of Asheville ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Asheville ABC Board, is based solely on the report of the other auditors.

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 basic financial statements are free of material misstatement. The financial statements of the City of Asheville ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to in the first paragraph 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 of Asheville, North Carolina, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Independent Auditors' Report
City of Asheville
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2008, on our consideration of the City of Asheville's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Asheville, North Carolina. The introductory section, combining and individual non-major fund financial statements and schedules, other supplementary information and the statistical tables, as well as the accompanying 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 combining and individual non-major fund financial statement and schedules, other supplementary information and the schedule of expenditures of federal and State awards information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

December 30, 2008

Dixon Hughes PLLC

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

As management of the City of Asheville (The City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Asheville for the fiscal year ended 2008. 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 of the City of Asheville exceeded its liabilities at the close of the most recent fiscal year by \$367,439,552 (*net assets*). Of this amount, \$62,254,641 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$9,939,324.
- As of the close of the current fiscal year, the City of Asheville's governmental funds reported combined ending fund balances of \$42,673,606 a decrease of \$8,579,722 in comparison with the prior year. Approximately 31% or \$13,014,873 is the undesignated portion of the general fund, therefore available to spend at the government's discretion.
- At the end of the current fiscal year, reserved fund balance for governmental funds was \$16,142,291 while unreserved totaled \$26,531,315 or 28% of total governmental fund expenditures.
- The City's total long-term liabilities increased by approximately \$34.5 million during the current fiscal year. This net increase is attributable to the FY08 Water Fund bond issue of \$39 million.
- The City holds the following bond ratings:

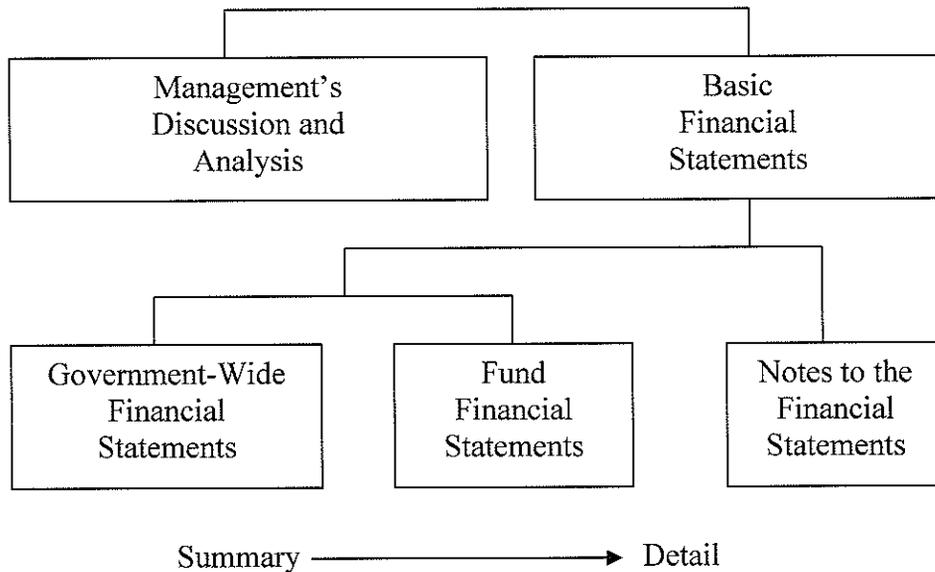
Moody's	Aa2
Standard & Poor's	AA

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

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 a broad overview of the City's financial position and operations, in a manner similar to a private-sector business. The *statement of net assets* presents the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving. The *statement of activities* presents information on how the city's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of related cash flows. Therefore, revenues and expenses are reported in this statement, which result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Government-wide statements are divided into governmental and business-type activities. The governmental activities include most of the City's basic services such as public safety, recreation, transportation, community and economic development, and general government. Property taxes, intergovernmental revenues, and sales taxes finance about 75% of the costs of these activities. Business-type activities include water utility, stormwater management, parking, festivals, golf course, civic center, and mass transit services. These activities are primarily paid from charges to customers excluding transit which receives federal grants and transfers from general fund as its primary source of funding.

The **Fund Financial Statements** (Exhibits C through J) 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

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

governmental fund statements, 2) the proprietary fund statements, and 3) the fiduciary fund statement.

Governmental Funds. Governmental funds are used to account for most basic services and are reported as governmental activities in the government-wide financial statements. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet (Exhibit C) and the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit D) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. (Exhibit C & E)

The City of Asheville maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other ten 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 of Asheville adopts an annual appropriated budget for its General Fund as required by General Statute. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. (Exhibit F)

Proprietary Funds. The City of Asheville 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 of Asheville uses enterprise funds to account for its Water Resources, Civic Center, Festivals, Parking Services, Golf Course, Stormwater Management, and Mass Transit Operations.

The City has one internal service fund to account for its self-insurance program. The Insurance fund is now fully operational as the City was able to change its budgeting and accounting system to allocate its charges and claims. Because these self-insurance services predominantly benefit governmental rather than business-type functions, they have been included in the governmental-type 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, which is considered to be a major fund of the City of Asheville. The basic proprietary fund financial statements can be found in Exhibit G through I of this report.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

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 of Asheville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Asheville maintains one agency fund, which is its only fiduciary fund. The basic fiduciary fund financial statement can be found on Exhibit J 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 27-57 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 of Asheville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 58-59 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. The other supplemental information shows details about the City's individual funds, including budgetary information required by the North Carolina General Statutes, as well as other data that the City considers helpful to the reader.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial condition. In the case of the City of Asheville, assets exceeded liabilities by \$367,439,552 as of June 30, 2008.

By far the largest portion of the City's net assets (\$298,823,370 or 81.4%) 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 of Asheville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Asheville'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 assets, 1.7% of the City's net assets, represent resources that are subject to external restrictions. These restrictions consist of employee paid health benefits and risk management as well as reservations for perpetual care. In addition, total unrestricted net assets amounted to 16.9% of total net assets. Unrestricted net assets may be used to meet the government's ongoing obligation to citizens and creditors.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Net Assets of the City of Asheville						
	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and						
Other Assets	\$ 64,083,327	\$ 62,557,296	\$ 47,377,422	\$ 86,741,213	\$ 111,460,749	\$ 149,298,509
Capital Assets	190,387,389	189,769,011	147,285,267	166,921,531	337,672,656	356,690,542
Total Assets	<u>254,470,716</u>	<u>252,326,307</u>	<u>194,662,689</u>	<u>253,662,744</u>	<u>449,133,405</u>	<u>505,989,051</u>
Non-current Liabilities	29,303,659	30,961,505	50,065,508	85,923,439	79,369,167	116,884,944
Other Liabilities	6,545,883	8,843,952	5,718,127	12,820,603	12,264,010	21,664,555
Total Liabilities	<u>35,849,542</u>	<u>39,805,457</u>	<u>55,783,635</u>	<u>98,744,042</u>	<u>91,633,177</u>	<u>138,549,499</u>
Net Assets:						
Invested in Capital						
Assets, Net of						
Related Debt	166,595,239	165,821,203	99,338,962	133,002,167	265,934,201	298,823,370
Restricted	7,272,090	6,361,541	-	-	7,272,090	6,361,541
Unrestricted	44,753,845	40,338,106	39,540,092	21,916,535	84,293,937	62,254,641
Total Net Assets	<u>\$ 218,621,174</u>	<u>\$ 212,520,850</u>	<u>\$ 138,879,054</u>	<u>\$ 154,918,702</u>	<u>\$ 357,500,228</u>	<u>\$ 367,439,552</u>

As indicated above, assets of the City exceeded liabilities by \$367,439,552 at June 30, 2008. Analysis of the business-type activities indicates that the capital assets increased \$19.6 million in fiscal year 2008. The increase is a result of several capital water system improvements.

Governmental activities. Net assets of governmental activities decreased by \$6,100,324. Key elements of this decrease are as follows:

- City Council appropriated approximately \$5.1 million in fund balance as a part of the FY 2007-08 adopted budget to fund high priority capital needs and other one-time operating costs.
- \$1.1 million in fund balance was appropriated mid-year in the health care program in order to fund health care expenses that exceeded initial budget estimates.
- \$2.6 million increase in the estimate for claims incurred but not reported.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Changes in Net Assets of the City of Asheville						
	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 15,653,381	\$ 17,045,528	\$ 40,656,903	\$ 42,268,357	\$ 56,310,284	\$ 59,313,885
Op. grants & contributions	6,577,739	8,113,801	2,373,935	2,075,987	8,951,674	10,189,788
Cap. grants & contributions	2,374,032	103,100	3,570,539	3,750,529	5,944,571	3,853,629
General revenues:						
Property taxes	41,254,144	42,119,109	-	-	41,254,144	42,119,109
Other taxes	23,562,645	24,003,930	-	-	23,562,645	24,003,930
Grants & contributions not						
restr'd to spec programs	1,512,902	1,242,437	-	-	1,512,902	1,242,437
Inv earnings & misc	3,127,186	3,025,200	1,170,876	1,679,050	4,298,062	4,704,250
Gain (loss) on capital assets	(89,351)	(169,419)	51,175	20,626	(38,176)	(148,793)
Special items	5,044,004	-	-	-	5,044,004	-
Total Revenues	\$ 99,016,682	\$ 95,483,686	\$ 47,823,428	\$ 49,794,549	\$ 146,840,110	\$ 145,278,235
Expenses:						
General government	18,248,574	21,701,679	-	-	18,248,574	21,701,679
Public Safety	34,453,963	39,465,214	-	-	34,453,963	39,465,214
Highway/streets	21,238,852	21,571,388	-	-	21,238,852	21,571,388
Econ Development	5,920,353	5,046,315	-	-	5,920,353	5,046,315
Culture and recreation	9,767,235	10,121,920	-	-	9,767,235	10,121,920
Int on long-term debt	1,243,027	976,809	-	-	1,243,027	976,809
Water Resources	-	-	20,616,840	22,202,253	20,616,840	22,202,253
Civic Center	-	-	2,220,029	2,259,239	2,220,029	2,259,239
Festivals	-	-	1,314,846	1,169,695	1,314,846	1,169,695
Parking Services	-	-	1,330,059	1,768,924	1,330,059	1,768,924
Mass Transit	-	-	4,633,166	5,086,046	4,633,166	5,086,046
Stormwater	-	-	2,500,297	2,919,423	2,500,297	2,919,423
Golf Course	-	-	996,314	1,050,006	996,314	1,050,006
Total Expenses	\$ 90,872,004	\$ 98,883,325	\$ 33,611,551	\$ 36,455,586	\$ 124,483,555	\$ 135,338,911
Increase in net assets						
before transfers	8,144,678	(3,399,639)	14,211,877	13,338,963	22,356,555	9,939,324
Transfers	(2,316,936)	(2,700,685)	2,316,936	2,700,685	-	-
Increase in net assets	5,827,742	(6,100,324)	16,528,813	16,039,648	22,356,555	9,939,324
Net assets, beginning						
of year	212,793,432	218,621,174	122,350,241	138,879,054	335,143,673	357,500,228
Net assets, end of year	\$ 218,621,174	\$ 212,520,850	\$ 138,879,054	\$154,918,702	\$ 357,500,228	\$ 367,439,552

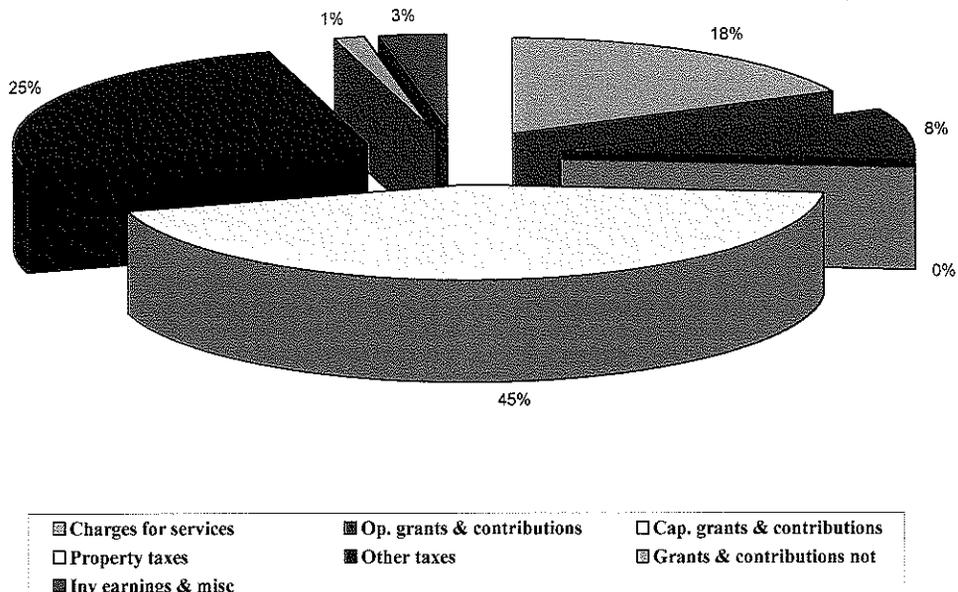
**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

For the most part, increases in expenses closely parallel inflation and growth in the demand for services. In Fiscal 2008 the City implemented the second year of the Market Based Compensation Plan. This caused an increase in salaries across the City. General government expenses increased by 18.9% for the fiscal year primarily due to increases in health care expenses and additional capital project spending. Public Safety expenses increased by 14.5% due to the addition of two new police beats (10 patrol officers) as well as the first full year of expenses associated with the two new fire stations that opened in July 2007. Culture and recreation expenses increased by a modest 3.6% during Fiscal 2008. This increase is primarily the result of market-based salary increases. Fiscal year 2008 expenses also included approximately \$120,000 spent to update the Parks & Greenways Master Plan. Highways/streets remained virtually flat in fiscal year 2008.

Other general government activities regarding housing initiatives include:

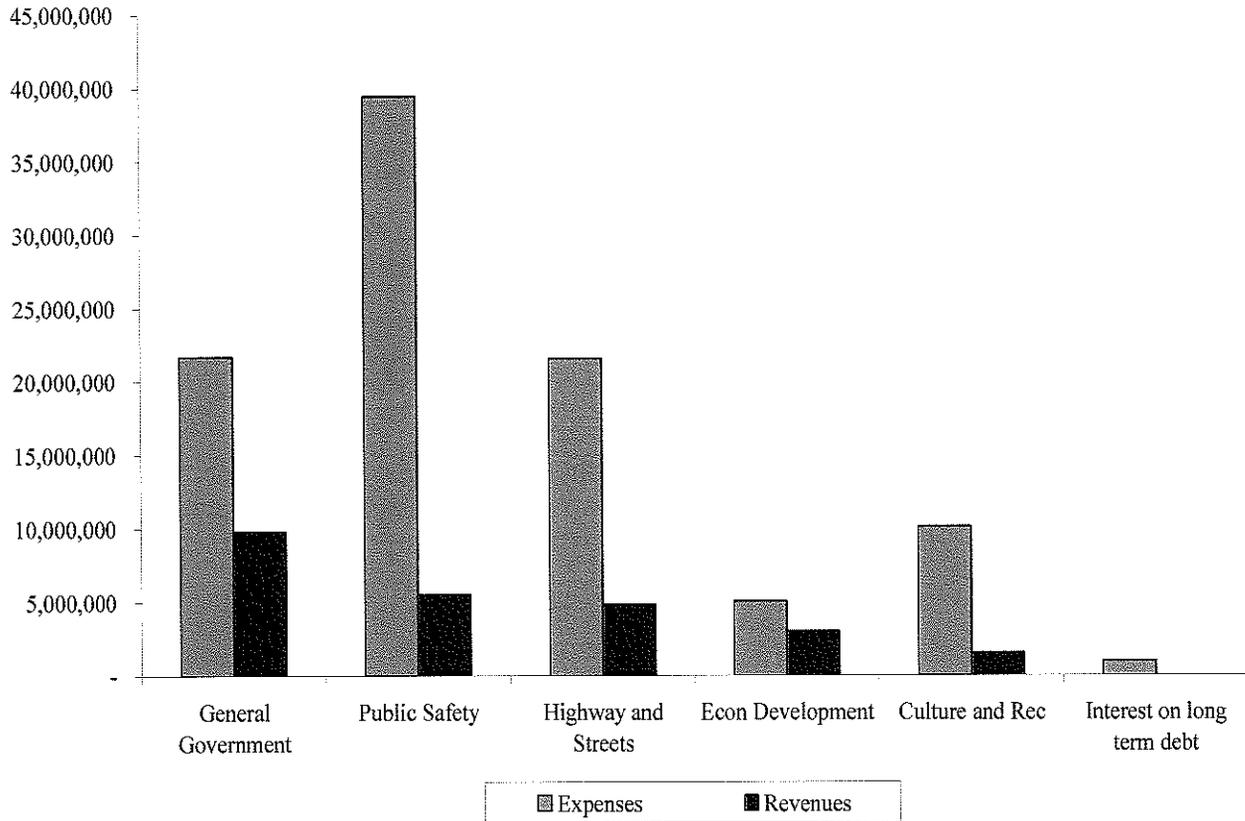
- CDBG and HOME funds assisted the production of 584 affordable housing units by the City and non-profit partners. CDBG funds were also used to assist over 5,500 people with needed services, including 85 homeless people, with an 85% retention rate for the 33 "Housing First" units completed in 2006 – 2007 of which all were occupied by chronically homeless individuals who moved out of homelessness into permanent housing, and to start or expand 49 small businesses.
- CDBG and HOME funds assisted in upgrading the transit system by adding bus shelters, benches, and route signs.

Revenues by Source - Governmental Activities



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Expenses and Program Revenue - Governmental Activities

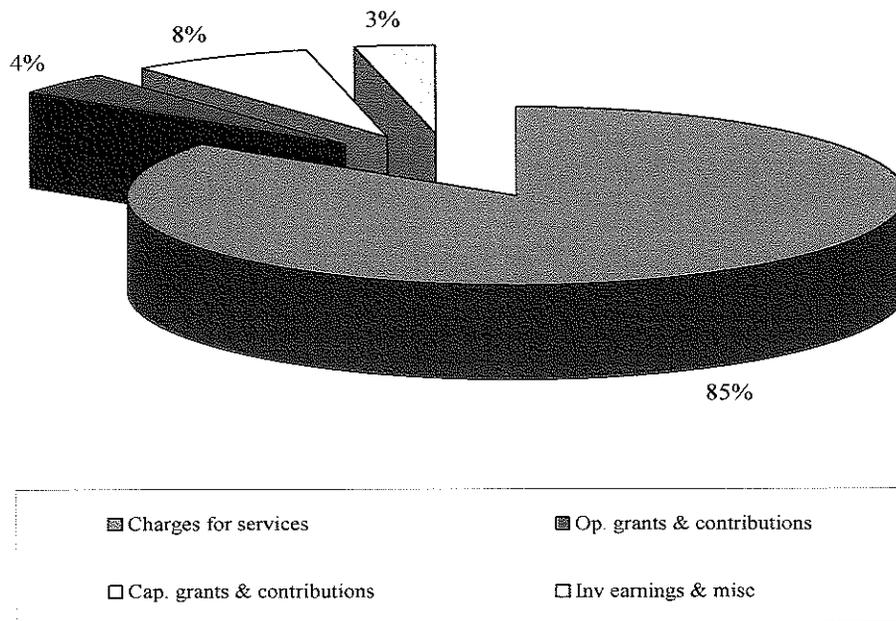


Business-type activities. Business-type activities increased the City of Asheville's net assets by approximately \$16.0 million for FY 2008. Key elements of this increase are as follows:

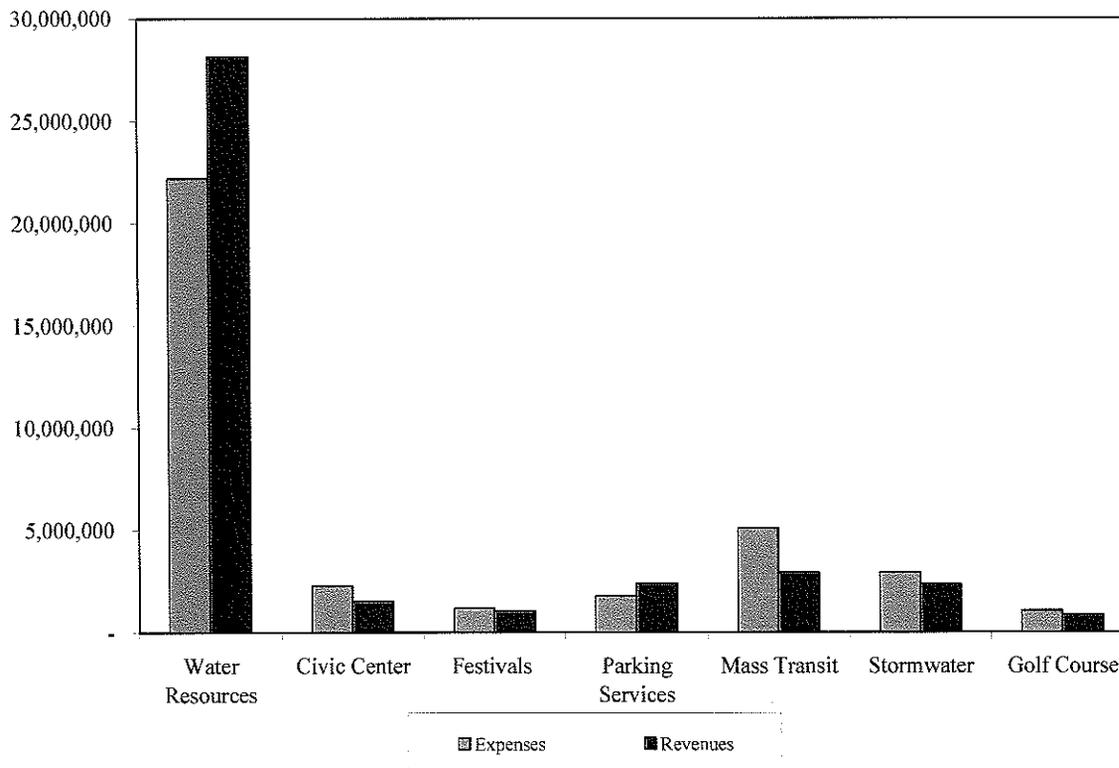
- The majority of this increase was due to the \$14.3 million increase in net assets in the Water Funds which is will be used to fund the costs of \$78.1 million of future debt service. A significant portion of this debt service is due to the FY08 Water Revenue Bond issue of \$39 million this year. These bond revenues are being used to provide for capital maintenance and infrastructure replacement of water lines and treatment facilities as well as new infrastructure installation.
- Non-major enterprise funds had a combined increase in revenue of \$1.8 million attributable mainly to the Parking Services Fund revenues of \$3,095,654 exceeding its expenses of \$2,017,040.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Revenues by Source - Business Type Activities



Expenses and Program Revenues - Business Type Activities



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for the governmental and business-type activities as of June 30, 2008, totals \$356,690,542 (net of accumulated depreciation). These assets include land, buildings, improvements other than buildings (infrastructure assets, such as streets, sidewalks, and water lines), machinery and equipment, and construction in progress. Major capital purchases funded in 2008 included approximately \$4.0 million for vehicle purchases in the general fund, \$1.5 million in facility and equipment maintenance, \$2.0 million for technology improvements, and \$1.4 million for parks and recreation projects.

Capital Assets of the City of Asheville

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Land	\$ 27,335,953	\$ 30,152,018	\$ 10,271,758	\$ 10,280,912	\$ 37,607,711	\$ 40,432,930
Buildings & Improvements	45,379,341	45,426,581	80,604,532	80,604,532	125,983,873	126,031,113
Machinery & Equipment	31,075,038	37,328,190	16,576,270	19,203,928	47,651,308	56,532,118
Infrastructure	204,948,506	205,338,959	112,545,959	118,211,394	317,494,465	323,550,353
Construction In Process	14,906,457	18,402,412	7,787,702	24,553,235	22,694,159	42,955,647
Accumulated Depreciation	(133,257,906)	(146,879,149)	(80,500,954)	(85,932,470)	(213,758,860)	(232,811,619)
Total	\$ 190,387,389	\$ 189,769,011	\$ 147,285,267	\$ 166,921,531	\$ 337,672,656	\$ 356,690,542

Long-term Debt. The City of Asheville's total general obligation and revenue bonds debt increased by \$34,745,000 during the current fiscal year in accordance with its regularly scheduled maturity dates and the new FY 2008 \$39 million Water Revenue Bond issue. The City also issued \$5.0 million in new debt in the current year to fund the replacement of the City's enterprise wide information system and various pieces of equipment in the Fire and Public Works Departments.

The City of Asheville maintains an "AA" rating from Standard & Poor's and an "Aa2" rating from Moody's for general obligation debt. This bond rating is a clear indication of the sound financial condition of the City.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Asheville is approximately \$794,450,000, which is significantly in excess of the City's outstanding general obligation debt. Additional information regarding the City of Asheville's long-term debt can be found in Note 7 of this report.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Outstanding Debt--General Obligation and Revenue Bonds						
	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
General Obligation						
Bonds	\$ 4,455,696	\$ 2,984,595	\$ 5,124,304	\$ 3,750,405	\$ 9,580,000	\$ 6,735,000
Revenue Bonds	-	-	40,580,000	78,170,000	40,580,000	78,170,000
Total	<u>\$ 4,455,696</u>	<u>\$ 2,984,595</u>	<u>\$ 45,704,304</u>	<u>\$ 81,920,405</u>	<u>\$ 50,160,000</u>	<u>\$ 84,905,000</u>

General Fund Budgetary Highlights

- The unemployment rate for Buncombe County is currently 5.1%, up from a rate of 4.0% one year ago. This compares favorably to the state's average unemployment rate of 7.0 and the national rate of 6.5%%.
- Population of 76,764 has grown 11.4% from 2000 to 2007.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Asheville's budget for the 2009 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2009.

The City's adopted General Fund budget for FY 2009 totaled \$88,945,552, which represents a 1.5% decrease over the FY 2008 budget. The FY 2009 budget includes a 3% average merit pay increase for City employees and funding for the third year of the market-based compensation plan and the public safety step plan. The fringe benefit budget includes a \$1.3 million increase in the General Fund's contribution to the employee health care program. The budget for operating costs is remaining flat in FY 2009. Departments were able to maintain flat operating budgets by removing one-time costs from their budgets and by reducing items such as training & travel and professional services. This achievement occurred despite significant inflation in a number of key areas, such as fuel and materials cost for asphalt and concrete. Police and Fire expenditures continue to be the largest component of the City's General Fund budget comprising 41% of the total FY 2009 General Fund budget. The budget includes six additional firefighter positions which will allow the Fire & Rescue Department to reduce the amount that is spent on overtime. The General Fund budget also includes \$2.7 million in pay-as-you-go capital improvement funding, which represents a significant reduction from the prior year when approximately \$3.7 million in fund balance was appropriated to supplement the usual pay-as-you-go capital funding stream. This funding will allow the City to replace aging vehicles in police, fire and public works and undertake several other high priority projects, including the Reed Creek Phase II greenway project.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The fiscal year 2009 General Fund budget includes \$5.71 in debt service for the City's general obligation bonds, certificates of participation (COPs), and other general debt obligations, which is a decrease compared to the prior year. The City will issue new general fund debt in FY 2009 to fund the replacement of various large pieces of equipment in fire, police, and public works.

Business-type Activities. The FY 2009 budget for the Water Resources Fund includes a 4% increase in water rates which will generate approximately \$800,000 in revenue. The capital outlay budget includes funding for mandatory capital improvement projects, rolling stock, and small capital equipment. The budget includes a \$3.5 million fund balance appropriation to fund the Brevard Road NCDOT project. The debt service budget for FY 2009 totals \$7.6 million and is 21% of the total budget. The debt service budget increased by approximately \$2.4 million due to the recent issuance of \$40 million in revenue bonds for capital improvements.

During fiscal 2008, there was a \$6,157,246 increase in appropriations between the original and final amended General Fund budget. Some of the components of that increase were:

- \$4,157,244 appropriated for reserve for encumbrances;
- \$500,000 appropriated to replace a wrecked fire engine;
- \$475,000 in employee health care contributions that exceeded budget estimates;
- \$353,000 appropriated for the demolition of property;
- \$249,090 in revenue and expenses to service annexed areas that became part of the City on January 1, 2008;
- \$112,879 in state grant funding for the Nature Center;
- \$100,000 for city matching funds for the purchase of hybrid buses.

Ad valorem taxes and sales taxes both fell short of budget in FY 2008 due to the slowing economy. Ad valorem taxes grew by only 2.1%, which was less than the growth rate experienced in recent years, and came in under budget by \$171,000. The natural growth in sales tax revenue dropped to 1.2% after growing by 9.4% in the prior year. As a result, sales tax revenue came in under budget by \$567,000. The other major General Fund revenue categories – intergovernmental and charges for services – also exceeded budget estimates.

Requests for information

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

Basic Financial Statements

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

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CITY OF ASHEVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2008

Exhibit A

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>City of Asheville</u>
	<u>Activities</u>	<u>Activities</u>		<u>ABC Board</u>
ASSETS				
Cash and investments	\$ 44,708,658	\$ 26,683,998	\$ 71,392,656	\$ 2,165,058
Receivables (net of allowance for uncollectibles)	14,118,635	7,865,022	21,983,657	5,359
Due from Component Unit	275,397	-	275,397	-
Internal balances	1,244,915	(1,244,915)	-	-
Inventories	1,082,081	98,432	1,180,513	1,582,844
Prepays	-	25,030	25,030	73,070
Restricted assets:				
Cash and investments	1,127,610	52,123,132	53,250,742	-
Capital assets:				
Land	30,152,018	10,280,912	40,432,930	1,959,232
Buildings and improvements	45,426,581	80,604,532	126,031,113	2,672,108
Machinery and equipment	37,328,190	19,203,928	56,532,118	954,530
Infrastructure	205,338,959	118,211,394	323,550,353	-
Construction in progress	18,402,412	24,553,235	42,955,647	-
Accumulated depreciation	(146,879,149)	(85,932,470)	(232,811,619)	(1,557,345)
Unamortized debt issuance cost	-	1,190,514	1,190,514	-
Total assets	<u>252,326,307</u>	<u>253,662,744</u>	<u>505,989,051</u>	<u>7,854,856</u>
LIABILITIES				
Accounts payable and other current liabilities	2,987,224	10,114,239	13,101,463	1,550,046
Customer deposits	-	535,739	535,739	-
Accrued interest payable	77,521	1,764,781	1,842,302	-
Due to primary government	-	-	-	275,397
Unearned revenue	252,819	405,844	658,663	-
Claims payable	5,526,388	-	5,526,388	-
Noncurrent liabilities:				
Due within one year	6,741,097	4,282,586	11,023,683	-
Due in more than one year	24,220,408	81,640,853	105,861,261	222,359
Total liabilities	<u>39,805,457</u>	<u>98,744,042</u>	<u>138,549,499</u>	<u>2,047,802</u>
NET ASSETS				
Invested in capital assets, net of related debt	165,821,203	133,002,167	298,823,370	3,800,955
Restricted for:				
Employee paid health benefits	2,632,671	-	2,632,671	-
Risk management	3,420,365	-	3,420,365	-
Working capital	-	-	-	585,555
Perpetual care:				
Nonexpendable	308,505	-	308,505	-
Capital projects	-	-	-	871,131
Unrestricted	40,338,106	21,916,535	62,254,641	549,413
Total net assets	<u>\$ 212,520,850</u>	<u>\$ 154,918,702</u>	<u>\$ 367,439,552</u>	<u>\$ 5,807,054</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, 2008**

Exhibit B

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities				
General government	\$ 21,701,679	\$ 9,567,615	\$ 1,668,792	\$ -
Public safety	39,465,214	4,357,759	650,854	-
Highways and streets	21,571,388	1,709,505	2,813,255	-
Economic development	5,046,315	-	2,729,666	-
Culture and recreation	10,121,920	1,410,649	251,234	103,100
Interest on long term debt	976,809	-	-	-
Total governmental activities	<u>98,883,325</u>	<u>17,045,528</u>	<u>8,113,801</u>	<u>103,100</u>
Business-type activities				
Water resources	22,202,253	31,534,907	-	3,489,290
Civic Center	2,259,239	1,670,824	-	-
Festivals	1,169,695	860,135	-	-
Parking Services	1,768,924	3,008,802	-	-
Mass Transit	5,086,046	1,178,213	2,075,987	261,239
Stormwater	2,919,423	3,049,649	-	-
Golf Course	1,050,006	965,827	-	-
Total business-type activities	<u>36,455,586</u>	<u>42,268,357</u>	<u>2,075,987</u>	<u>3,750,529</u>
Total primary government	<u>\$ 135,338,911</u>	<u>\$ 59,313,885</u>	<u>\$ 10,189,788</u>	<u>\$ 3,853,629</u>
Component unit:				
ABC Board	19,231,956	19,475,992	-	-
Total component unit	<u>\$ 19,231,956</u>	<u>\$ 19,475,992</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Sales taxes
Other taxes
Alcoholic beverage tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings & miscellaneous
Gain (loss) on sale of capital assets
Transfers
Total general revenues and transfers
Changes in net assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	City of Asheville ABC Board
\$ (10,465,272)	\$ -	\$ (10,465,272)	\$ -
(34,456,601)	-	(34,456,601)	-
(17,048,628)	-	(17,048,628)	-
(2,316,649)	-	(2,316,649)	-
(8,356,937)	-	(8,356,937)	-
(976,809)	-	(976,809)	-
<u>(73,620,896)</u>	<u>-</u>	<u>(73,620,896)</u>	<u>-</u>
-	12,821,944	12,821,944	-
-	(588,415)	(588,415)	-
-	(309,560)	(309,560)	-
-	1,239,878	1,239,878	-
-	(1,570,607)	(1,570,607)	-
-	130,226	130,226	-
-	(84,179)	(84,179)	-
<u>-</u>	<u>11,639,287</u>	<u>11,639,287</u>	<u>-</u>
<u>(73,620,896)</u>	<u>11,639,287</u>	<u>(61,981,609)</u>	<u>-</u>
-	-	-	244,036
<u>-</u>	<u>-</u>	<u>-</u>	<u>244,036</u>
42,119,109	-	42,119,109	-
16,548,426	-	16,548,426	-
7,455,504	-	7,455,504	-
-	-	-	-
1,242,437	-	1,242,437	-
3,025,200	1,679,050	4,704,250	44,046
(169,419)	20,626	(148,793)	(58,696)
(2,700,685)	2,700,685	-	-
<u>67,520,572</u>	<u>4,400,361</u>	<u>71,920,933</u>	<u>(14,650)</u>
(6,100,324)	16,039,648	9,939,324	229,386
218,621,174	138,879,054	357,500,228	5,577,668
<u>\$ 212,520,850</u>	<u>\$ 154,918,702</u>	<u>\$ 367,439,552</u>	<u>\$ 5,807,054</u>

**CITY OF ASHEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

Exhibit C

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 24,034,906	\$ 8,947,356	\$ 32,982,262
Receivables (net of allowance for uncollectibles)	4,784,937	8,267,226	13,052,163
Due from other funds	1,712,223	-	1,712,223
Due from component unit	275,397	-	275,397
Inventories	1,082,081	-	1,082,081
Cash -- restricted	-	1,127,610	1,127,610
Total assets	<u>\$ 31,889,544</u>	<u>\$ 18,342,192</u>	<u>\$ 50,231,736</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued liabilities	\$ 2,734,944	\$ 165,841	\$ 2,900,785
Retainage payable	11,441	42,564	54,005
Due to other funds	-	467,308	467,308
Deferred revenue	198,072	3,685,141	3,883,213
Unearned revenue	252,819	-	252,819
Total liabilities	<u>3,197,276</u>	<u>4,360,854</u>	<u>7,558,130</u>
Fund balances:			
Reserved:			
For inventories	1,082,081	-	1,082,081
For encumbrances	2,803,809	1,182	2,804,991
For housing partnership	-	1,318,761	1,318,761
By state statute	6,574,485	4,053,468	10,627,953
For perpetual care	-	308,505	308,505
Unreserved, reported in:			
General fund			
Designated for capital reserve	1,319,503	-	1,319,503
Designated for law enforcement special separation allowance	3,897,517	-	3,897,517
Undesignated:			
General fund	13,014,873	-	13,014,873
Special revenue funds	-	829,647	829,647
Capital project funds	-	7,469,775	7,469,775
Total fund balances	<u>28,692,268</u>	<u>13,981,338</u>	<u>42,673,606</u>
Total liabilities and fund balances	<u>\$ 31,889,544</u>	<u>\$ 18,342,192</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	189,769,011
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,883,213
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.	(30,961,505)
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 is included in governmental activities in the statement of net assets.	7,234,046
Other accrual adjustments that do not require current financial resources and therefore, are not reported in fund statements.	(77,521)

Net assets of governmental activities	<u>\$ 212,520,850</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit D

REVENUES	General	Nonmajor Governmental Funds	Total Governmental Funds
Taxes:			
Ad valorem taxes	\$ 42,137,547	\$ -	\$ 42,137,547
Other taxes	16,935,253	-	16,935,253
Intergovernmental	10,855,544	5,734,303	16,589,847
Licenses and permits	5,187,002	-	5,187,002
Charges for services	10,319,412	-	10,319,412
Private donations	39,098	82,977	122,075
Investment earnings	1,545,214	42,768	1,587,982
Miscellaneous	597,367	440,517	1,037,884
Total revenues	<u>87,616,437</u>	<u>6,300,565</u>	<u>93,917,002</u>
EXPENDITURES			
Current:			
General government	17,966,658	869,568	18,836,226
Public safety	39,749,086	1,252,419	41,001,505
Public works	12,282,632	1,434,975	13,717,607
Human services	50,000	3,024,137	3,074,137
Planning	1,768,485	200,799	1,969,284
Engineering	1,935,720	1,122,850	3,058,570
Culture and recreation	8,457,236	653,741	9,110,977
Debt service:			
Principal	3,716,730	175,000	3,891,730
Interest	1,122,062	-	1,122,062
Total expenditures	<u>87,048,609</u>	<u>8,733,489</u>	<u>95,782,098</u>
Excess of revenues over (under) expenditures	<u>567,828</u>	<u>(2,432,924)</u>	<u>(1,865,096)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	314,423	4,841,994	5,156,417
Transfers out	(16,839,879)	(66,500)	(16,906,379)
Long-term debt issued	3,000,000	2,000,000	5,000,000
Sale of capital assets	35,336	-	35,336
Total other financing sources and (uses)	<u>(13,490,120)</u>	<u>6,775,494</u>	<u>(6,714,626)</u>
Net change in fund balances	<u>(12,922,292)</u>	<u>4,342,570</u>	<u>(8,579,722)</u>
Fund balances - beginning	41,614,560	9,638,768	51,253,328
Fund balances - ending	<u>\$ 28,692,268</u>	<u>\$ 13,981,338</u>	<u>\$ 42,673,606</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, 2008**

Exhibit E

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

Net change in fund balances--total governmental funds (Exhibit D)	\$ (8,579,722)
Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(14,249,926)
Capital asset additions are a use of current financial resources and therefore, are not reported as expenditures in the governmental fund statements.	13,818,566
Contribution of capital assets	17,737
Book value of capital assets disposed	(204,754)
Net change in accrued interest payable	145,253
Property tax revenue and other revenues in the statement of activities that do not provide current financial resources and, therefore, are deferred in the fund statements	(220,084)
Proceeds from long term debt that provide current financial resources and are reported as other financing sources in the fund statements	(5,000,000)
Debt service payments use current financial resources and are reported in the governmental fund statements but are a reduction in a liability on the government-wide statements.	3,891,730
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:	
Accrued vacation	(483,009)
Estimated claims incurred but not reported:	
Unfunded pension obligation	(66,568)
The internal service fund is used by management to charge the costs of Risk Management to the individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	4,830,453
Change in net assets of governmental activities (Exhibit B)	<u>\$ (6,100,324)</u>

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

**CITY OF ASHEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit F

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Ad valorem taxes	\$ 42,109,473	\$ 42,308,832	\$ 42,137,547	\$ (171,285)
Local option sales tax	17,116,370	17,116,370	16,548,426	(567,944)
Payments in lieu of taxes	96,280	96,280	72,840	(23,440)
Other taxes	300,000	300,000	313,987	13,987
Intergovernmental	9,246,215	10,299,594	10,855,544	555,950
Licenses and permits	5,202,820	4,344,166	5,187,002	842,836
Charges for services	6,953,202	9,951,478	10,319,412	367,934
Private donations	-	-	39,098	39,098
Investment earnings	1,014,000	1,014,000	1,545,214	531,214
Miscellaneous	184,550	195,550	597,367	401,817
Total revenues	<u>82,222,910</u>	<u>85,626,270</u>	<u>87,616,437</u>	<u>1,990,167</u>
 EXPENDITURES				
Current:				
General government	12,953,016	17,029,498	17,966,658	(937,160)
Public safety	37,460,836	39,848,531	39,749,086	99,445
Public works	12,404,224	12,617,362	12,282,632	334,730
Human services	50,000	50,000	50,000	-
Planning	1,785,580	1,804,019	1,768,485	35,534
Engineering	2,253,712	2,260,637	1,935,720	324,917
Culture and recreation	9,043,196	8,811,344	8,457,236	354,108
Debt service:				
Principal	4,067,476	3,754,045	3,716,730	37,315
Interest and fees	2,139,004	1,087,754	1,122,062	(34,308)
Total expenditures	<u>82,157,044</u>	<u>87,263,190</u>	<u>87,048,609</u>	<u>214,581</u>
Excess of revenues over(under) expenditures	65,866	(1,636,920)	567,828	2,204,748
 OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	4,421,019	7,231,294	-	(7,231,294)
Transfers in	-	18,750	314,423	295,673
Transfers out	(6,604,885)	(10,103,949)	(16,839,879)	(6,735,930)
Long-term debt issued	2,035,000	4,407,825	3,000,000	(1,407,825)
Sale of capital assets	83,000	83,000	35,336	(47,664)
Total other financing sources and (uses)	<u>(65,866)</u>	<u>1,636,920</u>	<u>(13,490,120)</u>	<u>(15,127,040)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(12,922,292)</u>	<u>\$(12,922,292)</u>
Fund balance - beginning			41,614,560	
Fund balance - ending			<u>\$ 28,692,268</u>	

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

CITY OF ASHEVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

Exhibit G

ASSETS	Water Resources	Nonmajor Enterprise Funds	Totals	Internal Service Fund
Current assets:				
Cash and investments	\$ 21,885,002	\$ 4,798,996	\$ 26,683,998	\$ 11,726,396
Accounts receivable (net of allowance for uncollectibles)	3,273,085	948,669	4,221,754	1,066,472
Accounts receivable MSD (net of allowance for uncollectibles)	2,315,842	-	2,315,842	-
Intergovernmental receivable	-	1,327,426	1,327,426	-
Inventories	-	98,432	98,432	-
Prepays	-	25,030	25,030	-
Restricted cash and investments	50,192,969	1,930,163	52,123,132	-
Total current assets	<u>77,666,898</u>	<u>9,128,716</u>	<u>86,795,614</u>	<u>12,792,868</u>
Noncurrent assets:				
Capital assets				
Land	4,286,087	5,994,825	10,280,912	-
Buildings and improvements	59,282,631	21,321,901	80,604,532	-
Machinery and equipment	9,471,068	9,732,860	19,203,928	-
Water system/sewer system Infrastructure	106,192,742	-	106,192,742	-
Construction in progress	23,354,523	1,198,712	24,553,235	-
Total capital assets	<u>202,587,051</u>	<u>50,266,950</u>	<u>252,854,001</u>	<u>-</u>
Accumulated depreciation	<u>(56,810,057)</u>	<u>(29,122,413)</u>	<u>(85,932,470)</u>	<u>-</u>
Net capital assets	<u>145,776,994</u>	<u>21,144,537</u>	<u>166,921,531</u>	<u>-</u>
Unamortized debt issuance cost	1,190,514	-	1,190,514	-
Total noncurrent assets	<u>146,967,508</u>	<u>21,144,537</u>	<u>168,112,045</u>	<u>-</u>
Total assets	<u>224,634,406</u>	<u>30,273,253</u>	<u>254,907,659</u>	<u>12,792,868</u>
LIABILITIES				
Current liabilities:				
Accounts payable	6,517,926	367,635	6,885,561	4,300
Customer deposits	535,239	500	535,739	-
Accrued interest payable	1,764,754	27	1,764,781	-
Other accrued expenses	249,781	154,733	404,514	28,134
Due to other funds	-	1,244,915	1,244,915	-
Due to other governmental units	2,824,164	-	2,824,164	-
Bonds payable	3,618,994	-	3,618,994	-
Installment purchase contracts	-	43,000	43,000	-
Compensated absences	433,951	186,641	620,592	-
Claims payable	-	-	-	584,302
Unearned revenue	182,000	223,844	405,844	-
Total current liabilities	<u>16,126,809</u>	<u>2,221,295</u>	<u>18,348,104</u>	<u>616,736</u>
Noncurrent liabilities:				
Bonds payable	79,651,410	-	79,651,410	-
Installment purchase contracts	-	86,000	86,000	-
Claims payable	-	-	-	4,942,086
Unamortized bond premiums	1,903,443	-	1,903,443	-
Total noncurrent liabilities	<u>81,554,853</u>	<u>86,000</u>	<u>81,640,853</u>	<u>4,942,086</u>
Total liabilities	<u>97,681,662</u>	<u>2,307,295</u>	<u>99,988,957</u>	<u>5,558,822</u>
NET ASSETS				
Invested in capital assets, net of related debt	111,986,630	21,015,537	133,002,167	-
Restricted for health benefits and risk management	-	-	-	6,053,036
Unrestricted	14,966,114	6,950,421	21,916,535	1,181,010
Total net assets	<u>\$ 126,952,744</u>	<u>\$ 27,965,958</u>	<u>\$ 154,918,702</u>	<u>\$ 7,234,046</u>

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

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit H

	<u>Water Resources</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ 31,487,907	\$ 8,085,111	\$ 39,573,018	\$ 11,883,059
Rents	-	1,082,593	1,082,593	-
Concessions	-	913,374	913,374	-
Insurance recovery	-	-	-	1,539,114
Miscellaneous revenues	47,000	652,372	699,372	-
Total operating revenues	<u>31,534,907</u>	<u>10,733,450</u>	<u>42,268,357</u>	<u>13,422,173</u>
OPERATING EXPENSES				
Cost of merchandise sold	-	369,993	369,993	-
Administration	15,261,707	12,392,924	27,654,631	1,763,563
Insurance claims	-	-	-	13,784,009
Claims incurred but not reported	-	-	-	2,564,692
Depreciation	4,327,033	1,404,170	5,731,203	-
Total operating expenses	<u>19,588,740</u>	<u>14,167,087</u>	<u>33,755,827</u>	<u>18,112,264</u>
Operating income (loss)	<u>11,946,167</u>	<u>(3,433,637)</u>	<u>8,512,530</u>	<u>(4,690,091)</u>
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	2,075,987	2,075,987	-
Interest earned	1,429,927	249,123	1,679,050	396,899
Interest expense	(2,613,513)	(86,246)	(2,699,759)	-
Gain on sale of capital assets	20,626	-	20,626	-
Total nonoperating revenues (expenses)	<u>(1,162,960)</u>	<u>2,238,864</u>	<u>1,075,904</u>	<u>396,899</u>
Income (loss) before transfers and capital contributions	<u>10,783,207</u>	<u>(1,194,773)</u>	<u>9,588,434</u>	<u>(4,293,192)</u>
Transfers in/out:				
Transfers from General Fund	-	2,700,685	2,700,685	9,363,700
Transfers to General Fund	-	-	-	(240,055)
Transfers from Parking Services Fund	-	248,116	248,116	-
Transfers to Transit Fund	-	(248,116)	(248,116)	-
Capital contributions	3,489,290	261,239	3,750,529	-
Changes in net assets	<u>14,272,497</u>	<u>1,767,151</u>	<u>16,039,648</u>	<u>4,830,453</u>
Total net assets - beginning	<u>112,680,247</u>	<u>26,198,807</u>	<u>138,879,054</u>	<u>2,403,593</u>
Total net assets - ending	<u>\$ 126,952,744</u>	<u>\$ 27,965,958</u>	<u>\$ 154,918,702</u>	<u>\$ 7,234,046</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, 2008**

Exhibit I

	<u>Water Resources</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:				
Cash received from customers	\$ 31,588,467	\$ 11,793,742	\$ 43,382,209	\$ 12,355,701
Cash paid for goods and services	(2,279,981)	(9,736,963)	(12,016,944)	(15,515,138)
Cash paid to employees	(7,086,849)	(4,008,239)	(11,095,088)	-
Net cash provided by (used for) operating activities	<u>22,221,637</u>	<u>(1,951,460)</u>	<u>20,270,177</u>	<u>(3,159,437)</u>
Cash flows from non-capital financing activities:				
Grants received	-	2,075,987	2,075,987	-
Transfers from other funds	-	2,948,801	2,948,801	9,363,700
Transfers to other funds	-	(248,116)	(248,116)	(240,055)
Net cash provided by non-capital financing activities	<u>-</u>	<u>4,776,672</u>	<u>4,776,672</u>	<u>9,123,645</u>
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	557,605	261,239	818,844	-
Bonds Issued	39,025,000	-	-	-
Acquisition and construction of capital assets	(22,533,207)	(562,985)	(23,096,192)	-
Principal paid on debt	(2,958,899)	(613,000)	(3,571,899)	-
Interest paid on debt	(1,646,048)	(85,383)	(1,731,431)	-
Premium on debt	(496,167)	-	-	-
Proceeds from sale of capital assets	11,838	-	11,838	-
Net cash used for capital and related financing activities	<u>11,960,122</u>	<u>(1,000,129)</u>	<u>(27,568,840)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(37,040,196)	-	(37,040,196)	-
Interest earned	2,558,952	248,260	2,807,212	396,899
Net cash provided by investing activities	<u>(34,481,244)</u>	<u>248,260</u>	<u>(34,232,984)</u>	<u>396,899</u>
Net increase in cash and cash equivalents	(299,485)	2,073,343	1,773,858	6,361,107
Cash and cash equivalents:				
Beginning of year, July 1	33,334,322	4,655,816	37,990,138	5,365,289
End of year, June 30	<u>\$ 33,034,837</u>	<u>\$ 6,729,159</u>	<u>\$ 39,763,996</u>	<u>\$ 11,726,396</u>

	<u>Water Resources</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 11,946,167	\$ (3,433,637)	\$ 8,512,530	\$ (4,690,091)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	4,327,033	1,404,170	5,731,203	-
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	32,647	(68,466)	(35,819)	(1,066,472)
Decrease in intergovernmental receivables	167,384	1,128,758	1,296,142	-
Increase in inventories	-	(15,392)	(15,392)	-
Increase in prepaids	-	(10,063)	(10,063)	-
Decrease in other assets	-	7,867	7,867	-
Increase in accounts payable	5,416,029	294,563	5,710,592	-
Increase in other accrued expenses	42,429	58,505	100,934	28,134
Decrease in due to other funds	-	(1,263,283)	(1,263,283)	-
Decrease in accrued interest payable	-	(25,893)	(25,893)	-
Increase (decrease) in compensated absences	87,035	(7,666)	79,369	4,300
Increase (decrease) in unearned revenue	182,000	(20,923)	161,077	-
Increase in customer deposits	20,913	-	20,913	-
Increase in estimate for claims incurred but not reported	-	-	-	2,564,692
Total adjustments	<u>10,275,470</u>	<u>1,482,177</u>	<u>11,757,647</u>	<u>1,530,654</u>
Net cash provided by (used for) operating activities	<u>\$ 22,221,637</u>	<u>\$ (1,951,460)</u>	<u>\$ 20,270,177</u>	<u>\$ (3,159,437)</u>
Reconciliation of cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 21,885,002	\$ 4,798,996	\$ 26,683,998	\$ 11,726,396
Restricted	50,192,969	1,930,163	52,123,132	-
Total cash and investments	<u>72,077,971</u>	<u>6,729,159</u>	<u>78,807,130</u>	<u>11,726,396</u>
Less: Investments	39,043,134	-	39,043,134	-
Cash and cash equivalents	<u>\$ 33,034,837</u>	<u>\$ 6,729,159</u>	<u>\$ 39,763,996</u>	<u>\$ 11,726,396</u>
Noncash investing, capital, and financing activities:				
Donated water lines	<u>\$ 2,182,317</u>	<u>\$ -</u>	<u>\$ 2,182,317</u>	<u>\$ -</u>

(concluded)

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

**CITY OF ASHEVILLE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2008**

Exhibit J

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 207,082
Total assets	<u>\$ 207,082</u>
LIABILITIES	
Accounts payable	\$ 207,082
Total liabilities	<u>\$ 207,082</u>

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

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Asheville is a municipal corporation that is governed by an elected mayor and a six-member council. As required by GAAP, these financial statements present the City, its component units and legally separate 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. The discretely presented component unit below 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:

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(b) and the City’s governing body who appoint all three 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 Asheville Board of Alcoholic Control’s administrative offices at 1 Cherry Street North, Asheville, NC 28801.

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

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Asheville Claims Corporation (the "ACC"). The Asheville Claims Corporation is a non-profit corporation chartered in 1993 with the specific purpose of assisting the City of Asheville in risk management and the administration of claims. 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. All rights, title and interest to the claims contract with the City have been assigned to a bank trustee. All financing arrangements with the City have been disclosed in the accompanying notes to the basic financial statements.

B. 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.

C. Jointly Governed Organizations

Asheville Regional Airport Authority. The City, in conjunction with Buncombe County, participates in a regional airport. Each participating government appoints three members and the six appointees then appoint one additional member to make up the seven-member board. The City has no obligation to fund any deficits, any claim on assets or obligation for liabilities. The Authority is included in Buncombe County's Financial Statements as a discretely presented component unit.

D. Measurement Focus Basis of Accounting & Financial Presentation

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstration compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. In accordance with North Carolina Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. The fiduciary fund (agency fund) has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 as soon as all eligibility requirements imposed by the provider have been met.

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Buncombe County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities in the County, including the City of Asheville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Buncombe County from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed this period are shown as a receivable in these financial statements and are offset by deferred revenues.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as deferred revenues. Under the terms of the grant agreements, the City funds certain programs in combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net assets 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.

As permitted by accounting principles generally accepted in the United States of America, the City and the ABC Board have elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its government-wide and proprietary operations.

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

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for 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, recycling, 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.

The City reports the following non-major governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. The City has the following Special Revenue Funds: Grant Programs, Community Development, Section 108 Rehabilitation, Affordable Home Ownership, and Housing Partnership.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Capital Project Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition and/or construction of major capital facilities (other than those financed by proprietary funds) and infrastructure. The City has four Capital Project Funds: Federal Capital Projects, General Capital Projects, Street/Sidewalk Capital Improvements and Sewer Capital Projects.

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

The City reports the following major proprietary fund:

Water Resources – The Water Resources Fund is an enterprise fund used to account for operations and maintenance of the City's water system that includes operation of two water treatment plants. This fund also covers acquisition and/or construction of major utility capital facilities and infrastructure, as well as the debt service for the payment of utility long-term debt principal, interest, and related costs which are accounted for in sub-funds.

The City reports the following non-major enterprise funds: Civic Center, Parking Services, Festivals, Mass Transit, Stormwater and Golf Course.

Internal Service Fund – The Internal Service Fund is a proprietary fund used to account for the accumulation and allocation of costs associated with the City's self-insurance program.

Additionally the City reports the following fund types:

Agency Fund – Agency funds are custodial in nature and do not involve the measurement of operating results. The City maintains the Civic Center Agency Fund for the purpose of segregating the box office activities for the various promoters.

E. 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, Community Development Fund, Water Resources Fund and the other non-major Enterprise Funds. Multi-year budgets are adopted for the non-major Governmental Funds, except for the Community Development Fund, 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 reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent 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 OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 or project budget and must be approved by City Council. The City internally manages expenditures on a line item and departmental basis and although not legally required, budget amendments may be required between line items and between departments of the same function. The Budget department must approve all of these internal budget amendments and some of these amendments are forwarded to the City Manager for additional approval. During the year numerous budget amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

F. Assets, Liabilities, and Net Assets/Fund Balance

1. Deposits and investments

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

G.S. 159-30 (c) authorizes the City and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United State of America, provided the payment of the interest and principal of such obligations is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) mutual fund.

The City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices.

The securities of the NCCMT Cash Portfolio are valued at fair value, which is the NCCMT's share price. The City intends, and has the ability, to hold all securities to maturity.

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

The City pools moneys from all funds, except unspent bond proceeds, 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.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

2. Receivables and payables

According to the North Carolina General Statutes, ad valorem taxes levied on July 1 beginning of the fiscal year, are due September 1, but interest and penalties do not accrue until the following January 6, the lien date.

Property taxes on certain registered motor vehicles are assessed and collected throughout the year. The taxes are based on the assessed values as of January 1, 2007.

Within the fund financials ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available." At June 30, taxes receivable are significantly past due and are not considered to be an available resource to finance the operations of the subsequent year. Accounting principles generally accepted in the United States of America state that property tax revenues, which are measurable but not available, should be recorded as unearned revenues. The receivable amount is reduced by an allowance for doubtful accounts and an amount equal to the net receivable is included in the governmental balance sheet and the statement of net assets. Any property taxes collected in advance of the fiscal year to which they apply are recorded as unearned revenues.

An allowance for doubtful accounts is maintained on the ad valorem taxes receivable as described above. The City also maintains an allowance for doubtful accounts for water service accounts receivable, stormwater accounts receivable and other miscellaneous receivables.

3. Inventories and prepaids

Inventories are determined by physical count and valued at cost (using the first-in, first-out method). Inventories in the governmental funds consist of expendable supplies held for consumption. The costs thereof have been recorded at the time items were purchased. Expenditure occurs when items are issued from inventory. Inventories in the non-major enterprise funds consist of materials and supplies held for subsequent use.

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

4. Restricted assets

Certain cash balances are held as restricted. Restricted cash in the General Fund relates to the City's self-insurance program and are only available to pay claims and unspent debt proceeds. Restricted cash in the Water Resources Fund relates to unspent debt proceeds and is only available for specific projects. Restricted cash in the non-major governmental funds relates to cash held in trust to be loaned out under the City's Section 108 Rehabilitation Loan program and perpetual care of the City's cemetery and unspent debt proceeds.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

5. Capital assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure (e.g., water & sewer lines, water tanks, roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets (not including general infrastructure) are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. General infrastructure assets are defined by the City as assets with an initial cost of more than \$50,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Governmental infrastructure assets (roads, sidewalks, bridges, etc.) acquired prior to July 1, 2003, consist of assets acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the City and the ABC Board are depreciated using the straight-line method over the following estimates useful lives:

<u>Capital asset</u>	<u>Life</u>
Machinery and equipment	3-15 years
Building and improvements	20-50 years
Infrastructure	25-50 years

6. 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 fund, and component unit financial statements. The City has assumed a last in first out method of using compensated time. The portion of that time that is estimated to be used in the next fiscal year has been shown as due within one year in note 7-H. ABC Board employees may accumulate up to 30 days earned vacation and such leave is fully vested when earned.

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.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

7. 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 assets. Bond premiums and discounts, as well as issuance costs, 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.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of the fund balance represent amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13 (b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts at the close of the fiscal year preceding in the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for Inventories – portion of fund balance that is not available for appropriation because it represents the year-end balance of inventories, which are not expendable available resources.

Reserved for Encumbrances – portion of fund balance available for appropriation to pay for commitments relating to unperformed contracts and purchase orders.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Reserved for Housing Partnership – portion of fund balance that is not available for appropriation because it is reserved for the City's Affordable Housing Program.

Reserved by State Statute – portion of fund balance not available for appropriation after consideration of other reservations of fund balance. G.S. 159-13(b)(16) restricts appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities,

encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

Reserved for Perpetual Care – portion of fund balance available for appropriation to pay for maintenance of the City's cemetery.

Unreserved

Designated for Capital Reserve – portion of total fund balance available for appropriation, which has been designated for governmental capital projects.

Designated for Law Enforcement Special Separation Allowance – portion of total fund balance, which has been designated for the actuarially determined unfunded portion of the law enforcement officers' special separation allowance.

Undesignated - portion of total fund balance for appropriation, which is uncommitted at year-end.

9. Reclassification

The City's risk management activities were reported in the General Fund last year and the IBNR was reported as long-term debt in the City's governmental activities. Effective July 1, 2007 the City began reporting these activities in an internal service fund. The effect of this reclassification has no effect on net assets.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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, 2008, the City's deposits had a carrying amount of \$10,994,105 and a bank balance of \$14,638,030. Of the bank balance, \$14,038,030 was covered by collateral held under the Pooling Method and \$600,000 was covered by federal depository insurance. The City also had \$66,350 in petty cash at year-end. The carrying amount for the ABC Board was \$2,157,158 and a bank balance of \$2,164,731. Of the bank balance, \$1,864,731 was covered by collateral held under the Pooling Method and \$300,000 was covered by Federal depository insurance.

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 in the current may have been recognized as an increase or decrease in the fair value of investments, reported in the prior year. The net decrease in fair value during 2008 for the City was \$327,692. 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 \$16,171.

As of June 30, 2008 the City had the following investments and maturities:

Investment Type	Fair Value	6-12			
		0-6 Months	Months	1-3 Years	3+ years
US Government Securities	\$22,764,774	\$ 4,419,207	\$ 10,035	\$ 2,000,000	\$16,325,532
US Government Agencies	32,153,357	6,412,939	988,750	18,284,068	6,457,600
Commercial Paper	15,136,444	15,136,444	-	-	-
NC Cap Mgt Trust-Cash Portfolio	33,009,271	33,009,271	-	-	-
Escrow Money Markets	1,218,827	1,218,827	-	-	-
NC Cap Mgt Trust-Term Portfolio	2,453,765	-	2,453,765	-	-
Banker's Acceptance	2,970,130	2,970,130	-	-	-
Certificate of Deposit	483,457	483,457	-	-	-
NCSE AA	3,600,000	-	-	-	3,600,000
Total	\$113,790,025	\$63,650,275	\$3,462,550	\$20,294,068	\$26,383,132

*Because the NC Capital Management Trust Term Portfolio had a weighted average maturity of 0.9 years, it was presented as an investment with a maturity of 6-12 months.

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

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

The North Carolina State Education Assistance Authority (NCSEAA) instruments in the portfolio have final stated maturities ranging from 2015 to 2036. Historically they could be redeemed at par and the interest rate reset every 7, 28 or 35 days making the effective maturity date the next reset date, until February 2008 when the auctions began failing. At that time the instruments became illiquid and there was no secondary market.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. 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, 2007. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina G.S. 159-30 as amended.

The City's investments in the NC State Education Assistance Authority (NCSEAA) carried a credit rating of AAA by Standard & Poor's as of June 30, 2008.

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 investments are insured or registered or held by the City or its agent in the City's name. The City has no policy on custodial risk but management procedures are that the City shall utilize a third party custodial agent for book entry transactions, all of which will be held in the City's name.

Concentration of Credit Risk. The City does not limit the amount of investment in any one issuer. More than 5% of the City's total investments are in Federal Home Loan Bank securities, representing 12% of the total investments and Federal National Mortgage Association securities, representing 6% of the total investments and Federal Home Loan Mortgage Corporation securities representing 8% of the total investments.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – RECEIVABLES AND UNEARNED ASSETS

Receivables as of year-end for the City’s fund financials and government-wide totals, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-major Gov't Funds	Accrual Adjustments	Gov't Activities	Business-Type Activities
Customers	\$ -	\$ -	\$ -	\$ -	\$ 5,699,078
Property Taxes	894,071	-	-	894,071	-
Due From Other Governments	1,092,282	7,112,077	-	8,204,359	1,327,426
Accounts Receivable	3,65,758	10,432	1,066,472	4,742,662	1,125,109
Loans Receivable	-	1,144,717	-	1,144,717	-
Less: Allowance	(867,174)	-	-	(867,174)	(286,591)
Receivables (Net)	<u>\$ 4,784,937</u>	<u>\$ 8,267,226</u>	<u>\$ 1,066,472</u>	<u>\$ 14,118,635</u>	<u>\$ 7,865,022</u>

In conformity with accounting principles generally accepted in the United States of America, revenues that are measurable but not available are reported as unearned revenues in the fund statements. In addition, revenues collected in advance of the fiscal year to which they apply are reported as unearned assets.

At the June 30, 2008, the various components of deferred/unearned revenues were as follows:

	General Fund	Non-major Gov't Funds	Accrual Adjustments	Gov't Activities	Business-Type Activities
Property Taxes	\$ 198,072	\$ -	\$ (198,072)	\$ -	\$ -
Prepaid Taxes	215,149	-	-	215,149	-
Loans	-	1,144,717	(1,144,717)	-	-
Grants	-	2,540,424	(2,540,424)	-	-
Other	37,670	-	-	37,670	405,844
Total	<u>\$ 450,891</u>	<u>\$ 3,685,141</u>	<u>\$ (3,883,213)</u>	<u>\$ 252,819</u>	<u>\$ 405,844</u>

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Governmental Activities:					
<u>Capital assets, Non-depreciable:</u>					
Land	\$ 27,335,953	\$ 2,816,065	\$ -	\$ -	\$ 30,152,018
Construction in Progress	14,906,457	3,515,649	(19,694)	-	18,402,412
Total Capital Assets, Non-depreciable	42,242,410	6,331,714	(19,694)	-	48,554,430
<u>Capital Assets, Depreciable:</u>					
Building & Improvements	45,379,341	47,240	-	-	45,426,581
Machinery & Equipment	31,075,038	7,068,853	(968,235)	152,534	37,328,190
Infrastructure	204,948,506	390,453	-	-	205,338,959
Total Capital Assets, Depreciable	281,402,885	7,506,546	(968,235)	152,534	288,093,730
<u>Less Accumulated Depreciation For:</u>					
Buildings & Improvements	16,305,752	1,683,485	-	-	17,989,237
Machinery & Equipment	18,845,835	3,147,658	(763,480)	134,797	21,364,810
Infrastructure	98,106,319	9,418,783	-	-	107,525,102
Total Accumulated Depreciation	133,257,906	14,249,926	(763,480)	134,797	146,879,149
Total capital assets being depreciated, net	148,144,979				141,214,581
Governmental Activities Capital Assets, Net	\$ 190,387,389				\$ 189,769,011

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Business-Type Activities:					
<u>Capital Assets, Non-depreciable:</u>					
Land	\$ 10,271,758	\$ 9,153	\$ -	\$ -	\$ 10,280,911
Construction in Progress	7,787,702	20,558,940	(3,793,406)	-	24,553,236
Total Capital Assets, Non-depreciable	18,059,460	20,68,093	(3,793,406)	-	34,834,147
<u>Capital Assets, Depreciable:</u>					
Building &					
Improvements	80,604,533	-	-	-	80,604,533
Machinery &					
Equipment	16,576,270	2,961,675	(181,483)	(152,534)	19,203,925
Infrastructure	112,545,959	5,722,799	(57,364)	-	118,211,394
Total Capital Assets, Depreciable	209,726,762	8,684,474	(238,847)	(152,534)	218,019,855
<u>Less Accumulated Depreciation For:</u>					
Buildings &					
Improvements	28,865,391	2,064,363	-	-	30,929,754
Machinery &					
Equipment	11,805,841	1,279,454	(160,807)	(134,797)	12,789,691
Infrastructure	39,829,722	2,387,385	(4,082)	-	42,213,025
Total Accumulated Depreciation	80,500,954	5,731,202	(164,889)	(134,797)	85,932,470
Total capital assets being depreciated, net	129,225,808				132,087,385
Business-Type Activities Capital Assets, Net	\$ 147,285,268				\$ 170,714,938

During the year the City recorded capital contributions in the amount of \$2,182,317 which represents the value of water lines turned over to the City for operation from completed housing developments. This is considered a non-cash capital related financing activity for the statement of cash flows.

CITY OF ASHEVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

Depreciation expenses were charged to functions of the City as follows:

<u>Governmental Activities:</u>	
General Governmental	\$ 587,899
Public Safety	2,014,962
Highways & Streets	10,313,398
Cultural & Recreational	<u>1,333,667</u>
 Total depreciation expense-Governmental Activities	 <u><u>\$ 14,249,926</u></u>
 <u>Business-type Activities:</u>	
Water Resources	\$ 4,327,033
Non-major Enterprise Funds	<u>1,404,169</u>
 Total depreciation expense-Business-type Activities	 <u><u>\$ 5,731,202</u></u>

The City has numerous active construction projects as of June 30, 2008. These projects include new street construction, widening and improvements of existing streets, new parks and related facilities, fire stations, fire trucks and pumpers, water system improvements and new construction, water plant expansions and other City facilities and equipment. The amount the City was contractually committed to spend at June 30, 2008 was \$1,268,285 and \$33,975,505 for governmental activities and business-type activities, respectively.

CITY OF ASHEVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Grant Programs	\$ 400,151
	Affordable Home	21,381
	Section 108 Rehabilitation	45,776
	Festival Fund	1,244,915
Total		<u>\$ 1,712,223</u>

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

The amounts payable to the General Fund relate to working capital loans made to the funds listed above.

Due to primary government and operating unit

Receivable entity	Payable Entity	Amount
Primary Government	Component unit-ABC Board	<u>\$ 275,397</u>

The amount payable to the general fund is a result of timing of funds due.

Interfund transfers:

Transfer Out	Transfers In				Total
	General Fund	Non-Major Governmental	Internal Service	Non-Major Enterprise	
General Fund	\$ -	\$ 4,775,494	\$ 9,363,700	\$ 2,700,685	\$ 16,839,879
Non-Major Governmental	74,368	66,500	-	-	140,868
Internal Service	240,055	-	-	-	240,055
Non-Major Enterprise	-	-	-	248,116	248,116
Total	<u>\$ 314,423</u>	<u>\$ 4,841,994</u>	<u>\$ 9,363,700</u>	<u>\$ 2,948,801</u>	<u>\$ 17,468,918</u>

Transfers are used to move unrestricted general fund reserves 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 programs. Transfers to the internal service fund represent fund reserves used to pay claims accumulated in the general fund in prior years.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 - LONG TERM OBLIGATIONS

A. Installment Financing Contracts. The City has entered into various installment financing contracts with the Asheville Public Financing Corporation, a blended component unit, for renovation and construction of municipal facilities. These contracts were funded by the execution and delivery of Certificates of Participation and certain lease contracts. The outstanding contracts at June 30, 2008 are as follows:

	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2008
Governmental Activities:					
Municipal Building Series 1997-A	4.00-5.13	11/1/1997	6/1/2018	14,045,000	\$ 8,660,000
Refunding Series 1997-B	4.00-5.00	11/1/1997	6/1/2011	3,480,000	1,185,000
Fire Stations & Equip. Series 2006	3.92	6/28/2006	6/28/2021	8,030,300	6,358,793
Total Governmental					<u>16,203,793</u>
Business-type Activities:					
Parking Services Series 1992	5.00-6.50	2/15/1992	2/1/2008	5,385,000	-
Stormwater Series 2006	3.92	6/28/2006	6/28/2011	215,000	129,000
Total Business-type Activities					<u>129,000</u>
Total Installment Financing Contracts					<u>\$ 22,691,586</u>

Annual debt service requirements to maturity for Installment Financing Contracts for the governmental activities and for Business-type activities, are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 1,895,753	\$ 748,362	\$ 43,000	\$ 4,954
2010	1,950,753	663,334	43,000	3,302
2011	2,005,753	575,185	43,000	1,652
2012	1,180,153	483,698	-	-
2013	1,220,153	428,054	-	-
2014-2018	6,795,765	1,226,558	-	-
2019-2021	1,155,463	90,588	-	-
Total	<u>\$ 16,203,793</u>	<u>\$ 4,215,779</u>	<u>\$ 129,000</u>	<u>\$ 9,908</u>

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

B. Installment Purchase Contracts. The City has entered into installment purchase contracts with various agencies for the purchase of assorted assets. These obligations are considered a limited obligation of the City and are secured by the assets themselves.

	Interest Rates	Date Issued	Date Series Mature	Amount of Original Issue	Balance Outstanding at June 30, 2008
Trucks and cans	5.12%	12/9/1999	12/9/2009	\$ 359,230	\$ 36,135
Fire Trucks	3.06	11/29/2002	11/15/2012	1,546,308	695,840
Trucks and carts	2.35	4/30/2004	4/30/2009	741,577	155,054
Fire and Sanitation trucks	2.49	6/25/2008	6/1/2013	5,000,000	5,000,000
Total Installment Purchase Contracts					<u>\$ 5,887,029</u>

Annual maturities on all installment purchase contracts for the governmental activities, are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	\$ 1,286,924	\$ 134,683
2010	1,141,368	110,426
2011	1,153,449	80,963
2012	1,178,474	51,207
2013	1,126,814	20,821
Total	<u>\$ 5,887,029</u>	<u>\$ 398,100</u>

C. 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.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

General obligation bonds outstanding at June 30, 2008 are as follows:

	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding at June 30,2008
Government Activities:					
Street, sidewalk & storm drainage, Series 1993A	5.50-5.25%	7/1/1993	2/1/2013	\$ 1,300,000	\$ 440,000
Street, sidewalk & storm drainage, Series 1993B	5.00-5.25	7/1/1993	2/1/2013	500,000	180,000
General obligation refunding bonds, Series 1993C	4.00-4.80	7/1/1993	6/1/2008	10,305,000	-
General obligation refunding bonds, Series 1999	4.00-4.20	2/9/1999	6/1/2012	4,952,360	1,094,595
General obligation refunding bonds, Series 2000	4.75-5.00	12/1/2000	12/1/2020	1,970,000	1,270,000
Total government activities					<u>2,984,595</u>
Business-type Activities					
Water - 1995	5.40-6.40	6/1/1995	6/1/2011	3,000,000	1,050,000
Water - 1999	4.00-4.20	2/9/1999	6/1/2012	12,217,640	2,700,405
Total Business-type Activities					<u>3,750,405</u>
Total General Obligation Bonds					6,735,000
Premium on bonds					16,051
Total General Obligation Bonds and Premium on bonds					<u>\$ 6,751,051</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 706,006	\$ 136,935	\$ 1,348,994	\$ 163,015
2010	626,593	106,594	1,403,407	107,554
2011	422,480	78,804	937,520	46,191
2012	269,516	59,145	60,484	2,540
2013	190,000	45,675	-	-
2014-2018	500,000	130,000	-	-
2019-2021	270,000	18,750	-	-
Total	<u>\$ 2,984,595</u>	<u>\$ 575,903</u>	<u>\$ 3,750,405</u>	<u>\$ 319,300</u>

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

D. Revenue Bonds/Advance Refunding. The City has advance refunded \$42,960,000 in Water Revenue Bonds, Series 1996 and 2001 by placing the proceeds of new bonds (Series 2005) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liabilities for the defeased bonds are included in the City's financial statements. In August 2006, a payment of \$30,801,533 effectively retired the Series 1996 debt. As of June 30, 2008, the outstanding balance of the defeased 2001 issue was \$11,140,000.

Annual debt service requirements to maturity for Series 2005 revenue bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 1,480,000	\$ 1,815,488	\$ 3,295,488
2010	1,535,000	1,762,725	3,297,725
2011	1,580,000	1,708,212	3,288,212
2012	1,640,000	1,647,762	3,287,762
2013-2017	9,310,000	7,072,481	16,382,481
2018-2022	11,820,000	4,479,750	16,299,750
2023-2026	11,780,000	1,213,750	12,993,750
Total	<u>\$ 39,145,000</u>	<u>\$ 19,700,168</u>	<u>\$ 58,845,168</u>

The City has pledged future water customer revenues, net of specified operating expenses to repay \$41,800,000 in Water System Revenue Bonds issued in December 2005. 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 2025. The total principal and interest remaining to be paid on the bonds is \$58,845,168.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

Annual debt service requirements to maturity for series 2007 revenue bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 640,000	\$ 2,013,385	\$ 2,653,385
2010	945,000	1,704,725	2,649,725
2011	985,000	1,666,125	2,651,125
2012	1,025,000	1,625,925	2,650,925
2013	1,065,000	1,584,125	2,649,125
2014-2018	6,025,000	7,231,026	13,256,026
2019-2023	7,390,000	5,869,312	13,259,312
Thereafter	20,950,000	5,559,625	26,509,625
Total	<u>\$ 39,025,000</u>	<u>\$ 27,254,248</u>	<u>\$ 66,279,248</u>

The City has pledged future water customer revenues, net of specified operating expenses to repay \$39,025,000 in Water System Revenue Bonds issued in December 2007. Proceeds from the bonds provided financing for the replacement of an antiquated pipe system. The bonds are payable solely from water customer new revenue and are payable through 2032. The total principal and interest remaining to be paid on the bonds is \$66,279,248.

- E. State Water Bond Loan.** In 1998, the City received a \$3,000,000 loan from the North Carolina Department of Environment, Health and Natural Resources for capital construction to the water system. The loan bears interest at 5.3 percent and is payable in equal annual amounts of \$150,000 over the next 20 years. The outstanding balance at June 30, 2007 was \$1,350,000.
- F. Due to Other Governmental Units.** The City also owes \$885,000 on outstanding "Section 108" loans.
- G. Estimated Claims Incurred But Not Reported.** The City is self-insured for workers compensation, fringe benefits and certain general liability and casualty risks. The City's Third Party Administrators have estimated the City's liability for claims incurred but not reported as of June 30, 2008. The current year estimate was within \$10,000 of the prior year estimate; therefore, the liability was not adjusted.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

H. Changes in Long Term Liabilities

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 4,455,696	\$ -	\$ 1,471,100	\$ 2,984,596	\$ 706,006
Installment Financing Contracts	18,055,442	-	1,851,649	16,203,793	1,895,753
Installment Purchase Contracts	1,281,010	5,000,000	393,981	5,887,029	1,286,927
Due To Other Governments	1,060,000	-	175,000	885,000	180,000
Accrued Vacation Payable	3,576,404	2,991,899	2,508,889	4,059,414	2,672,411
Unfunded Pension Obligations	875,105	361,619	295,051	941,673	-
Total Governmental Activities	<u>\$ 29,303,657</u>	<u>\$ 8,353,518</u>	<u>\$ 6,695,670</u>	<u>\$ 30,961,505</u>	<u>\$ 6,741,097</u>

Accrued payable and unfunded pension obligations have typically been liquidated by the general fund.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Business-Type Activities					
General Obligation Bonds	\$ 5,124,303	\$ -	\$ 1,373,899	\$ 3,750,404	\$ 1,348,994
Revenue Bonds	40,580,000	39,025,000	1,435,000	78,170,000	2,120,000
Installment Financing Contracts	742,000	-	613,000	129,000	43,000
State Water Bond Loan	1,500,000	-	150,000	1,350,000	150,000
Accrued Vacation Payable	541,223	383,508	304,139	620,592	620,592
Unamortized Bond Proceeds	1,577,980	410,881	85,418	1,903,443	-
Total Business-Type Activities	<u>\$ 50,065,506</u>	<u>\$39,819,389</u>	<u>\$ 3,961,456</u>	<u>\$ 85,923,439</u>	<u>\$ 4,282,586</u>

I. DEBT MARGIN. The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to 8 percent of the appraised value of property subject to taxation. At June 30, 2008 such statutory limit for the City was approximately \$801,185,000 providing a legal debt margin of approximately \$794,450,000.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities at year-end consisted of the following:

	General Fund	Non-Major Governmental Funds	Accrual Adjustments	Governmental Activities	Business- Type Activities
Due to vendors	\$ 831,574	\$ 192,353	\$ 4,300	\$ 1,028,227	\$ 6,885,561
Due to other Governments	-	-	-	-	2,824,164
Salaries and Benefits	1,914,811	16,052	28,134	1,958,997	404,514
Total	\$ 2,746,385	\$ 208,405	\$ 32,434	\$ 2,987,224	\$ 10,114,239

NOTE 8 – RISK MANAGEMENT

The City of Asheville, by nature of its various operations, is exposed to numerous 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 has determined that it is in its best interest to establish a self-insurance program for certain general liability and casualty risks, fringe benefits and its workers' compensation obligations. Revenues and expenses for this program are recorded in the Risk and Benefits Management Fund Division of the General Fund.

For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustment of claims.

The City is further protected by the placement of a \$15,000,000 excess-only liability program across the liability lines under the contract. The City also insures its real and personal property holdings, including its dams, for a total of \$240,000,000 in assets. Coverages include sub-limits for flood and earthquake. 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 its self-insurance coverage, the City chooses not to participate in the NFIP at this time.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

The City of Asheville is also self-insured as provided under North Carolina General Statutes for Workers Compensation and Employer Liability. The City retains out-of-pocket losses for \$350,000 on specific claims and an aggregate loss fund of \$3,600,000 over a three-year period.

The City carries a \$3,000,000 specific and aggregate excess over these deductibles, with the aggregate excess attachment at 75 percent of the aggregate loss fund, over a three-year period.

The employee medical benefits program is funded through the City of Asheville Employee Health and Benefits Trust. The Trust is funded by both employee and employer contributions. Fringe benefits paid through this trust include group health, dental and some life insurance. The group health plan operates with a specific stop loss of \$95,000 and an aggregate stop loss of 125 percent of the estimated loss fund.

Settlement of claims in all classes of liability except the City's group health program has not exceeded the City's limits of retention in any of the past twelve years. The group health program, on an annual basis, has up to six cases that exceed specific stop loss and therefore recovers excess losses an average of ten times per year over the past ten years. Recoveries under stop loss coverage are regularly forwarded to the Health Benefits Trust Account. The City of Asheville has never exceeded an aggregate stop loss attachment for its group medical program for any year.

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

	<u>2008</u>	<u>2007</u>
Beginning Balance	\$ 2,961,696	\$ 2,961,696
Plus incurred claims & changes in estimates	11,980,736	8,209,427
Less claim payments	<u>(9,416,044)</u>	<u>(8,209,427)</u>
Ending balance	<u>\$ 5,526,388</u>	<u>\$ 2,961,696</u>

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.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 9- PENSIONS PLAN OBLIGATIONS

Employee Retirement Systems

A. North Carolina Local Governmental Employees' Retirement System.

Plan Description. The City of Asheville and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.86 percent, respectively, of annual covered payroll.

For the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement is 4.91 percent and 4.86 percent, respectively, of annual covered payroll.

The contribution requirements of members and of the City of Asheville and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$2,250,656, \$1,917,757 and \$1,780,170 respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$84,689, \$89,203 and \$93,099, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

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

CITY OF ASHEVILLE
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

B. Law Enforcement Officers Special Separation Allowance

1. Description

The City and the ABC Board administer a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Separate Financial Statements are not issued for the Plan.

All full-time law enforcement officers of the City and the ABC Board are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

	City	ABC Board
Retirees receiving benefits	18	-
Active plan members	211	2
Total	230	2

2. Summary of Significant Accounting Policies

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

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

3. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City and ABC Board's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

no contributions made by employees of the City or the ABC Board. The ABC Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to pay benefits and administration costs on a pay-as-you-go basis. For the current year the ABC Board was not required to pay any benefits. The ABC Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

The annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return (net of administrative expenses); (b) projected salary increases of 4.5 to 12.3 percent per year and (c) level dollar closed amortization period with 24 years remaining. Both (a) and (b) included an inflation component of 3.75 percent. The assumptions did not include post-retirement 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	\$ 351,948
Interest on net pension obligation	63,445
Adjustment to annual required contribution	(53,774)
Annual pension cost	361,619
Contributions made	295,051
Increase in net pension obligation	66,568
Net pension obligation beginning of year	875,105
 Net pension obligation end of year	 \$ 941,673

Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 341,109	73.04%	\$ 793,263
6/30/2007	335,589	75.61	875,105
6/30/2008	361,619	81.59	941,673

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

4. Funded Status and Funding Progress

As of December 31, 2007 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$3,897,517. The covered payroll (annual payroll of active employees covered by the plan) was \$9,360,211, and the ratio of the UAAL to the covered payroll was 41.64 percent.

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

C. Law Enforcement Officers Supplemental Retirement Income Plan and Special Separation Allowance

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. 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 salary and all amounts collected are vested immediately. In addition to the required contribution for law enforcement officers, the City makes a monthly contribution equal to four percent of non-police employees' salary. Also, law enforcement officers and non-police employees of the City may make voluntary contributions to the Plan.

The City contribution for law enforcement officers for the year ended June 30, 2008 was \$471,871 and the officers' voluntary contributions were approximately \$170,831. The City's contribution for non-police personnel was \$1,862,581 with the voluntary contributions of approximately \$1,058,168. The ABC Board's required contribution was \$5,074.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

D. Other Post-employment Benefits

The City's retirees can continue their health insurance coverage at the City's group rates until age 65. The City does not contribute to retirees' coverage.

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

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

B. Claims and Litigation - The City is a defendant in other 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 financial condition of the City.

C. Limited Obligation Agreements – On June 1, 1991, the City entered into an installment purchase contract with Asheville-Buncombe Development Corporation (ABDC) for the purpose of financing municipal facilities construction projects. As of January 1, 1992, all ABDC rights and obligations under that contract were assigned to Asheville Public Financing Corporation (APFC). Effective November 1, 1997, the City executed Amendment Number One to the Installment Purchase Contract, with APFC, to provide conduit funding of the construction of a high tech flex building by Biltmore Farms and the renovation of the Grove Arcade as a public market place by the Grove Arcade Public Market Foundation. The contract was funded by the execution and delivery of \$5,515,000 of Taxable Certificates of Participation, Series 1997C. The Certificates bear interest at variable rates as determined monthly (monthly interest rate is equal to the one-month LIBOR published in the Wall Street Journal the first business day of each month, rounded up to the nearest 1/16th plus 59 basis points) with various maturity dates through the fiscal year ended June 30, 2018. The average interest rate from the date of initial execution and delivery through June 30, 2008 was 5.80 percent. The total amount of the certificates will be reimbursed to the City by the above organizations. The total amount of the certificates outstanding and amount owed the City at June 30, 2008 was \$1,845,000 and \$1,959,132, respectively.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

The Contract does not directly or indirectly or contingently obligate the City to make any payments beyond those appropriated in the year in which this contract is in effect.

D. Water Agreement – In late June 2005, the North Carolina General Assembly enacted two local acts that had a direct impact on the City’s operation of the Water System (NC Session Laws 2005-139 and 140; also known as Sullivan Acts 2 and 3). The provisions thereof require that: (a) the City provide water to users in the County, (b) rates for water customers in the County not exceed the rates for comparable customers in the City, (c) revenues of the Water System available after payment of expenses not be transferred for any City purpose not related to the Water System and (d) water line extensions are required if capacity exists. In August 2005, The City filed suit against the State alleging that the 2005 local acts along with the original 1933 Sullivan

Act are unconstitutional as local acts (1) regulating trade, (2) relating to health and sanitation and (3) because they treat the City of Asheville unfairly with respect to how it can operate the water system. The County intervened in the suit and in January, 2007, the Wake County Superior Court heard arguments and found for the State and the County. The City has an appeal pending in the North Carolina Court of Appeals. In August of 2008, the Court of Appeals affirmed the Superior Court. The City is now seeking review in the N.C. Supreme Court.

E. Lease Management – In 2007, the City entered into a lease with the Trust for Public Land (the Trust) for use of park facilities. The agreement calls for the City to annually appropriate \$1,360,877, \$899,666 and \$339,457 during fiscal years ending 2008, 2009 and 2010, respectively. The Trust is committed to use “reasonable effort” to raise funds to meet the City’s obligation so that the City could only be required to pay the difference between the base rent and the actual amount raised by the Trust plus interest as “additional rent.” This has been estimated at \$137,431 total for the three year life of the contract.

NOTE 11- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Technical budgetary omission – During the year, council authorized the creation of an internal service fund to account for the City’s risk management activities. The budget was adopted for the new fund; however, transfer of the claims payment accounts from the General Fund were inadvertently omitted. As a result, transfers from the General fund to other funds exceeded the budgeted amount by \$6,735,930.

B. Deficit net assets – Liabilities exceeded assets in the festivals fund creating a negative net assets of \$1,448,596. The negative net assets amount is caused by shortfalls in revenues generated from festivals and is expected to be reduced. More in depth management review and additional controls over spending have been implemented.

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Required Supplementary Information

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

- Analysis of Funding Progress for Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Required Contributions for Law Enforcement Officers' Special Separation Allowance

CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2008

<u>Calendar Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Projected Unit Credit</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1998	-	\$ 1,222,712	-	\$ 1,222,712	\$ 5,587,191	21.88 %
1999	-	1,340,442	-	1,340,442	5,769,142	23.23
2000	-	2,116,076	-	2,116,076	5,832,782	36.28
2001	-	2,240,213	-	2,240,213	6,009,758	37.28
2002	-	2,475,940	-	2,475,940	6,014,682	41.16
2003	-	2,739,109	-	3,150,445	6,482,367	42.25
2004	-	3,150,445	-	3,150,445	6,977,643	45.15
2005	-	3,213,921	-	3,213,921	7,097,123	45.28
2006	-	3,500,082	-	3,500,082	8,097,773	43.22
2007	-	3,897,517	-	3,897,517	9,360,211	41.64

CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
June 30, 2008

FISCAL YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION	ACTUAL AMOUNT CONTRIBUTED	PERCENTAGE CONTRIBUTED
2000	\$ 178,158	\$ 48,299	27.11 %
2001	193,365	65,706	33.98
2002	228,773	104,530	45.69
2003	243,061	136,589	56.2
2004	259,805	155,762	59.95
2005	291,233	202,534	69.54
2006	330,544	249,148	75.38
2007	324,789	253,747	78.13
2008	351,948	295,051	83.83
Estimated 2009	393,335	-	-

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	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	23 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None

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Non-major Governmental Funds Combining Statements and Schedules

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

Special Revenue Funds:

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

Capital Projects Funds:

- **Federal Capital Projects** – This fund is used to account for the acquisition or construction of City assets under various federal grants.
- **General Capital Projects** – This fund is used to account for the acquisition or construction of City assets that are financed with local funds.
- **Street/Sidewalk Storm Drainage Improvements** – This fund is used to account for the construction of City infrastructure assets that are financed with local funds.
- **Sewer Capital Projects** – This fund is used to account for the construction and maintenance of sewer lines in the Metropolitan Sewerage District (MSD)

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, 2008**

	Special Revenue					Total
	Grant Programs	Community Development	Section 108 Rehabilitation	Affordable Home Ownership	Housing Partnership	
ASSETS						
Cash and investments	\$ -	\$ 20,256	\$ -	\$ -	\$ 1,321,366	\$ 1,341,622
Receivables	1,146,642	2,283,122	1,144,717	342,127	2,953,384	7,869,992
Cash-restricted	-	-	824,105	-	-	824,105
Total assets	<u>\$ 1,146,642</u>	<u>\$ 2,303,378</u>	<u>\$ 1,968,822</u>	<u>\$ 342,127</u>	<u>\$ 4,274,750</u>	<u>\$10,035,719</u>
LIABILITIES						
Accounts payable & other accr. liab.	\$ 43,641	\$ 28,255	\$ -	\$ 4,127	\$ 905	\$ 76,928
Retainage payable	-	-	-	-	1,700	1,700
Due to other funds	400,151	-	21,381	45,776	-	467,308
Deferred revenue	-	2,275,123	1,144,717	265,301	-	3,685,141
Total liabilities	<u>443,792</u>	<u>2,303,378</u>	<u>1,166,098</u>	<u>315,204</u>	<u>2,605</u>	<u>4,231,077</u>
FUND BALANCES						
Reserved for encumbrances	-	-	-	-	-	-
Reserved for housing partnership	-	-	-	-	1,318,761	1,318,761
Reserved by state statute	702,850	-	-	-	2,953,384	3,656,234
Reserved for perpetual care	-	-	-	-	-	-
Unreserved, undesignated	-	-	802,724	26,923	-	829,647
Total fund balances	<u>702,850</u>	<u>-</u>	<u>802,724</u>	<u>26,923</u>	<u>4,272,145</u>	<u>5,804,642</u>
Total liabilities and fund balances	<u>\$ 1,146,642</u>	<u>\$ 2,303,378</u>	<u>\$ 1,968,822</u>	<u>\$ 342,127</u>	<u>\$ 4,274,750</u>	<u>\$10,035,719</u>

Federal Capital Projects	Capital Projects			Total	Permanent Fund	Total Non-major Governmental Funds
	General Capital Projects	Street/Sidewalk Capital Improvements	Sewer Capital Projects		Perpetual Care	
\$ -	\$ 5,155,243	\$ 1,618,924	\$ 826,567	\$ 7,600,734	\$ 5,000	\$ 8,947,356
-	397,234	-	-	397,234	-	8,267,226
-	-	-	-	-	303,505	1,127,610
<u>\$ -</u>	<u>\$ 5,552,477</u>	<u>\$ 1,618,924</u>	<u>\$ 826,567</u>	<u>\$ 7,997,968</u>	<u>\$ 308,505</u>	<u>\$ 18,342,192</u>
\$ -	\$ 71,035	\$ 17,878	\$ -	\$ 88,913	\$ -	\$ 165,841
-	36,620	4,244	-	40,864	-	42,564
-	-	-	-	-	-	467,308
-	-	-	-	-	-	3,685,141
-	107,655	22,122	-	129,777	-	4,360,854
-	-	1,182	-	1,182	-	1,182
-	-	-	-	-	-	1,318,761
-	397,234	-	-	397,234	-	4,053,468
-	-	-	-	-	308,505	308,505
-	5,047,588	1,595,620	826,567	7,469,775	-	8,299,422
-	5,444,822	1,596,802	826,567	7,868,191	308,505	13,981,338
<u>\$ -</u>	<u>\$ 5,552,477</u>	<u>\$ 1,618,924</u>	<u>\$ 826,567</u>	<u>\$ 7,997,968</u>	<u>\$ 308,505</u>	<u>\$ 18,342,192</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue					Total
	Grant Programs	Community Development	Section 108 Rehabilitation	Affordable Home Ownership	Housing Partnership	
REVENUES						
Restricted intergovernmental	\$ 2,671,178	\$ 1,466,369	\$ -	\$ 1,263,297	\$ -	\$ 5,400,844
Private donations	79,621	-	-	-	-	79,621
Investment earnings	10,982	-	-	-	24,261	35,243
Miscellaneous	-	205,170	86,277	54,409	-	345,856
Total revenues	<u>2,761,781</u>	<u>1,671,539</u>	<u>86,277</u>	<u>1,317,706</u>	<u>24,261</u>	<u>5,861,564</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	739,094	-	-	-	-	739,094
Public works	1,616	-	-	-	-	1,616
Human services	-	1,634,282	46,587	1,252,942	42,226	2,976,037
Planning	127,284	-	-	-	-	127,284
Engineering	1,012,385	-	-	-	-	1,012,385
Culture and recreation	181,922	-	-	-	-	181,922
Debt Service:						
Principal	-	-	175,000	-	-	175,000
Total expenditures	<u>2,062,301</u>	<u>1,634,282</u>	<u>221,587</u>	<u>1,252,942</u>	<u>42,226</u>	<u>5,213,338</u>
Revenues under expenditures before other financing sources (uses)	<u>699,480</u>	<u>37,257</u>	<u>(135,310)</u>	<u>64,764</u>	<u>(17,965)</u>	<u>648,226</u>
OTHER FINANCING SOURCES (USES)						
Transfers in:						
From General Fund	-	29,243	-	-	600,000	629,243
From Community Development	-	-	66,500	-	-	66,500
Transfers out:						
To General Fund	-	-	-	-	-	-
To Section 108 rehabilitation	-	(66,500)	-	-	-	(66,500)
Long term debt issued	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(37,257)</u>	<u>66,500</u>	<u>-</u>	<u>600,000</u>	<u>629,243</u>
Net change in fund balances	699,480	-	(68,810)	64,764	582,035	1,277,469
Fund balances - beginning	3,370	-	871,534	(37,841)	3,690,110	4,527,173
Fund balances (deficit) - ending	<u>\$ 702,850</u>	<u>\$ -</u>	<u>\$ 802,724</u>	<u>\$ 26,923</u>	<u>\$ 4,272,145</u>	<u>\$ 5,804,642</u>

Federal Capital Projects	General Capital Projects	Capital Projects			Total	Permanent Fund	Total Non-major Governmental Funds
		Street/Sidewalk Capital Improvements	Sewer Capital Projects			Perpetual Care	
\$ 48,100	\$ 269,684	\$ -	\$ -	\$ 317,784	\$ 15,675	\$ 5,734,303	
-	3,356	-	-	3,356	-	82,977	
-	7,525	-	-	7,525	-	42,768	
-	-	94,661	-	94,661	-	440,517	
<u>48,100</u>	<u>280,565</u>	<u>94,661</u>	<u>-</u>	<u>423,326</u>	<u>15,675</u>	<u>6,300,565</u>	
-	869,568	-	-	869,568	-	869,568	
-	513,325	-	-	513,325	-	1,252,419	
-	-	1,433,359	-	1,433,359	-	1,434,975	
48,100	-	-	-	48,100	-	3,024,137	
-	73,515	-	-	73,515	-	200,799	
-	110,465	-	-	110,465	-	1,122,850	
-	471,819	-	-	471,819	-	653,741	
-	-	-	-	-	-	175,000	
<u>48,100</u>	<u>2,038,692</u>	<u>1,433,359</u>	<u>-</u>	<u>3,520,151</u>	<u>-</u>	<u>8,733,489</u>	
-	(1,758,127)	(1,338,698)	-	(3,096,825)	15,675	(2,432,924)	
-	2,403,951	1,562,300	180,000	4,146,251	-	4,775,494	
-	-	-	-	-	-	66,500	
-	-	-	-	-	-	-	
-	-	-	-	-	-	(66,500)	
-	2,000,000	-	-	2,000,000	-	2,000,000	
<u>-</u>	<u>4,403,951</u>	<u>1,562,300</u>	<u>180,000</u>	<u>6,146,251</u>	<u>-</u>	<u>6,775,494</u>	
-	2,645,824	223,602	180,000	3,049,426	15,675	4,342,570	
-	2,798,998	1,373,200	646,567	4,818,765	292,830	9,638,768	
<u>\$ -</u>	<u>\$ 5,444,822</u>	<u>\$ 1,596,802</u>	<u>\$ 826,567</u>	<u>\$ 7,868,191</u>	<u>\$ 308,505</u>	<u>\$ 13,981,338</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, 2008**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
REVENUES				
Restricted intergovernmental	\$ 16,226,777	\$ 4,050,777	\$ 2,671,178	\$ 6,721,955
Private donations	4,468,038	269,478	79,621	349,099
Investment earnings	32,076	50,449	10,982	61,431
Total revenues	<u>20,726,891</u>	<u>4,370,704</u>	<u>2,761,781</u>	<u>7,132,485</u>
EXPENDITURES				
Public Works:				
CNG Station/vehicles	455,000	453,383	1,616	454,999
Engineering				
Dykeman Riverway Plan	600,000	-	-	-
NCDENR flood damage	4,575,000	320,333	673,370	993,703
GPTE MPO Grant	200,000	-	-	-
Dingle Creek Watershed	321,000	91,739	228,720	320,459
Enhancement grant Pack Square	8,240,523	107,390	10,371	117,761
National Weather Service	103,955	71,441	7,583	79,024
MPO Grant	400,000	150,085	61,050	211,135
Land of Sky	300,000	-	-	-
W End Clingman Ped improvement II	235,120	-	-	-
W End Clingman Ped improvement	172,131	42,117	31,291	73,408
Total Engineering	<u>15,147,729</u>	<u>783,105</u>	<u>1,012,385</u>	<u>1,795,490</u>
Planning:				
City Hall bell	26,400	15,799	-	15,799
Architectural study	36,900	26,783	-	26,783
Pack Place	40,000	35,000	-	35,000
Fire bell	13,737	13,737	-	13,737
Rural Development	823,000	692,690	127,284	819,974
Total Planning	<u>940,037</u>	<u>784,009</u>	<u>127,284</u>	<u>911,293</u>
Public safety:				
Police:				
Governor's highway safety program	47,480	24,579	5,140	29,719
Kid Care	7,200	6,898	-	6,898
GHSP Traffic grant	243,690	32,770	197,932	230,702
Target grant	1,000	-	1,000	1,000
Weed and Seed grant	106,143	28,391	38,904	67,295
GHSP grant 06/07	15,000	333	5,867	6,200
LLEBG 2003	79,112	70,672	750	71,422
JAG grants	226,104	39,987	113,560	153,547
Electric Vehicles	-	-	-	-
Meth grant	172,765	-	120,626	120,626
State Foreitures	130,448	61,612	31,742	93,354
Federal Foreitures	423,206	132,882	123,354	256,236
Total Police	<u>1,452,148</u>	<u>398,124</u>	<u>638,875</u>	<u>1,036,999</u>

(continued)

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, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Fire:				
Governor's highway safety program	4,000	3,851	-	3,851
Fire & Life Safety	5,406	-	2,885	2,885
State hazmat grant	444,429	64,078	97,334	161,412
State radio grant	29,607	-	-	-
Fire mobile radios	120,000	119,652	-	119,652
Homeland security	174,578	173,036	-	173,036
Radio Infrastructure	2,514,745	2,495,661	-	2,495,661
Fire Bell	3,083	2,944	-	2,944
Total Fire	<u>3,295,848</u>	<u>2,859,222</u>	<u>100,219</u>	<u>2,959,441</u>
Total Public Safety	<u>4,747,996</u>	<u>3,257,346</u>	<u>739,094</u>	<u>3,996,440</u>
Culture and Recreation:				
Weed and Seed Grant	268,857	32,987	103,912	136,899
Public Art Master plan	16,000	14,785	-	14,785
Cultural Ren Art program	87,769	57,293	31,377	88,670
Gray Wolf Habitat	6,500	-	2,445	2,445
Nature Center	33,720	-	16,729	16,729
Dog park	20,000	18,960	549	19,509
Public Art Rest/conserv	13,650	13,314	-	13,314
VS ballfield	33,420	32,811	-	32,811
Sr Opportunity Ctr	43,033	24,334	12,175	36,509
Harvest House	48,134	30,900	14,735	45,635
Pub Art special project	49,350	47,806	-	47,806
Total Culture and Recreation	<u>620,433</u>	<u>273,190</u>	<u>181,922</u>	<u>455,112</u>
Total expenditures	<u>21,911,195</u>	<u>5,551,033</u>	<u>2,062,301</u>	<u>7,613,334</u>
Revenues over (under) expenditures before other financing sources	(1,184,304)	(1,180,329)	699,480	(480,849)
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	435,224	434,619	-	434,619
From Stormwater Fund	234,335	234,335	-	234,335
Long term debt issued	514,745	514,745	-	514,745
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,370</u>	<u>699,480</u>	<u>\$ 702,850</u>
Fund balance - beginning			3,370	
Fund balance - ending			<u>\$ 702,850</u>	

(concluded)

**CITY OF ASHEVILLE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Restricted intergovernmental	\$ 1,980,428	\$ 1,466,369	\$ (514,059)
Miscellaneous	892,844	205,170	(687,674)
Total revenues	<u>2,873,272</u>	<u>1,671,539</u>	<u>(1,201,733)</u>
EXPENDITURES			
ABCRC - FH & EO	55,000	55,000	-
AHC Homeowner Education	60,000	60,000	-
Consumer Credit Counseling	33,500	33,500	-
CD Admin	245,325	230,163	15,162
Habitat for Humanity	80,000	78,850	1,150
Hardship Relocation AHC	2,000	-	2,000
Hillcrest Enrichment Prog	34,000	34,000	-
Hospitality House	118,000	118,000	-
Maximum Outreach	120,000	118,000	2,000
MHO Emergency Repairs	220,438	155,969	64,469
MHO Housing Services	133,000	122,556	10,444
MHO Clingman Ave Infrastructure	-	14,050	(14,050)
Pisgah Legal Services	41,130	25,610	15,520
SPS Redevelop	50,000	-	50,000
Unallocated Contingency	137,911	-	137,911
MMLF Sm. Business Loan	256,270	127,037	129,233
NHS Bradley St Construction	436,238	118,703	317,535
Transit Infrastructure Imp	34,027	3,468	30,559
Pisgah View security system	54,645	54,645	-
MHO Tier II home repair	222,968	53,749	169,219
PLS homeless prevention	30,000	30,000	-
Pisgah View community service	60,000	-	60,000
McCormick Heights relocation	67,503	34,961	32,542
Buncombe County Staliz Center	23,935	23,935	-
10-yr Plan Implementation	31,717	20,520	11,197
Tech Assistance - Weed & Seed	10,000	3,150	6,850
Lee Walker Heights	20,000	20,000	-
Homeward Bound Housing Service	30,000	30,000	-
Helpmate Domestic Violence Serv	8,000	8,000	-
COA Burton St Traffic Calming	15,000	-	15,000
COA Burton St Community Center	155,000	39,746	115,254
World Changers Home Repair	21,165	19,434	1,731
Brotherton Ave Development	-	1,236	(1,236)
Total expenditures	<u>2,806,772</u>	<u>1,634,282</u>	<u>1,172,490</u>
Revenues over expenditures before other financing uses	66,500	37,257	(29,243)
OTHER FINANCING USE			
Transfer In: From General Fund	-	29,243	(29,243)
Transfer out: Section 108 rehabilitation	(66,500)	(66,500)	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ -</u>	

CITY OF ASHEVILLE
SECTION 108 REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
REVENUES				
Miscellaneous	\$ 713,843	\$ 661,365	\$ 86,277	\$ 747,642
Total revenues	<u>713,843</u>	<u>661,365</u>	<u>86,277</u>	<u>747,642</u>
EXPENDITURES				
Human services	2,502,404	1,705,890	46,587	1,752,477
Debt service principal	990,908	790,908	175,000	965,908
Total expenditures	<u>3,493,312</u>	<u>2,496,798</u>	<u>221,587</u>	<u>2,718,385</u>
Revenues under expenditures before other financing sources	(2,779,469)	(1,835,433)	(135,310)	(1,970,743)
OTHER FINANCING SOURCES				
Long term debt issued	2,300,000	2,300,000	-	2,300,000
Transfers in:				
From Community Development	479,469	406,967	66,500	473,467
Net change in fund balance	<u>\$ -</u>	<u>\$ 871,534</u>	<u>(68,810)</u>	<u>\$ 802,724</u>
Fund balance - beginning			<u>871,534</u>	
Fund balance - ending			<u>\$ 802,724</u>	

CITY OF ASHEVILLE
AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	Project Authorization	Prior Years	Current Year	Total To Date
REVENUES				
Restricted intergovernmental	\$ 9,157,273	\$ 6,712,253	\$ 1,263,297	\$ 7,975,550
Miscellaneous	368,615	392,566	54,409	446,975
Total revenues	<u>9,525,888</u>	<u>7,104,819</u>	<u>1,317,706</u>	<u>8,422,525</u>
EXPENDITURES				
General operations	703,263	562,459	123,835	686,294
NHS single-family	464,593	464,592	-	464,592
Buncombe County-SCA site rehab.	206,800	116,716	75,620	192,336
Madison County rehab.	415,214	324,561	90,199	414,760
West End/Clingman	75,000	75,000	-	75,000
HAC Transitional housing	50,106	50,106	-	50,106
CHDO capacity building	419,453	351,436	68,016	419,452
Member administration	147,016	105,696	1,215	106,911
Thoms Life housing apartments	23,779	23,779	-	23,779
AHC tenant rent assistance	181,076	113,798	32,914	146,712
Sugar Hill Apartments	400,000	388,548	11,451	399,999
HOME Predevelopment loans	98,076	50,000	33,749	83,749
Crowell Park - MHO	395,700	285,768	108,932	394,700
Home Admin/English Hills/Brevard	425,000	425,000	-	425,000
Home Admin/N. Pt. Commons	575,000	575,000	-	575,000
Home Admin/Henderson Co. Hab.	182,000	182,000	-	182,000
Home Admin/HAC Village of King Crk.	214,685	214,685	-	214,685
Home Admin/Henderson Co. Hab. KC	50,000	50,000	-	50,000
Home Admin/Battery Park Apt.	225,000	225,000	-	225,000
Home Admin/First Step	120,000	120,000	-	120,000
Home Admin/WNCH Indep. Cottages	69,785	69,785	-	69,785
Home Admin/HC Homeownership Assisstance	162,018	97,942	10,400	108,342
Home Admin/Habitat - Enka	393,392	392,392	-	392,392
Home Admin/Woodfin Apts	200,000	200,000	-	200,000
Home Admin/Our Next Gen SFNC	92,000	91,000	-	91,000
Home Admin/Highland View Apt	365,339	365,339	-	365,339
Home Admin/Griffin Apts	236,000	236,000	-	236,000
Home Admin/Depot St-Predev	25,000	25,000	-	25,000
MHO/Glen Rock Apts	349,076	85,231	39,769	125,000
MHO/Clingman Ave townhouse	216,605	83,534	132,071	215,605
NCR Vanderbilt Apts.	250,000	250,000	-	250,000
MHO/S/F New Construction Buncombe	80,000	79,000	-	79,000
MHO/Self help home ownership	219,076	79,000	105,076	184,076
HCHH Shue Knolls Dev.	379,076	201,870	155,030	356,900
HAC Mainstat Manor Hendersonville	90,000	90,000	-	90,000
Home Admin/ADDI	261,649	226,700	11,500	238,200
Homeward Bound TBRA	44,076	-	21,663	21,663
MHO Direct Homebuyer Asst	164,076	-	-	-
MHO Ralph St Development	176,606	-	124,722	124,722
VOA Skyland Apartments	164,077	-	-	-
HAC Three Seeds Development	209,276	-	106,780	106,780
Contingency	7,000	-	-	-
Total expenditures	<u>9,525,888</u>	<u>7,276,937</u>	<u>1,252,942</u>	<u>8,529,879</u>

(continued)

CITY OF ASHEVILLE
AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Revenues over (under) expenditures before other financing sources	\$ -	\$ (172,118)	\$ 64,764	\$ (107,354)
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	-	134,277	-	134,277
Net change in fund balance	<u>\$ -</u>	<u>\$ (37,841)</u>	<u>64,764</u>	<u>\$ 26,923</u>
Fund balance - beginning			<u>(37,841)</u>	
Fund balance - ending			<u>\$ 26,923</u>	

(concluded)

**CITY OF ASHEVILLE
HOUSING PARTNERSHIP SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Investment earnings	\$ -	\$ 24,261	\$ 24,261
Total revenues	<u>-</u>	<u>24,261</u>	<u>24,261</u>
EXPENDITURES			
Human services	600,000	42,226	557,774
Total expenditures	<u>600,000</u>	<u>42,226</u>	<u>557,774</u>
Revenues over (under) expenditures before other financing sources	(600,000)	(17,965)	582,035
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	600,000	600,000	-
Net change in fund balance	<u>\$ -</u>	<u>582,035</u>	<u>\$ 582,035</u>
Fund balance - beginning		<u>3,690,110</u>	
Fund balance - ending		<u>\$ 4,272,145</u>	

**CITY OF ASHEVILLE
 FEDERAL CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
REVENUES				
Restricted intergovernmental	\$ 460,000	\$ -	\$ 48,100	\$ 48,100
Total revenues	<u>460,000</u>	<u>-</u>	<u>48,100</u>	<u>48,100</u>
EXPENDITURES				
Fair housing assistance	460,000	-	48,100	48,100
Total expenditures	<u>460,000</u>	<u>-</u>	<u>48,100</u>	<u>48,100</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

**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, 2008**

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Restricted intergovernmental	\$ 5,356,621	\$ 1,862,070	\$ 269,684	\$ 2,131,754
Private donations	1,863,254	1,951,344	3,356	1,954,700
Investment earnings	136,513	182,093	7,525	189,618
Sale of material and service	28,300	28,300	-	28,300
Miscellaneous	75,000	75,000	-	75,000
Total revenues	<u>7,459,688</u>	<u>4,098,807</u>	<u>280,565</u>	<u>4,379,372</u>
EXPENDITURES				
General Government:				
URTV Equipment	2,217	-	-	-
Fiber Construction	171,235	-	160,062	160,062
Software Upgrade	2,000,000	-	79,170	79,170
Radio Replacements	533,550	-	533,550	533,550
VOIP Telephone	128,121	9,665	85,908	95,573
Building Security	80,000	-	10,878	10,878
Total General Government	<u>2,915,123</u>	<u>9,665</u>	<u>869,568</u>	<u>879,233</u>
Public Safety:				
Fire Station #12	250,000	6,902	10,000	16,902
Fire Station #6	3,036,808	2,744,454	218,816	2,963,270
Fire Station #11	2,733,263	2,263,864	284,509	2,548,373
Total Public Safety	<u>6,020,071</u>	<u>5,015,220</u>	<u>513,325</u>	<u>5,528,545</u>
Planning				
Noise Wall Enhancement	106,900	-	-	-
Urban Trail #1 Walk Into History	35,610	21,013	7,635	28,648
Housing Infrastructure	85,000	-	65,880	65,880
Total Planning	<u>227,510</u>	<u>21,013</u>	<u>73,515</u>	<u>94,528</u>
Engineering				
E. Oakview Bridge	1,363,000	98,078	110,465	208,543
Total Engineering	<u>1,363,000</u>	<u>98,078</u>	<u>110,465</u>	<u>208,543</u>

(continued)

**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, 2008**

	Project Authorization	Prior Years	Current Year	Total to Date
Culture and Recreation:				
Rec Ctr Roof Replacement	150,000	-	117,294	117,294
W. Asheville playground	46,423	36,314	-	36,314
Reed Creek Greenway	833,176	391,244	12,181	403,425
Richmond Hill Garden	55,000	-	17,815	17,815
Azalea Park	4,057,299	3,794,343	-	3,794,343
Veterans Memorial	247,500	-	7,598	7,598
Memorial Stadium	766,772	762,004	2,000	764,004
Carrier Park	715,541	709,344	1,974	711,318
French Broad corridor	278,800	10	1,365	1,375
Building Maintenance	500,000	-	3,143	3,143
McCormick Field	70,000	-	84,730	84,730
Tennis court resurface	35,000	28,874	-	28,874
Weaver greenway	300,000	219,446	-	219,446
Hominy Creek greenway	890,000	51	4,200	4,251
Hall Fletcher playground	1,735	-	-	-
Burton St Renovation	215,000	-	64,080	64,080
Golf Course Irrigation	7,794	-	7,794	7,794
Reid Center Renovation	600,000	116,483	476	116,959
Aston Park	681,576	522,196	54,641	576,837
Richmond Hill Park	354,800	268,220	38,329	306,549
Greenway easement Acquisition	45,414	40,278	-	40,278
Rec Center projects	59,071	52,259	5,800	58,059
Swimming Pool Maintenance	100,000	-	48,399	48,399
Reed Creek Restoration	32,000	-	-	-
COPS cost of issue	136,513	-	-	-
Total Culture and Recreation	<u>11,179,414</u>	<u>6,941,066</u>	<u>471,819</u>	<u>7,412,885</u>
Total expenditures	<u>21,705,118</u>	<u>12,085,042</u>	<u>2,038,692</u>	<u>14,123,734</u>
Revenues under expenditures before other financing sources	<u>(14,245,430)</u>	<u>(7,986,235)</u>	<u>(1,758,127)</u>	<u>(9,744,362)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	6,415,896	4,672,557	2,403,951	7,076,508
From Street/sidewalk/SD Fund	150,463	260,785	-	260,785
Transfers out:				
To General Fund	(115,000)	(115,000)	-	(115,000)
Proceeds from the sale of fixed assets	24,000	24,000	-	24,000
Long term debt issued	7,770,071	5,942,891	2,000,000	7,942,891
Total other financing sources	<u>14,245,430</u>	<u>10,785,233</u>	<u>4,403,951</u>	<u>15,189,184</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,798,998</u>	<u>2,645,824</u>	<u>\$ 5,444,822</u>
Fund balance - beginning			2,798,998	
Fund balance - ending			<u>\$ 5,444,822</u>	

(concluded)

**CITY OF ASHEVILLE
STREET/SIDEWALK CAPITAL IMPROVEMENTS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
REVENUES				
Restricted intergovernmental	\$ 912,132	\$ 440,000	\$ -	\$ 440,000
Private donations	5,000	-	-	-
Miscellaneous	360,000	345,361	94,661	440,022
Total revenues	<u>1,277,132</u>	<u>785,361</u>	<u>94,661</u>	<u>880,022</u>
EXPENDITURES				
Streets/sidewalks - general	6,215,332	2,788,061	1,433,359	4,221,420
Total expenditures	<u>6,215,332</u>	<u>2,788,061</u>	<u>1,433,359</u>	<u>4,221,420</u>
Revenues under expenditures before other financing sources	<u>(4,938,200)</u>	<u>(2,002,700)</u>	<u>(1,338,698)</u>	<u>(3,341,398)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	4,938,200	3,375,900	1,562,300	4,938,200
Total other financing sources	<u>4,938,200</u>	<u>3,375,900</u>	<u>1,562,300</u>	<u>4,938,200</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,373,200</u>	<u>223,602</u>	<u>\$ 1,596,802</u>
Fund balance - beginning			<u>1,373,200</u>	
Fund balance - ending			<u>\$ 1,596,802</u>	

**CITY OF ASHEVILLE
SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	Project Authorization	Prior Years	Current Year	Total To Date
REVENUES				
Annexation	\$ 1,354,242	\$ 1,354,242	\$ -	\$ 1,354,242
Investment earnings	692,283	692,459	-	692,459
Total revenues	<u>2,046,525</u>	<u>2,046,701</u>	<u>-</u>	<u>2,046,701</u>
EXPENDITURES				
West area sewer line	2,429,600	2,317,561	-	2,317,561
Brevard Road	2,545,400	2,222,375	-	2,222,375
Carter Cove sewer line	625,617	621,047	-	621,047
Lowe's Annex sewer	160,000	83,476	-	83,476
Mill Stone/Hunting Ch.	85,000	69,751	-	69,751
Sweeten Creek sewer	61,200	58,636	-	58,636
Long Shoals Road sewer	116,500	4,080	-	4,080
Sardis Road	180,000	-	-	-
Total expenditures	<u>6,203,317</u>	<u>5,376,926</u>	<u>-</u>	<u>5,376,926</u>
Revenues under expenditures before other financing sources	<u>(4,156,792)</u>	<u>(3,330,225)</u>	<u>-</u>	<u>(3,330,225)</u>
OTHER FINANCING SOURCES				
Transfers In:				
From General Fund	3,018,289	2,838,289	180,000	3,018,289
Long term debt issued	1,138,503	1,138,503	-	1,138,503
Total other financing sources	<u>4,156,792</u>	<u>3,976,792</u>	<u>180,000</u>	<u>4,156,792</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 646,567</u>	<u>180,000</u>	<u>\$ 826,567</u>
Fund balance - beginning			646,567	
Fund balance - ending			<u>\$ 826,567</u>	

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Proprietary Funds
Major Enterprise Fund

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.

Major Enterprise Fund:

- **Water Resources** – This fund accounts for the revenues and expenses related to the City’s water system.

**CITY OF ASHEVILLE
WATER RESOURCES FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services:			
Water	\$ 20,530,000	\$ 21,559,119	\$ 1,029,119
Reconnection and delinquent fees	890,000	949,619	59,619
Connection and set up fees	2,618,090	2,674,128	56,038
Other services	6,090,250	5,964,361	(125,889)
Miscellaneous revenues	26,050	47,000	20,950
Total operating revenues	30,154,390	31,194,227	1,039,837
OPERATING EXPENDITURES			
Department-wide expenses	5,550,839	5,362,221	188,618
Administration	781,756	871,163	(89,407)
Meter service	1,422,497	1,408,971	13,526
Water conservation	71,108	69,540	1,568
Maintenance and repair - city water	3,791,978	3,733,197	58,781
Water production and quality	4,049,330	4,015,396	33,934
Construction crew	489,456	485,086	4,370
Customer service	954,289	946,685	7,604
Engineering	386,435	385,045	1,390
Total operating expenditures	17,497,688	17,277,304	220,384
Operating income	12,656,702	13,916,923	1,260,221
NONOPERATING REVENUES (EXPENDITURES)			
Interest earned	195,000	1,429,927	1,234,927
Principal payments on debt	(2,958,899)	(2,958,899)	-
Interest and debt service charges	(3,328,058)	(2,613,513)	714,545
Total nonoperating revenues (expenditures)	(6,091,957)	(4,142,485)	1,949,472
Revenues over expenditures before other financing uses and appropriated fund balance	6,564,745	9,774,438	3,209,693
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	-	20,626	20,626
Transfers out:			
To Water Major Capital Projects Fund	(7,582,568)	(7,582,568)	-
Total other financing sources (uses)	(7,582,568)	(7,561,942)	20,626
Appropriated fund balance	1,017,823	-	(1,017,823)
Revenues and appropriated fund balance over expenditures and other financing uses	\$ -	2,212,496	\$ 2,212,496
Reconciling items:			
Depreciation		(4,327,033)	
Transfer to Water Major Capital Projects Fund		7,582,568	
Principal payments on debt		2,958,899	
Capital contributions		2,182,317	
Net activity in Water Bond and Water Major Cap Projects Funds		1,647,653	
Capital outlay		2,015,597	
Change in net assets		\$ 14,272,497	

**CITY OF ASHEVILLE
WATER BOND CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Investment earnings	\$ 617,175	\$ 617,175	\$ 39,608	\$ 656,783
Total revenues	<u>617,175</u>	<u>617,175</u>	<u>39,608</u>	<u>656,783</u>
EXPENDITURES				
Black Mtn conversion	569,766	497,039	54,193	551,232
Lutherridge	552,664	552,662	-	552,662
Reservoir rehab	791,055	581,621	200,849	782,470
Total expenditures	<u>1,913,485</u>	<u>1,631,322</u>	<u>255,042</u>	<u>1,886,364</u>
Revenues under expenditures before other financing sources	<u>(1,296,310)</u>	<u>(1,014,147)</u>	<u>(215,434)</u>	<u>(1,229,581)</u>
OTHER FINANCING SOURCES				
Proceeds from sale of bonds	1,296,310	1,263,615	-	1,263,615
Total other financing sources	<u>1,296,310</u>	<u>1,263,615</u>	<u>-</u>	<u>1,263,615</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 249,468</u>	<u>\$ (215,434)</u>	<u>\$ 34,034</u>

CITY OF ASHEVILLE
WATER MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
MSD	\$ -	\$ 2,200	\$ -	\$ 2,200
Developer pump station replacements	-	9,990	340,680	350,670
Investment earnings	975,000	(419,266)	1,129,025	709,759
Total revenues	<u>975,000</u>	<u>(407,076)</u>	<u>1,469,705</u>	<u>1,062,629</u>
EXPENDITURES				
Treatment Upgrades	4,000,000	3,786,073	157,465	3,943,538
NCDOT US70	75,000	-	-	-
WL Inspections	70,000	-	70,000	70,000
2005 Annexation	176,640	16,319	2,276	18,595
Critical needs III -3	3,626,080	3,095,863	371,865	3,467,728
Distribution System	717,462	-	-	-
NC191 Sardis Road	1,320,266	965,429	-	965,429
Brevard Road	1,226,000	1,698	-	1,698
Long Shoal I-26 to US 25	1,855,800	23,316	-	23,316
Sand Hill- Enka Lake	820,000	2,040	-	2,040
NCDOT Exit 44	538,572	-	-	-
I240 Widening to N Haywood	162,920	-	-	-
Long Shoal to I-26	47,000	-	-	-
Fairview Road	1,202,062	1,188,491	-	1,188,491
Matching funds \$3M grant	155,369	115,710	28,580	144,290
Treatment plant	7,913,371	199,927	4,935,553	5,135,480
WCWG MNGT Tools/Equipment	901,643	-	440,000	440,000
Hominy Creek Bridge	98,357	-	91,276	91,276
Clingman Ave	600,000	-	421,073	421,073
24 X 36 Main Replacement	75,000	-	-	-
Flow Meters	500,000	-	-	-
Neighborhood Enhancement	28,094	-	-	-
Affordable Infill	250,000	-	-	-
Water Revenue Bond Capital Project	-	-	580,845	580,845
H'ville/Rosscrag Road	4,254,675	-	2,096,415	2,096,415
NC191 Clayton Road	1,872,007	-	839,063	839,063
Royal Pines	2,279,155	-	925,460	925,460
Central Business District	12,673,630	-	4,423,279	4,423,279
Town Mtn Tank Shop	1,556,986	-	-	-
WRP3 West Asheville	2,069,188	-	1,147,234	1,147,234
WRP3 Pump St.	5,530,176	-	984,750	984,750
Bee Tree Junction	1,904,983	-	971,745	971,745
White Fawn Junction	3,825,507	-	1,054,423	1,054,423
Valve Installations	1,976,963	-	293,179	293,179
Fairview Tank	2,474,090	-	428,087	428,087
Total expenditures	<u>66,776,996</u>	<u>9,394,865</u>	<u>20,262,568</u>	<u>29,657,433</u>
Revenues under expenditures before other financing sources	<u>(65,801,996)</u>	<u>(9,801,941)</u>	<u>(18,792,863)</u>	<u>(28,594,804)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From Water Resources Fund	23,806,762	19,931,396	7,582,568	27,513,964
Capital grants	3,128,586	2,570,981	557,605	3,128,586
Proceeds from sale of bonds	38,866,648	419,266	39,025,000	39,444,266
Total other financing sources	<u>65,801,996</u>	<u>22,921,644</u>	<u>47,165,173</u>	<u>70,086,817</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 13,119,702</u>	<u>\$ 28,372,310</u>	<u>\$ 41,492,012</u>

Proprietary Funds
Non-major Enterprise Funds

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

Non-major Enterprise Funds:

- **Civic Center** – This fund accounts for the revenues and expenses related to the City’s civic center operations.
- **Parking Services** – This fund accounts for the revenues and expenses related to the City’s public parking system.
- **Festivals** – This fund accounts for the revenues and expenses related to Bele Chere, the City’s annual downtown festival.
- **Mass Transit** – This fund accounts for the revenues and expenses related to the City’s transportation system.
- **Stormwater** – This fund accounts for the revenues and expenses related to the City’s stormwater program.
- **Golf Course** – This fund accounts for the revenues and expenses related to the City’s Municipal golf course

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30,2008

	Civic Center	Parking Services	Festivals
ASSETS			
Current assets:			
Cash and investments	\$ 746,329	\$ 2,196,034	\$ 800
Accounts receivable	238,803	263,322	-
Intergovernmental receivable	-	-	-
Inventories	22,178	-	-
Prepays	-	-	25,030
Total current assets	<u>1,007,310</u>	<u>2,459,356</u>	<u>25,830</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	<u>1,930,163</u>	-	-
Capital assets:			
Land	400,000	4,324,487	-
Buildings and improvements	9,870,787	8,907,727	-
Machinery and equipment	1,492,054	505,930	-
Infrastructure	-	-	-
Construction in progress	48,769	1,095,005	-
Total capital assets	<u>11,811,610</u>	<u>14,833,149</u>	-
Accumulated depreciation	<u>(9,800,476)</u>	<u>(4,485,288)</u>	-
Net capital assets	<u>2,011,134</u>	<u>10,347,861</u>	-
Total assets	<u>4,948,607</u>	<u>12,807,217</u>	<u>25,830</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 137,405	\$ 1,694,932	\$ 23,496	\$ 4,798,996
-	446,544	-	948,669
1,327,426	-	-	1,327,426
63,722	-	12,532	98,432
-	-	-	25,030
<u>1,528,553</u>	<u>2,141,476</u>	<u>36,028</u>	<u>7,198,553</u>
-	-	-	1,930,163
161,838	-	1,108,500	5,994,825
1,677,048	12,439	853,900	21,321,901
5,792,005	1,714,077	228,794	9,732,860
-	12,018,652	-	12,018,652
47,378	-	7,560	1,198,712
<u>7,678,269</u>	<u>13,745,168</u>	<u>2,198,754</u>	<u>50,266,950</u>
<u>(5,170,061)</u>	<u>(9,561,468)</u>	<u>(105,120)</u>	<u>(29,122,413)</u>
<u>2,508,208</u>	<u>4,183,700</u>	<u>2,093,634</u>	<u>21,144,537</u>
<u>4,036,761</u>	<u>6,325,176</u>	<u>2,129,662</u>	<u>30,273,253</u>

(continued)

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2008

	<u>Civic Center</u>	<u>Parking Services</u>	<u>Festivals</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 14,431	\$ 34,444	\$ 10,589
Customer deposits	-	500	-
Accrued interest payable	-	-	-
Other accrued expenses	36,095	21,048	10,060
Due to other funds	-	-	1,244,915
Installment purchase contracts	-	-	-
Compensated absences	45,613	26,155	15,543
Unearned revenue	30,525	-	193,319
Total current liabilities	<u>126,664</u>	<u>82,147</u>	<u>1,474,426</u>
Noncurrent liabilities:			
Installment purchase contracts	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>126,664</u>	<u>82,147</u>	<u>1,474,426</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,011,134	10,347,861	-
Unrestricted	2,810,809	2,377,209	(1,448,596)
Total net assets	<u>\$ 4,821,943</u>	<u>\$ 12,725,070</u>	<u>\$ (1,448,596)</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 151,060	\$ 133,730	\$ 23,381	\$ 367,635
-	-	-	500
-	27	-	27
3,448	63,091	20,991	154,733
-	-	-	1,244,915
-	43,000	-	43,000
5,131	69,529	24,670	186,641
-	-	-	223,844
<u>159,639</u>	<u>309,377</u>	<u>69,042</u>	<u>2,221,295</u>
-	86,000	-	86,000
-	<u>86,000</u>	-	<u>86,000</u>
<u>159,639</u>	<u>395,377</u>	<u>69,042</u>	<u>2,307,295</u>
2,508,208	4,054,700	2,093,634	21,015,537
1,368,914	1,875,099	(33,014)	6,950,421
<u>\$ 3,877,122</u>	<u>\$ 5,929,799</u>	<u>\$ 2,060,620</u>	<u>\$ 27,965,958</u>

(concluded)

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Civic Center	Parking Services	Festivals
OPERATING REVENUES			
Charges for services	\$ 186,117	\$ 3,008,299	\$ 392,277
Rents	567,306	-	242,512
Concessions	626,879	-	208,513
Miscellaneous revenues	290,522	503	16,833
Total operating revenues	<u>1,670,824</u>	<u>3,008,802</u>	<u>860,135</u>
OPERATING EXPENSES			
Salaries and fringe benefits	1,047,687	641,601	223,365
Contractual services	240,312	470,173	563,395
Supplies and materials	67,137	92,631	43,112
Outside repairs	31,929	153,819	-
Depreciation	244,178	228,243	-
Interfund charges	5,812	29,072	-
Utilities	300,208	92,783	4,792
Cost of merchandise sold	194,004	-	93,112
Other operating expenses	127,109	49,879	186,251
Total operating expenses	<u>2,258,376</u>	<u>1,758,201</u>	<u>1,114,027</u>
Operating income (loss)	<u>(587,552)</u>	<u>1,250,601</u>	<u>(253,892)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Interest earned	105,245	86,852	-
Interest expense	(863)	(10,723)	(55,668)
Total nonoperating revenues (expenses)	<u>104,382</u>	<u>76,129</u>	<u>(55,668)</u>
Income (loss) before transfers	(483,170)	1,326,730	(309,560)
Transfers in/out:			
Transfers from General Fund	821,198	-	253,922
Transfers from Parking Services Fund	-	-	-
Transfers to Transit Fund	-	(248,116)	-
Capital grants and contributions	-	-	-
Changes in net assets	<u>338,028</u>	<u>1,078,614</u>	<u>(55,638)</u>
Total net assets - beginning	4,483,915	11,646,456	(1,392,958)
Total net assets - ending	<u>\$ 4,821,943</u>	<u>\$ 12,725,070</u>	<u>\$ (1,448,596)</u>

Mass Transit	Stormwater	Golf Course	Total Non-major Enterprise Funds
\$ 833,699	\$ 3,049,649	\$ 615,070	\$ 8,085,111
-	-	272,775	1,082,593
-	-	77,982	913,374
344,514	-	-	652,372
<u>1,178,213</u>	<u>3,049,649</u>	<u>965,827</u>	<u>10,733,450</u>
76,322	1,425,032	586,566	4,000,573
4,596,714	220,540	24,414	6,115,548
1,006	164,297	71,292	439,475
-	-	-	185,748
270,173	617,064	44,512	1,404,170
368	236,507	11,205	282,964
18,318	19,046	63,640	498,787
-	-	82,877	369,993
110,749	230,341	165,500	869,829
<u>5,073,650</u>	<u>2,912,827</u>	<u>1,050,006</u>	<u>14,167,087</u>
<u>(3,895,437)</u>	<u>136,822</u>	<u>(84,179)</u>	<u>(3,433,637)</u>
2,075,987	-	-	2,075,987
-	56,293	733	249,123
(12,396)	(6,596)	-	(86,246)
<u>2,063,591</u>	<u>49,697</u>	<u>733</u>	<u>2,238,864</u>
(1,831,846)	186,519	(83,446)	(1,194,773)
1,375,565	-	250,000	2,700,685
248,116	-	-	248,116
-	-	-	(248,116)
261,239	-	-	261,239
<u>53,074</u>	<u>186,519</u>	<u>166,554</u>	<u>1,767,151</u>
3,824,048	5,743,280	1,894,066	26,198,807
<u>\$ 3,877,122</u>	<u>\$ 5,929,799</u>	<u>\$ 2,060,620</u>	<u>\$ 27,965,958</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Civic Center</u>	<u>Parking Services</u>	<u>Festivals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,562,953	\$ 2,964,189	\$ 860,135
Cash paid for goods and services	(912,796)	(871,360)	(839,550)
Cash paid to employees	(1,061,348)	(637,648)	(219,039)
Net cash provided by (used for) operating activities	<u>(411,191)</u>	<u>1,455,181</u>	<u>(198,454)</u>
Cash flows from noncapital financing activities:			
Operating grants received	-	-	-
Transfers from other funds	821,198	-	253,922
Transfers to other funds	-	(248,116)	-
Net cash provided by (used for) non-capital financing activities	<u>821,198</u>	<u>-</u>	<u>253,922</u>
Cash flows from capital and related financing activities:			
Receipts from capital grants or contributions	-	-	-
Acquisition and construction of assets	(33,769)	-	-
Principal paid on debt	-	(570,000)	-
Interest paid on debt	-	(10,723)	(55,668)
Net cash used for capital and related financing activities	<u>(33,769)</u>	<u>(580,723)</u>	<u>(55,668)</u>
Cash flows from investing activities:			
Interest earned	104,382	86,852	-
Net cash provided by investing activities	<u>104,382</u>	<u>86,852</u>	<u>-</u>
Net increase in cash and cash equivalents	480,620	961,310	(200)
Cash and cash equivalents:			
Beginning of year, July 1	<u>2,195,872</u>	<u>1,482,840</u>	<u>1,000</u>
End of year, June 30	<u>\$ 2,676,492</u>	<u>\$ 2,444,150</u>	<u>\$ 800</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 2,306,971	\$ 3,133,667	\$ 965,827	\$ 11,793,742
(5,969,223)	(721,071)	(422,963)	(9,736,963)
(79,159)	(1,433,009)	(578,036)	(4,008,239)
<u>(3,741,411)</u>	<u>979,587</u>	<u>(35,172)</u>	<u>(1,951,460)</u>
2,075,987	-	-	2,075,987
1,623,681	-	250,000	2,948,801
-	-	-	(248,116)
<u>3,699,668</u>	<u>-</u>	<u>250,000</u>	<u>4,776,672</u>
261,239	-	-	261,239
(69,695)	(233,964)	(225,557)	(562,985)
-	(43,000)	-	(613,000)
<u>(12,396)</u>	<u>(6,596)</u>	<u>-</u>	<u>(85,383)</u>
<u>179,148</u>	<u>(283,560)</u>	<u>(225,557)</u>	<u>(1,000,129)</u>
-	56,293	733	248,260
<u>-</u>	<u>56,293</u>	<u>733</u>	<u>248,260</u>
137,405	752,320	(9,996)	2,073,343
-	942,612	33,492	4,655,816
<u>\$ 137,405</u>	<u>\$ 1,694,932</u>	<u>\$ 23,496</u>	<u>\$ 6,729,159</u>

(continued)

**CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Civic Center</u>	<u>Parking Services</u>	<u>Festivals</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (587,552)	\$ 1,250,601	\$ (253,892)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	244,178	228,243	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(107,871)	(44,613)	-
Decrease in intergovernmental receivables	-	-	-
(Increase) decrease in inventories	365	-	-
Increase in prepaid expenses	-	-	(10,063)
Decrease in other assets	-	7,867	-
Increase (decrease) in accounts payable	(13,270)	32,587	10,561
Increase (decrease) in other accrued expenses	36,095	2,427	625
Increase (decrease) in due to other funds	-	-	101,437
Decrease in accrued interest payable	-	(25,884)	-
Increase(decrease) in compensated absences	(13,661)	3,953	4,326
Increase (decrease) in unearned revenue	30,525	-	(51,448)
Total adjustments	<u>176,361</u>	<u>204,580</u>	<u>55,438</u>
Net cash provided by (used for) operating activities	<u>\$ (411,191)</u>	<u>\$ 1,455,181</u>	<u>\$ (198,454)</u>
Reconciliation of cash and cash equivalents			
Cash and cash equivalents:			
Unrestricted	\$ 746,329	\$ 2,196,034	\$ 800
Restricted	1,930,163	-	-
Total cash and cash equivalents	<u>\$ 2,676,492</u>	<u>\$ 2,196,034</u>	<u>\$ 800</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ (3,895,437)	\$ 136,822	\$ (84,179)	\$ (3,433,637)
270,173	617,064	44,512	1,404,170
-	84,018	-	(68,466)
1,128,758	-	-	1,128,758
(9,700)	-	(6,057)	(15,392)
-	-	-	(10,063)
-	-	-	7,867
135,060	127,982	1,643	294,563
(2,708)	21,687	379	58,505
(1,364,720)	-	-	(1,263,283)
-	(9)	-	(25,893)
(2,837)	(7,977)	8,530	(7,666)
-	-	-	(20,923)
<u>154,026</u>	<u>842,765</u>	<u>49,007</u>	<u>1,482,177</u>
<u>\$ (3,741,411)</u>	<u>\$ 979,587</u>	<u>\$ (35,172)</u>	<u>\$ (1,951,460)</u>
\$ 137,405	\$ 1,694,932	\$ 23,496	\$ 4,798,996
-	-	-	1,930,163
<u>\$ 137,405</u>	<u>\$ 1,694,932</u>	<u>\$ 23,496</u>	<u>\$ 6,729,159</u>

(concluded)

**CITY OF ASHEVILLE
CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Rents	\$ 584,500	\$ 567,306	\$ (17,194)
Concessions	607,000	587,776	(19,224)
Advertising and promotions	10,000	10,000	-
Staffing charges	115,000	110,348	(4,652)
Box office charges	45,000	75,769	30,769
Other	206,000	248,679	42,679
Maintenance fee	65,000	70,946	5,946
Total operating revenues	<u>1,632,500</u>	<u>1,670,824</u>	<u>38,324</u>
OPERATING EXPENDITURES			
General operations	1,085,935	973,109	112,826
Event personnel	177,258	165,254	12,004
Concessions/operating	444,638	417,996	26,642
Maintenance	315,206	335,646	(20,440)
Box office/operating	122,066	122,193	(127)
Total operating expenditures	<u>2,145,103</u>	<u>2,014,198</u>	<u>130,905</u>
Operating loss	<u>(512,603)</u>	<u>(343,374)</u>	<u>169,229</u>
NONOPERATING REVENUES			
Interest earned	20,000	105,245	85,245
Interest expense	(883)	(863)	20
Total nonoperating revenues	<u>19,117</u>	<u>104,382</u>	<u>85,265</u>
Revenues under expenditures before other financing sources	(493,486)	(238,992)	254,494
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	431,198	431,198	-
Appropriated fund balance	62,288	-	(62,288)
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>192,206</u>	<u>\$ 192,206</u>
Reconciling items:			
General fund transfer to the civic center capital projects fund		390,000	
Depreciation		(244,178)	
Change in net assets		<u>\$ 338,028</u>	

CITY OF ASHEVILLE
CIVIC CENTER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment Earnings	\$ 17,265	\$ 17,265	\$ -	\$ 17,265
Maintenance Fees	40,000	40,000	-	40,000
Total revenues	<u>57,265</u>	<u>57,265</u>	<u>-</u>	<u>57,265</u>
EXPENDITURES				
Arena Roof Replacement	1,500,000	15,000	-	15,000
Main Cooling Tower	150,000	136,426	-	136,426
Air Handler Repair	119,467	116,711	-	116,711
Minor Capital Equipment	241,570	220,695	3,993	224,688
Standby Transformer	45,000	-	-	-
Concession Equipment	47,961	47,960	-	47,960
General Improvements	100,000	90,667	-	90,667
Exterior Repairs	27,575	27,575	-	27,575
Concourse Damage	50,000	-	4,846	4,846
Fire Alarms	225,000	-	24,930	24,930
Capital Reserve	5,000	-	-	-
Smoke Hatches	110,000	-	-	-
Total expenditures	<u>2,621,573</u>	<u>655,034</u>	<u>33,769</u>	<u>688,803</u>
Revenues under expenditures before other financing sources	<u>(2,564,308)</u>	<u>(597,769)</u>	<u>(33,769)</u>	<u>(631,538)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	2,564,308	2,171,700	390,000	2,561,700
Total other financing sources	<u>2,564,308</u>	<u>2,171,700</u>	<u>390,000</u>	<u>2,561,700</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,573,931</u>	<u>\$ 356,231</u>	<u>\$ 1,930,162</u>

**CITY OF ASHEVILLE
PARKING SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Parking fees	\$ 3,534,000	\$ 3,008,299	\$ (525,701)
Other fees	-	503	503
Total operating revenues	3,534,000	3,008,802	(525,198)
OPERATING EXPENDITURES			
Parking services	947,421	807,381	140,040
Parking garages	2,181,185	722,577	1,458,608
Capital outlay	3,901	-	3,901
Total operating expenditures	3,132,507	1,529,958	1,602,549
Operating income	401,493	1,478,844	1,077,351
NONOPERATING REVENUES (EXPENDITURES)			
Interest earned	60,000	86,852	26,852
Principal payments on debt	(570,000)	(570,000)	-
Interest and debt service charges	(161,945)	(10,723)	151,222
Total nonoperating revenues (expenditures)	(671,945)	(493,871)	178,074
Revenues over (under) expenditures before other financing sources	(270,452)	984,973	1,255,425
OTHER FINANCING SOURCES:			
Transfers out:			
To mass transit fund	(248,116)	(248,116)	-
Appropriated fund balance	518,568	-	(518,568)
Revenues and other financing sources over expenditures	\$ -	736,857	\$ 736,857
Reconciling items:			
Depreciation		(228,243)	
Principal payments on debt		570,000	
Change in net assets		\$ 1,078,614	

CITY OF ASHEVILLE
PARKING SERVICES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Rental income	\$ -	\$ 44,046	\$ -	\$ 44,046
Investment earnings	60	1,304	-	1,304
Total revenues	<u>60</u>	<u>45,350</u>	<u>-</u>	<u>45,350</u>
EXPENDITURES				
Battery Park parking deck	20,900,000	4,046,632	-	4,046,632
Employee parking lot	58,027	53,787	-	53,787
Cushman	20,000	-	-	-
General Projects	60	2,030	-	2,030
Total expenditures	<u>20,978,087</u>	<u>4,102,449</u>	<u>-</u>	<u>4,102,449</u>
Revenues under expenditures before other financing sources	<u>(20,978,027)</u>	<u>(4,057,099)</u>	<u>-</u>	<u>(4,057,099)</u>
OTHER FINANCING SOURCES				
Proceeds from the sale of bonds	20,900,000	-	-	-
Transfers in:				
From General Fund	20,000	43,084	-	43,084
From Parking Services Fund	58,027	399,987	-	399,987
Total other financing sources	<u>20,978,027</u>	<u>443,071</u>	<u>-</u>	<u>443,071</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (3,614,028)</u>	<u>\$ -</u>	<u>\$ (3,614,028)</u>

**CITY OF ASHEVILLE
FESTIVALS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Bele Chere 2007	\$ 738,617	\$ 611,609	\$ (127,008)
Bele Chere 2008	233,464	193,318	(40,146)
Other Festivals 2008	4,541	3,760	(781)
Total operating revenues	<u>976,622</u>	<u>808,687</u>	<u>(167,935)</u>
OPERATING EXPENDITURES			
Bele Chere 2007	1,006,876	965,321	41,555
Bele Chere 2008	84,172	80,698	3,474
Other Festivals 2007	112,308	107,673	4,635
Other Festivals 2008	27,188	26,066	1,122
Total operating expenditures	<u>1,230,544</u>	<u>1,179,758</u>	<u>50,786</u>
Revenues under expenditures before other financing sources	<u>(253,922)</u>	<u>(371,071)</u>	<u>(117,149)</u>
OTHER FINANCING SOURCES			
Transfer in:			
From General Fund	<u>253,922</u>	<u>253,922</u>	-
Total other financing sources	<u>253,922</u>	<u>253,922</u>	-
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(117,149)</u>	<u>\$ (117,149)</u>
Reconciling items:			
Net change in deferred revenues		51,448	
Net change in prepaids		<u>10,063</u>	
Change in net assets		<u>\$ (55,638)</u>	

**CITY OF ASHEVILLE
MASS TRANSIT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Passenger fares	\$ 829,000	\$ 833,699	\$ 4,699
Other	336,500	344,514	8,014
Total operating revenues	1,165,500	1,178,213	12,713
 OPERATING EXPENDITURES			
Administration	329,117	199,755	129,362
Transit operations	4,626,425	4,603,722	22,703
Total operating expenses	4,955,542	4,803,477	152,065
 Operating loss	(3,790,042)	(3,625,264)	164,778
 NONOPERATING REVENUES (EXPENDITURES)			
State and federal grants	2,281,361	2,075,987	(205,374)
Interest and debt service charges	(15,000)	(12,396)	2,604
Total nonoperating revenues	2,266,361	2,063,591	(202,770)
 Revenues under expenditures before other financing sources	(1,523,681)	(1,561,673)	(37,992)
 OTHER FINANCING SOURCES			
Transfer in:			
From General Fund	1,275,565	1,275,565	-
From Parking Services Fund	248,116	248,116	-
Revenues and other financing sources under expenditures	\$ -	(37,992)	\$ (37,992)
 Reconciling items:			
Transfer from General Fund to Transit Capital Project Fund		100,000	
State and federal grants in the Capital Project's Fund		261,239	
Depreciation		(270,173)	
Change in net assets		\$ 53,074	

CITY OF ASHEVILLE
MASS TRANSIT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FROM INCEPTION FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
REVENUES				
Intergovernmental	\$ 6,914,073	\$ 1,294,076	\$ 261,239	\$ 1,555,315
Total revenues	<u>6,914,073</u>	<u>1,294,076</u>	<u>261,239</u>	<u>1,555,315</u>
EXPENDITURES				
Bus shelter & benches	239,961	32,346	-	32,346
Cross walks	45,000	40,396	-	40,396
General system improvements	509,017	218,820	-	218,820
Support vehicle	35,000	22,437	-	22,437
Vehicle replacement	92,603	-	-	-
General operations center	171,500	97,572	-	97,572
Passenger center	9,500	3,925	-	3,925
General capital projects	75,300	59,858	-	59,858
Transit garage light	37,000	-	-	-
Bus purchases	5,343,276	1,592,023	-	1,592,023
Top A Stop	3,025	3,025	-	3,025
Signal priority	400,000	-	-	-
Portable lifts	40,000	-	27,980	27,980
Transit radios	115,000	93,926	-	93,926
Hybrid Buses	100,000	-	-	-
Drum Grinder	50,000	-	41,715	41,715
Total expenditures	<u>7,266,182</u>	<u>2,164,328</u>	<u>69,695</u>	<u>2,234,023</u>
Revenues under expenditures before other financing sources	<u>(352,109)</u>	<u>(870,252)</u>	<u>191,544</u>	<u>(678,708)</u>
OTHER FINANCING SOURCES				
Transfers in/(out):				
From Mass Transit Fund	266,546	1,244,148	-	1,244,148
From General Fund	100,000	-	100,000	100,000
To Federal Capital Project Fund	(14,437)	(14,437)	-	(14,437)
Total other financing sources	<u>352,109</u>	<u>1,229,711</u>	<u>100,000</u>	<u>1,329,711</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 359,459</u>	<u>\$ 291,544</u>	<u>\$ 651,003</u>

**CITY OF ASHEVILLE
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 2,586,504	\$ 3,049,649	\$ 463,145
	<u>2,586,504</u>	<u>3,049,649</u>	<u>463,145</u>
OPERATING EXPENDITURES			
Storm drainage	1,439,901	1,359,696	80,205
Storm water	1,274,447	936,067	338,380
Capital outlay	338,500	230,964	107,536
Total operating expenses	<u>3,052,848</u>	<u>2,526,727</u>	<u>526,121</u>
Operating income (loss)	<u>(466,344)</u>	<u>522,922</u>	<u>989,266</u>
NONOPERATING REVENUES (EXPENDITURES)			
Investment earnings	126,900	56,293	(70,607)
Principal payment on debt	(46,900)	(43,000)	(3,900)
Interest expense	(25,000)	(6,596)	18,404
Total nonoperating revenues(expenses)	<u>55,000</u>	<u>6,697</u>	<u>(56,103)</u>
Revenues over (under) expenditures before other financing sources	(411,344)	529,619	933,163
OTHER FINANCING SOURCES			
Appropriated fund balance	411,344	-	(411,344)
Revenues and other financing sources over expenditures	<u>\$ -</u>	529,619	<u>\$ 521,819</u>
Reconciling items:			
Depreciation		(617,064)	
Capital outlay		230,964	
Principal payments on debt		43,000	
Change in net assets		<u>\$ 186,519</u>	

**CITY OF ASHEVILLE
GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Pro-shop sales	\$ 80,000	\$ 42,363	\$ (37,637)
Membership fees	155,000	191,481	36,481
Concessions	75,000	77,938	2,938
Equipment rental	280,000	272,775	(7,225)
Green Fees	450,000	381,270	(68,730)
Total operating revenues	1,040,000	965,827	(74,173)
OPERATING EXPENDITURES			
Administration	1,049,087	1,005,494	43,593
Total operating expenses	1,049,087	1,005,494	43,593
Operating income (loss)	(9,087)	(39,667)	(30,580)
NONOPERATING REVENUES			
Investment earnings	1,500	733	(767)
Total nonoperating revenues	1,500	733	(767)
Revenues under expenditures before other financing sources	(7,587)	(38,934)	(31,347)
OTHER FINANCING SOURCES			
Appropriated fund balance	7,587	-	(7,587)
Revenues and other financing sources under expenditures	\$ -	(38,934)	\$ (38,934)
Reconciling items:			
Depreciation		(44,512)	
General fund transfer to golf course capital projects fund		250,000	
Change in net assets		\$ 166,554	

**CITY OF ASHEVILLE
GOLF COURSE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Maintenance fees	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Golf Course Irrigation	242,206	-	225,556	225,556
General Improvements	-	-	-	-
Total expenditures	242,206	-	225,556	225,556
Revenues under expenditures before other financing sources	(242,206)	-	(225,556)	(225,556)
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	242,206	-	250,000	250,000
Total other financing sources	242,206	-	250,000	250,000
Revenues and other financing sources over expenditures	\$ -	\$ -	\$ 24,444	\$ 24,444

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Proprietary Funds - Internal Service Funds

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

Insurance Fund - Insurance Fund is used to account for the operations of the City's self-insurance activities which provide the overall insurance coverage for all City departments.

**CITY OF ASHEVILLE
INTERNAL SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 12,129,210	\$ 11,883,059	\$ (246,151)
Insurance recovery	1,515,055	1,539,114	24,059
Total operating revenues	<u>13,644,265</u>	<u>13,422,173</u>	<u>(222,092)</u>
OPERATING EXPENDITURES			
Insurance Claims	13,792,823	13,784,009	(8,814)
Administrative costs	1,471,847	1,480,870	9,023
Legal & professional services	289,540	282,693	(6,847)
Total operating expenditures	<u>15,554,210</u>	<u>15,547,572</u>	<u>(6,638)</u>
 Operating income (loss)	 <u>(1,909,945)</u>	 <u>(2,125,399)</u>	 <u>(215,454)</u>
NONOPERATING REVENUES			
Investment earnings	<u>100,000</u>	<u>396,899</u>	<u>296,899</u>
Total nonoperating revenues	<u>100,000</u>	<u>396,899</u>	<u>296,899</u>
 Revenues under expenditures before other financing sources	 (1,809,945)	 (1,728,500)	 81,445
OTHER FINANCING SOURCES			
Transfers from the general fund	-	9,363,700	9,363,700
Transfers to the general fund	(240,055)	(240,055)	-
Appropriated fund balance	2,050,000	-	(2,050,000)
Total other financing sources (expenditures)	<u>1,809,945</u>	<u>9,123,645</u>	<u>7,313,700</u>
 Revenues and other financing sources over expenditures	 <u>\$ -</u>	 7,395,145	 <u>\$ 7,395,145</u>
Reconciling Items:			
Change in estimate for claims incurred but not reported		<u>(2,564,692)</u>	
Change in net assets		<u>\$ 4,830,453</u>	

Agency Fund

The Agency Fund has been established to account for transactions processed and balances held by the City in its capacity as agent for other entities. The financial statement of the Agency Fund represents the changes in assets and liabilities of the City's Agency Fund.

Agency - Civic Center Fund is the box office operation at the Civic Center.

**CITY OF ASHEVILLE
 CIVIC CENTER AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2008**

	Balance July 1, 2007	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2008
Assets:				
Cash and investments	\$ 452,706	\$ 3,287,265	\$ 3,532,889	\$ 207,082
Liabilities:				
Accounts payable and accrued liabilities	\$ 452,706	\$ 3,287,265	\$ 3,532,889	\$ 207,082

Other Supplemental Information

This section contains additional information on property taxes for the year ended June 30, 2008.

- 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, 2008

Fiscal Year Year Ended June 30,	Taxes Receivable July 1, 2007	Additions	Collections and Other Reductions (a)	Taxes Receivable June 30, 2008
1998	\$ 76,687	\$ -	\$ 76,687	\$ -
1999	45,638	-	3,036	42,602
2000	50,225	-	1,497	48,728
2001	58,025	-	1,833	56,192
2002	66,729	-	6,093	60,636
2003	100,164	-	3,026	97,138
2004	79,055	-	7,657	71,398
2005	105,885	-	36,221	69,664
2006	108,680	-	34,539	74,141
2007	260,804	-	181,544	79,260
2008	-	42,043,645	41,749,332	294,313
TOTALS	<u>\$ 951,892</u>	<u>\$ 42,043,645</u>	<u>\$ 42,101,466</u>	894,072
Less: Allowance for uncollectible accounts:				
	General Fund			<u>696,000</u>
	Ad valorem taxes receivable-net			<u>\$ 198,072</u>
NOTES:				
(a) Reconciliation to revenues collected:				
	Revenue - General Fund			\$ 42,137,547
	Tax penalties collected			(109,591)
	Taxes written off			76,687
	Other			(3,177)
	Collections and other reductions			<u>\$ 42,101,466</u>

CITY OF ASHEVILLE
ANALYSIS OF CURRENT TAX LEVY AND SECONDARY MARKET DISCLOSURES
CITY - WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>City - Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation (000's)</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 9,965,291	\$ 0.42	\$ 41,854,221	\$ 39,454,008	\$ 2,400,213
Discoveries:					
Current year taxes	75,660	0.42	317,774	317,774	-
Penalties	-		51,933	51,933	-
Abatements	<u>(156,929)</u>		<u>(180,283)</u>	<u>(110,796)</u>	<u>(69,487)</u>
Total Property Valuation	<u>\$ 9,884,022</u>				
Net Levy			42,043,645	39,712,919	2,330,726
Uncollected taxes at June 30, 2008			<u>(294,313)</u>	<u>(135,767)</u>	<u>(158,546)</u>
Current year's taxes collected (a)			<u>\$ 41,749,332</u>	<u>\$ 39,577,152</u>	<u>\$ 2,172,180</u>
Current levy collection percentage			<u>99.30%</u>	<u>99.66%</u>	<u>93.20%</u>

Secondary Market Disclosures:

Assessed Valuation: (dollars in thousands)

Assessment ratio	100 %
Real property	\$ 8,597,123
Personal property	1,096,595
Public service companies	<u>190,305</u>
Total Assessed Valuation (dollars in thousands)	9,884,023
Tax Rate per \$100	<u>0.42</u>
Total Tax Levy	<u>\$ 42,043,645</u>

(a) Excludes interest and cost collections

Source: Buncombe County Tax Collector

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Statistical Section (Unaudited)

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. GASB 34 was implemented in FY 2003. Financial information related to GASB 34 does not exist prior to FY 2003.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the 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 government'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 government's financial report relates to the services the government provides and the activities it performs.

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

CITY OF ASHEVILLE
NET ASSETS BY COMPONENT
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 173,740	\$ 173,149	\$ 168,990	\$ 173,599	\$ 166,595	\$ 165,821
Restricted	31	5,750	5,774	12,076	7,272	6,362
Unrestricted	31,017	25,714	28,301	27,118	44,754	40,338
Total governmental activities net assets	<u>\$ 204,788</u>	<u>\$ 204,613</u>	<u>\$ 203,065</u>	<u>\$ 212,793</u>	<u>\$ 218,621</u>	<u>\$ 212,521</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 61,794	\$ 75,087	\$ 80,280	\$ 92,519	\$ 99,339	\$ 133,002
Restricted	-	-	-	-	-	-
Unrestricted	22,964	24,981	25,480	29,832	39,540	21,917
Total business-type activities net assets	<u>\$ 84,758</u>	<u>\$ 100,068</u>	<u>\$ 105,760</u>	<u>\$ 122,351</u>	<u>\$ 138,879</u>	<u>\$ 154,919</u>
Primary government						
Invested in capital assets, net of related debt	\$ 235,534	\$ 248,236	\$ 249,270	\$ 266,118	\$ 265,934	\$ 298,823
Restricted	31	5,750	5,774	12,076	7,272	6,362
Unrestricted	53,981	50,695	53,781	56,950	84,294	62,255
Total primary government net assets	<u>\$ 289,546</u>	<u>\$ 304,681</u>	<u>\$ 308,825</u>	<u>\$ 335,144</u>	<u>\$ 357,500</u>	<u>\$ 367,440</u>

CITY OF ASHEVILLE
NET ASSETS BY COMPONENT
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 24,243	\$ 21,148	\$ 14,782	\$ 16,033	\$ 18,249	\$ 21,702
Public safety	26,370	30,513	31,480	33,384	34,454	39,465
Highways and streets	4,800	5,651	22,399	20,076	21,239	21,571
Environmental protection	5,190	5,025	-	-	-	-
Economic development	3,577	3,533	5,181	4,785	5,920	5,046
Culture and recreation	5,801	5,120	7,347	7,783	9,767	10,122
Interest on long-term debt	1,440	1,341	1,182	1,179	1,243	977
Total governmental activities expenses	<u>71,421</u>	<u>72,331</u>	<u>82,371</u>	<u>83,240</u>	<u>90,872</u>	<u>98,883</u>
Business-type activities:						
Water resources	17,106	20,624	21,093	20,194	20,617	22,202
Civic center	2,003	2,669	2,361	2,252	2,220	2,259
Festivals	801	1,121	1,067	1,270	1,315	1,170
Parking services	1,016	1,348	1,364	1,249	1,330	1,769
Mass transit	3,575	3,775	3,928	4,262	4,633	5,086
Stormwater	-	-	-	1,995	2,500	2,919
Golf Course	-	-	-	884	997	1,050
Total business-type activities expenses	<u>24,501</u>	<u>29,537</u>	<u>29,813</u>	<u>32,106</u>	<u>33,612</u>	<u>36,456</u>
Total primary government expenses	<u>\$ 95,922</u>	<u>\$ 101,868</u>	<u>\$ 112,184</u>	<u>\$ 115,346</u>	<u>\$ 124,484</u>	<u>\$ 135,339</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 8,491	\$ 6,720	\$ 8,002	\$ 9,255	\$ 8,766	\$ 9,568
Public safety	4,529	5,074	3,415	2,881	3,747	4,358
Other activities	573	213	186	3,029	3,140	3,120
Operating grants and contributions	5,782	6,786	9,553	6,645	6,578	8,114
Capital grants and contributions	498	463	346	2,897	2,374	103
Total governmental activities program revenues	<u>19,873</u>	<u>19,256</u>	<u>21,502</u>	<u>24,707</u>	<u>24,605</u>	<u>25,262</u>
Business-type activities:						
Charges for services:						
Water resources	22,598	22,795	23,174	23,992	30,465	31,535
Civic center	1,099	1,302	1,798	1,526	1,556	1,671
Festivals	463	425	701	1,033	868	860
Parking services	2,120	2,594	2,520	2,383	2,870	3,009
Mass transit	592	689	671	752	968	1,178
Stormwater	-	-	-	2,357	3,035	3,050
Golf Course	-	-	-	839	894	966
Operating grants and contributions	1,597	1,884	2,501	2,171	2,374	2,076
Capital grants and contributions	255	2,077	2,165	4,137	3,571	3,751
Total business-type activities program revenue	<u>28,724</u>	<u>31,766</u>	<u>33,530</u>	<u>39,190</u>	<u>46,601</u>	<u>48,095</u>
Total primary government program revenue	<u>\$ 48,597</u>	<u>\$ 51,022</u>	<u>\$ 55,032</u>	<u>\$ 63,897</u>	<u>\$ 71,206</u>	<u>\$ 73,357</u>
Net (expense) / revenue:						
Governmental activities	\$ (51,548)	\$ (53,075)	\$ (60,869)	\$ (58,533)	\$ (66,267)	\$ (73,621)
Business-type activities	4,223	2,229	3,717	7,084	12,990	11,639
Total primary government net expense	<u>\$ (47,325)</u>	<u>\$ (50,846)</u>	<u>\$ (57,152)</u>	<u>\$ (51,449)</u>	<u>\$ (53,277)</u>	<u>\$ (61,982)</u>

CITY OF ASHEVILLE
NET ASSETS BY COMPONENT (continued)
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 34,988	\$ 33,947	\$ 35,079	\$ 36,914	\$ 41,254	\$ 42,119
Sales taxes	12,028	13,571	14,545	16,107	17,399	16,548
Other taxes	4,669	6,656	8,257	6,086	6,163	7,456
Unrestricted grants and contributions	7,433	290	222	1,059	1,513	1,242
Investment earnings and miscellaneous	1,598	1,513	2,407	2,724	3,127	3,025
Gain on sale of capital assets	108	167	97	126	(89)	(169)
Special item	-	-	-	7,189	5,044	-
Transfers	(1,849)	(1,883)	(1,941)	(1,943)	(2,317)	(2,701)
Total governmental activities	58,975	54,261	58,666	68,262	72,094	67,521
Business-type activities:						
Investment earnings and miscellaneous	(2,666)	696	-	542	1,171	1,679
Gain on sale of capital assets	493	45	34	17	51	21
Special item	-	-	-	7,004	-	-
Transfers	1,849	1,883	1,941	1,943	2,317	2,701
Total business-type activities	(324)	2,624	1,975	9,506	3,539	4,400
Total primary government	\$ 58,651	\$ 56,885	\$ 60,641	\$ 77,768	\$ 75,633	\$ 71,921
Change in Net Assets						
Governmental activities	\$ 7,427	\$ 1,186	\$ (2,203)	\$ 9,729	\$ 5,828	\$ (6,100)
Business-type activities	3,899	4,853	5,692	16,590	16,529	16,040
Total primary government	\$ 11,326	\$ 6,039	\$ 3,489	\$ 26,319	\$ 22,357	\$ 9,939

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008(a)
General fund										
Reserved	\$ 8,396	\$ 6,996	\$ 9,894	\$ 9,033	\$ 7,075	\$ 14,649	\$ 15,529	\$ 13,834	\$ 19,762	\$ 10,460
Unreserved	8,251	8,493	7,313	10,009	17,481	17,833	17,276	23,792	21,852	18,232
Total general fund	<u>\$ 16,647</u>	<u>\$ 15,489</u>	<u>\$ 17,207</u>	<u>\$ 19,042</u>	<u>\$ 24,556</u>	<u>\$ 32,482</u>	<u>\$ 32,805</u>	<u>\$ 37,626</u>	<u>\$ 41,614</u>	<u>\$ 28,692</u>
All other governmental funds										
Reserved	\$ 646	\$ 2,917	\$ 341	\$ 354	\$ 2,382	\$ 573	\$ 3,978	\$ 7,793	\$ 5,462	\$ 5,682
Unreserved, reported in:										
Special revenue funds	187	79	156	216	47	1,563	(54)	1,362	834	829
Capital projects funds	12,794	3,209	4,656	1,176	(14)	1,030	613	1,543	3,343	7,470
Total all other governmental funds	<u>\$ 13,627</u>	<u>\$ 6,205</u>	<u>\$ 5,153</u>	<u>\$ 1,746</u>	<u>\$ 2,415</u>	<u>\$ 3,166</u>	<u>\$ 4,537</u>	<u>\$ 10,698</u>	<u>\$ 9,639</u>	<u>\$ 13,981</u>

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

CITY OF ASHEVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

(modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 34,713	\$ 36,141	\$ 38,757	\$ 40,046	\$ 46,250	\$ 49,713	\$ 51,259	\$ 53,356	\$ 59,123	\$ 59,073
Intergovernmental	15,947	16,641	17,013	13,584	13,791	13,336	14,875	15,440	14,969	16,590
Licenses and Permits	3,691	4,133	4,673	4,417	4,406	5,074	4,677	4,948	5,878	5,187
Charges for services	4,127	4,861	4,947	5,103	9,064	6,933	8,188	9,023	9,775	10,319
Private donations	200	202	48	171	268	247	562	1,059	1,360	122
Investment earnings	1,490	1,066	1,027	439	437	181	663	1,833	1,930	1,588
Miscellaneous	989	921	975	1,562	849	1,055	1,320	891	876	1,038
Total Revenues	61,157	63,965	67,440	65,322	75,065	76,539	81,544	86,550	93,911	93,917
Expenditures										
General government	6,771	7,985	8,822	8,602	11,552	8,637	12,309	14,177	15,049	17,258
Public safety	25,251	26,553	25,992	27,185	28,841	29,619	31,138	35,129	38,486	35,826
Public works	9,888	9,941	9,634	10,005	11,044	11,625	12,576	12,206	11,786	10,483
Human services	53	534	140	243	3,596	3,391	5,181	3,450	3,720	3,074
Planning	1,463	1,561	1,422	1,336	1,165	1,364	1,503	1,319	2,199	1,872
Engineering	1,284	1,218	1,683	1,505	1,600	1,673	1,924	1,905	2,632	2,502
Culture and recreation	6,056	7,117	7,189	6,445	5,613	7,240	8,342	9,850	9,356	5,935
Capital outlay	14,451	7,771	8,498	7,667	82	143	-	-	-	13,819
Debt service										
Principal	2,312	2,419	2,245	2,471	3,604	4,120	3,820	3,803	4,408	3,892
Interest	1,726	1,479	1,427	1,492	1,468	1,367	1,213	1,128	1,283	1,122
Total expenditures	69,255	66,578	67,052	66,951	68,565	69,179	78,006	82,967	88,919	95,782
Excess (deficiency) of revenues over (under) expenditures	(8,098)	(2,613)	387	(1,629)	6,500	7,360	3,538	3,583	4,992	(1,865)
Other financing sources (uses)										
Transfer in	474	556	2,927	3,131	1,627	1,889	3,548	4,254	4,099	5,156
Transfer out	(3,485)	(3,686)	(4,740)	(4,220)	(3,475)	(3,772)	(5,489)	(6,197)	(6,416)	(16,906)
Sale of capital assets	130	38	161	156	207	163	97	1,312	254	35
Long term debt issued	5,575	359	1,970	1,070	2,546	2,191	-	8,030	-	5,000
Payment to bond escrow agent	(4,933)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(2,239)	(2,733)	318	137	905	471	(1,844)	7,399	(2,063)	(6,715)
Net change in fund balance	\$ (10,337)	\$ (5,346)	\$ 705	\$ (1,492)	\$ 7,405	\$ 7,831	\$ 1,694	\$ 10,982	\$ 2,929	\$ (8,580)
Debt service as a percentage of noncapital expenditures	5.89%	5.97%	5.58%	5.97%	7.68%	8.07%	6.69%	6.16%	6.56%	5.23%

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

Fiscal Year Ended June 30	Ad Valorem Taxes	Local Option Sales Tax (a)	Payment in Lieu of Taxes (a)	Other Taxes (a)	Total
1999	\$ 25,104	N/A	N/A	\$ 9,609	\$ 34,713
2000	25,740	N/A	N/A	10,401	36,141
2001	27,962	N/A	N/A	10,795	38,757
2002	28,930	N/A	N/A	11,116	40,046
2003	33,013	11,733	1,282	220	46,248
2004	34,617	13,571	1,255	271	49,714
2005	35,178	14,545	1,265	271	51,259
2006	36,874	16,107	67	308	53,356
2007	41,264	17,399	139	321	59,123
2008	42,138	16,548	73	314	59,073

(a) Prior to FY2003 all taxes except Ad Valorem were reported as other taxes.

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

Fiscal Year Ended June 30	Real Property		Personal Property		Total Taxable Assessed Value	Total City Direct Tax Rate (a)	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value	
	Residential Property	Commercial Property	Public Works	Motor Vehicles					Other
1999	\$ 2,135,848	\$ 1,509,340	\$ 170,444	\$ 374,234	\$ 572,756	\$ 4,762,622	0.52	\$ 4,800,568	99.21%
2000	2,175,538	1,529,673	186,662	390,207	605,106	4,887,186	0.56	4,927,444	99.18%
2001	2,227,298	1,588,834	187,891	460,054	578,729	5,042,806	0.56	5,082,879	99.21%
2002	2,274,653	1,682,987	170,125	496,826	586,792	5,211,383	0.53	5,253,913	99.19%
2003	2,940,284	2,155,124	158,102	496,247	579,976	6,329,733	0.53	6,410,366	98.74%
2004	3,083,292	2,197,518	158,730	531,994	565,156	6,536,690	0.53	6,624,790	98.67%
2005	3,169,846	2,280,227	162,514	486,374	580,056	6,679,017	0.53	6,768,622	98.68%
2006	3,284,605	2,309,749	165,360	509,456	597,418	6,866,588	0.53	6,934,935	99.01%
2007	4,867,777	3,598,231	189,426	549,169	613,292	9,746,647	0.42	9,872,788	98.72%
2008	5,007,378	3,589,744	190,305	572,808	654,581	10,014,816	0.42	10,136,741	98.80%

(a) Source: Buncombe County Tax Assessor

Note: The levy of property taxes each year is based on the assessed value of taxable property as of January 1 preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at time of revaluation. Revaluation of real property is required by statute at least once every eight years, but is done every four years in Buncombe County. The most recent revaluation was completed for the 2007 levy which is reflected in the 2008 calculations. Tax rates are per \$100 of assessed value.

**CITY OF ASHEVILLE
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City of Asheville</u>	<u>County of Buncombe</u>	<u>Asheville School District</u>	<u>Maximum Combined Rate</u>
1999	0.52	0.63	0.20	1.35
2000	0.56	0.63	0.20	1.39
2001	0.56	0.63	0.20	1.39
2002	0.53	0.59	0.20	1.32
2003	0.53	0.59	0.20	1.32
2004	0.53	0.59	0.20	1.32
2005	0.53	0.59	0.20	1.32
2006	0.53	0.59	0.20	1.32
2007	0.42	0.53	0.15	1.10
2008	0.42	0.53	0.15	1.10

Source: Buncombe County Tax Collector

CITY OF ASHEVILLE
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2008
(amounts expressed in thousands)

	<u>2007 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>1998 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Progress Energy/CP & L	\$ 401,043	1	1.47%	\$ 175,150	1	1.74%
Ingles Markets	149,177	2	0.55%	93,119	3	0.92%
Sonopress Inc.	112,953	3	0.41%	69,966	6	0.69%
Jack Tar Hotels	102,512	4	0.38%	59,143	7	0.59%
The Cliffs at Walnut Cove LLC	99,818	5	0.37%	-		0.00%
Bellsouth Telephone	90,154	7	0.33%	109,132	2	1.08%
Biltmore Company	90,990	6	0.33%	43,867	8	0.43%
Asheville LLC	75,782	8	0.28%	-		0.00%
Southeastern Container	71,602	9	0.26%	89,670	4	0.89%
Borgwarnere Turbo Systems	69,050	10	0.25%	-		0.00%
BASF Corporation	-		0.00%	72,766	5	0.72%
ITT Automotive	-		0.00%	39,832	9	0.39%
RBR & ST	-		0.00%	36,733	10	0.36%
	<u>\$ 1,263,081</u>		<u>4.63%</u>	<u>\$ 789,378</u>		<u>7.82%</u>

Source: Buncombe County Tax Collector
Building 10 year

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

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Current Outstanding Balance</u>	<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>			<u>Amount</u>	<u>Percentage of Levy</u>
1999	\$ 25,099	\$ 24,761	98.7%	\$ 43	\$ 295	\$ 25,056	99.8%
2000	25,628	25,272	98.6%	49	307	25,579	99.8%
2001	28,033	27,696	98.8%	56	281	27,977	99.8%
2002	28,936	28,571	98.7%	61	304	28,875	99.8%
2003	33,118	32,641	98.6%	97	380	33,021	99.7%
2004	34,273	33,921	99.0%	91	261	34,182	99.7%
2005	35,443	35,091	99.0%	70	282	35,373	99.8%
2006	36,870	36,557	99.2%	74	239	36,796	99.8%
2007	41,675	41,414	99.4%	79	182	41,596	99.8%
2008	42,044	41,749	99.3%	294	-	41,749	99.3%

CITY OF ASHEVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Six Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Government Activities			Business-Type Activities					Total Primary Government	Personal Income (amounts expressed in thousands)	Percentage of Personal Income	Per Capita Personal Income	Per Capita
	General Obligation Bonds	Installment Contracts	Capital Leases	Revenue Bonds	General Obligation Bonds	Water Bond Loan	State Loan	Installment Contract					
2003	\$ 10,488	\$ 19,760	\$ 87	\$ 45,110	\$ 10,877	\$ 2,100	\$ 2,617	\$ -	\$ 91,039	\$ 1,875,581	4.85%	\$ 26,251	\$ 1,274
2004	9,101	18,020	67	44,090	9,289	1,950	2,113	26	84,656	1,999,706	4.23%	27,518	1,165
2005	7,676	15,878	46	42,960	7,719	1,800	1,610	22	77,711	2,096,547	3.71%	28,432	1,054
2006	6,057	21,916	24	41,800	6,413	1,650	1,320	19	79,199	2,296,829	3.45%	30,789	1,062
2007	4,455	19,335	-	40,580	5,124	1,500	742	16	71,752	2,394,842	2.90%	30,767	892
2008	2,985	22,091	-	39,145	3,750	1,350	129	19	69,469	(a)	(a)	(a)	(a)

(a) Not available.

CITY OF ASHEVILLE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1999	\$ 12,749	0.27%	\$ 187
2000	11,738	0.24%	171
2001	12,808	0.25%	186
2002	11,818	0.22%	169
2003	10,488	0.16%	147
2004	9,101	0.14%	125
2005	7,676	0.11%	104
2006	6,057	0.09%	81
2007	4,455	0.05%	59
2008	2,985	0.03%	38

CITY OF ASHEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2008
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County Subtotal, overlapping debt	\$ 76,465	36.29%	\$ 27,751
City of Asheville direct debt	2,985	100.00%	2,985
Total direct and overlapping debt	<u>\$ 79,450</u>		<u>\$ 30,736</u>

Note: 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 government's ability to issue and repay long-term debt, the entire debt 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.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 381,010	\$ 390,975	\$ 403,425	\$ 416,911	\$ 506,379	\$ 522,935	\$ 534,321	\$ 549,327	\$ 779,731	\$ 801,185
Total net debt applicable to limit	12,749	11,738	12,808	11,818	10,489	18,391	15,421	12,489	9,596	6,735
Legal debt margin	\$ 368,261	\$ 379,237	\$ 390,617	\$ 405,093	\$ 495,890	\$ 504,544	\$ 518,900	\$ 536,838	\$ 770,135	\$ 794,450
Total net debt applicable to the limit as a percentage of debt limit	3.35%	3.00%	3.17%	2.83%	2.07%	3.52%	2.89%	2.27%	1.23%	0.84%

Legal Debt Margin Calculation for Fiscal Year 2007

Total assessed value	\$ 10,014,816
Debt limit (8% of total assessed value)	801,185
Debt applicable to limit:	
Total bonded debt	84,905
Less: Revenue bonds	78,170
Total debt applicable to limit	6,735
Legal debt margin	\$ 794,450

Note: Under state finance law, the City of Asheville's outstanding general obligation debt should not exceed 8 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

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

Fiscal Year	Population (a)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (b)	School Enrollment (c)	Unemployment Rate (d)
1999	68,133	1,703,938	25,009	4,212	2.3%
2000	68,570	1,792,557	26,142	4,027	3.3%
2001	68,899	1,821,276	26,434	3,937	4.4%
2002	69,726	1,833,097	26,290	3,904	5.4%
2003	71,448	1,875,581	26,251	3,864	5.2%
2004	72,669	1,999,706	27,518	3,826	4.5%
2005	73,739	2,096,547	28,432	3,789	4.6%
2006	74,599	2,296,829	30,789	3,753	3.6%
2007	75,947	2,394,842	30,767	3,750	3.5%
2008	77,838	(e)	(e)	3,683	5.0%

Source:

- (a) City of Asheville Planning Department
- (b) US Department of Commerce, Bureau of Economic Analysis
- (c) Asheville City Schools
- (d) Department of Labor statistics
- (e) Not available

**CITY OF ASHEVILLE
PRINCIPAL EMPLOYERS
CURRENT AND TWO YEARS PREVIOUS***

<u>Employer</u>	<u>2008</u>		<u>2006</u>	
	<u>Rank</u>	<u>Employment Range</u>	<u>Rank</u>	<u>Employment Range</u>
Mission Health & Hospitals	1	1,000 +	1	1,000 +
Buncombe County Schools	2	1,000 +	2	1,000 +
State of North Carolina	4	1,000 +	3	1,000 +
Ingles Market Inc.	3	1,000 +	4	1,000 +
Buncombe County Government	5	1,000 +	5	1,000 +
Asheville VA Medical Center	6	1,000 +	6	1,000 +
City of Asheville	7	1,000 +	7	1,000 +
The Biltmore Company	8	1,000 +	11	500-999
Asheville Buncombe Community College	9	1,000 +	9	500-999
The Grove Park Inn Resort & Spa	10	1,000 +	10	500-999
Wal-Mart	11	500-999	8	1000+
Community Carepartners Inc.	12	500-999	12	500-999
Eaton Corporation-Cutler Hammer Inc.	13	500-999	14	500-999
Asheville City Schools	14	500-999	13	500-999
Employment Control Inc.	15	500-999	16	500-999
Borg-Warner Turbo Systems	16	500-999	15	500-999
US Postal Services	17	500-999	17	500-999
Sonopress Inc.	18	500-999		
Kendro Laboratory Products Lp	19	500-999		
US Airways Express	20	500-999	18	500-999
Advantage Home and Community Care Inc.			19	500-999
Owen Manufacturing				

Source: Employment Security Commission of North Carolina, Labor Market Information Division, Buncombe County, accurate information was not available to calculate each employer as a percentage of the total labor force.

* 2006 is the base year for this information.

**CITY OF ASHEVILLE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Function	Full -time Equivalent Employees as of June 30, 2008
General government	197
Public Safety	
Police	
Officers	197
Civilians	54
Fire	
Firefighters and officers	220
Civilians	2
Highway and streets	
Engineering	42
Maintenance	121
Sanitation	36
Culture and recreation	143
Water	130
Total	1,142

Source: City of Asheville, Human Resources Department

CITY OF ASHEVILLE
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Number of police personnel and officers	211	222	218	218	171	235	239	249	251	254
Number of calls for service	95,989	101,368	94,296	109,953	93,771	87,343	96,775	98,097	102,276	102,167
Number of law violations:										
Uniform Crime Report Part I crimes reported	5,213	5,338	5,044	4,903	5,337	5,892	6,238	5,117	4,648	4,848
Uniform Crime Report Part II crimes reported	4,138	3,168	3,472	3,425	3,405	3,978	4,222	4,495	4,903	4,135
Part I Crime cases cleared by arrest	9,326	803	841	1,104	1,367	1,230	814	783	1,241	602
Accidents investigated	3,113	2,732	2,254	2,278	2,325	6,840	7,081	3,270	7,781	7,280
Number of physical arrests	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Number of traffic violations	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Number of incident reports	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Fire										
Number of fire personnel and officers	205	202	204	204	198	207	207	221	224	233
Number of calls answered	11,690	12,110	11,852	11,163	10,963	12,049	13,820	13,067	15,339	13,532
Inspections	2,857	2,980	3,989	3,159	4,656	4,474	6,292	5,508	5,477	8,900
Water										
Number of service connections	43,049	43,463	44,316	45,333	46,377	47,290	48,332	50,415	51,109	51,769
Maximum daily capacity of plants in gallons	36,000,000	40,000,000	41,000,000	41,000,000	41,000,000	41,000,000	43,000,000	44,000,000	43,500,000	44,000,000
Daily average consumption in gallons (thousands of gallons)	22,100,000	20,660,000	21,800,000	21,500,000	21,700,000	21,400,000	20,900,000	21,200,000	21,500,000	20,950,000
Education										
Number of preschool school instructors	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Number of elementary school instructors	190	190	190	190	159	153	155	150	112	149
Number of middle school instructors	73	73	73	73	73	61	57	60	63	65
Number of secondary school instructors	107	107	107	107	92	98	99	95	98	86
Miscellaneous										
Number of Employees	906	1,263	1,215	911	899	919	928	1,148	1,148	1,142
Area in square miles	40.30	40.40	40.60	42.26	42.73	43.13	43.15	43.64	43.77	44.44

Sources: Various city departments.
 (a) Not available

City of Asheville
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police:										
Stations/Resource Centers	1/5	2/4	2/5	1/5	1/5	1/6	1/5	1/3	1/4	1/4
Patrol Districts	(a)	4	5	5	5	5	5	3	3	3
Patrol Units (Beats)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	12	12	13
Fire stations	9	9	9	9	9	9	9	9	9	11
Highways and streets										
Streets (miles)	373	373	373	378	385	281	390	394	395	398
Street lights	11,000	11,010	11,019	9,854	12,531	12,531	12,581	12,585	9,790	9,809
Traffic lights	150	150	150	218	218	218	218	270	295	295
Culture and recreation										
Parks acreage	547	585	740	727	727	728	755	942	972	987
Parks and playgrounds	40	42	43	44	46	55	56	43	54	57
Swimming pools	2	2	2	2	2	2	2	3	3	3
Tennis courts	22	22	22	22	22	22	34	29	32	32
Community centers	11	11	11	11	11	11	11	11	11	11
Water										
Water mains (miles)	1,100	1,150	1,500	1,550	1,550	1,550	1,550	1,600	1,625	1,643
Fire hydrants	5,500	5,800	6,000	6,000	6,000	6,000	6,130	6,355	6,178	6,307
Number of Treatment Plants	2	3	3	3	3	3	3	3	3	3
Schools										
Number of preschool schools	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	1
Number of elementary schools	6	6	6	6	6	5	5	5	5	5
Number of middle schools	2	2	1	1	1	1	1	1	1	1
Number of secondary schools	1	1	1	1	1	1	1	1	1	1
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities	1	1	1	1	1	1	1	1	1	1
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds (includes VA nursing home)	1094	1094	1094	1094	1050	1032	1032	1032	1032	1032

Sources: Various city departments.
(a) Not available

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential										
<u>Single Family</u>										
Total # of Accounts	37,734	38,114	38,936	39,808	40,726	41,575	42,525	43,660	44,899	45,706
Total # of Bills	241,369	228,684	233,616	234,717	238,335	246,672	251,782	253,411	258,111	267,134
Annual Usage Volume	2,684,919	2,656,970	2,651,286	2,574,760	2,672,756	2,570,229	2,572,856	2,642,539	2,772,653	2,844,103
Residential										
<u>Multi Family</u>										
Total # of Accounts	1,414	1,422	1,419	1,439	1,475	1,488	1,494	1,509	1,523	1,546
Total # of Bills	9,356	8,901	8,788	8,981	9,152	9,746	9,930	9,456	9,039	9,249
Annual Usage Volume	911,812	945,709	938,554	919,895	967,081	958,236	971,231	975,238	982,227	999,955
Non-Residential										
Total # of Accounts	3,901	3,927	3,961	4,086	4,006	4,057	4,172	4,377	4,481	4,524
Total # of Bills	25,387	24,528	23,984	23,722	24,355	26,109	26,649	25,826	24,918	26,111
Annual Usage Volume	3,867,642	3,264,883	3,090,454	3,116,198	3,355,708	3,389,719	3,326,140	3,274,229	3,209,849	2,832,160

(a) City of Asheville Water Resources Department.

**CITY OF ASHEVILLE
WATER SYSTEM STATISTICS (a)
WATER CUSTOMERS
Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>Single Family Residential</u>	<u>Multi- Family Residential</u>	<u>Commercial/ Industrial</u>	<u>Total</u>
1999	37,734	1,414	3,901	43,049
2000	38,114	1,422	3,927	43,463
2001	38,936	1,419	3,961	44,316
2002	39,808	1,439	4,086	45,333
2003	40,726	1,475	4,006	46,207
2004	41,575	1,488	4,057	47,120
2005	42,525	1,494	4,172	48,191
2006	44,899	1,523	4,481	50,903
2007	44,899	1,523	4,481	50,903
2008	45,706	1,546	4,524	51,776

(a) City of Asheville Water Resources Department

CITY OF ASHEVILLE
WATER SYSTEM NET INCOME PROJECTIONS AND INCOME AVAILABLE FOR DEBT SERVICE
 Last Eight Fiscal Years

	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Net Income Projections								
Operating Revenues:								
Billing charge revenues	\$ 1,285,978	\$ 1,281,639	\$ 1,312,997	\$ 1,364,605	\$ 1,392,784	\$ 1,394,387	\$ 1,410,688	\$ 1,466,020
Volume charge revenues	17,663,735	18,102,462	18,880,139	18,650,881	18,514,311	18,983,499	19,286,742	20,093,099
Other operating revenues	1,771,851	2,018,651	2,449,492	2,779,049	3,016,370	3,614,925	9,757,768	9,635,108
Subtotal Operating Revenues	20,721,564	21,402,752	22,642,628	22,794,535	22,923,465	23,992,811	30,455,198	31,194,227
Operating expenses before depreciation								
Operation and maintenance expenses	(12,616,388)	(13,273,751)	(13,649,164)	(14,689,600)	(15,172,216)	(14,617,311)	(15,106,621)	(17,277,304)
Operating income before depreciation	8,105,176	8,129,001	8,993,464	8,104,935	7,751,249	9,375,500	15,348,577	13,916,923
Depreciation	(3,300,023)	(3,453,808)	(3,456,256)	(3,662,517)	(3,832,185)	(3,971,962)	(4,229,696)	(4,327,033)
Operating Income	4,805,153	4,675,193	5,537,208	4,442,418	3,919,064	5,403,538	11,118,881	9,589,890
Nonoperating revenues:								
Investment income	1,135,322	561,319	189,961	115,296	250,971	427,548	940,606	1,429,927
Nonoperating expenses:								
Bond interest expense and principal	(2,938,684)	(3,461,924)	(3,116,929)	(3,085,313)	(2,896,086)	(4,322,374)	(4,954,448)	(5,572,412)
Net income	\$ 3,001,791	\$1,774,588	\$ 2,610,240	\$ 1,472,401	\$ 1,273,949	\$ 1,508,712	\$ 7,105,039	\$ 5,447,405
Income Available for Debt Service								
Net income	\$ 3,001,791	\$1,774,588	\$ 2,610,240	\$ 1,472,401	\$ 1,273,949	\$ 1,508,712	\$ 7,105,039	\$ 5,447,405
Adjustments:								
Depreciation	3,300,023	3,453,808	3,456,256	3,662,517	3,832,185	3,971,962	4,229,696	4,327,033
Nonoperating expenses	2,938,684	3,461,924	3,116,929	3,085,313	2,896,086	4,322,374	4,954,448	5,572,412
Payment in lieu of taxes (a)	1,554,117	1,624,234	1,709,937	1,708,805	1,739,273	-	-	-
Income available for debt service	\$ 10,794,615	\$ 10,314,554	\$ 10,893,362	\$ 9,929,036	\$ 9,741,493	\$ 9,803,048	\$ 16,289,183	\$ 15,346,850

(a) Included in operating expenses and transfers from the Authority to the City and County at the end of the year for payment in lieu of taxes. City in lieu of taxes is determined as approximately 5.0% of total revenues, and County in lieu of taxes is determined as 2.5% of revenues. These payments would be subordinate to debt service payments on senior and existing debt. As a result, these funds would be made available for debt service coverage should they be needed. Due to the dissolution of the water agreement in 2005 the City no longer remits 2.5% of total revenue to the County.

**CITY OF ASHEVILLE
PRINCIPAL WATER CUSTOMERS (a)
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Customer</u>	<u>Type of Business</u>	<u>Consumption</u>	<u>Revenue</u>	<u>Percentage of Total Water Revenues</u>
City of Hendersonville	Wholesale - Township	497,460	\$ 402,834	1.32 %
Mission Hospitals	Hospital	143,552	323,820	1.06
Grove Park Inn	Resort	77,528	232,061	.76
Woodfin Water / Sewer District	Wholesale - Township	122,958	178,339	.59
Town of Biltmore Forest	Wholesale - Township	85,212	171,027	.56
Milkco	Food Processing	77,187	155,479	.51
Town of Black Mountain	Wholesale - Township	83,652	131,969	.43
Colbond	Textile	82,631	126,096	.41
Biltmore Estate	Leisure and Hospitality	68,242	121,305	.40
Givens Estates	Retirement Community	36,220	110,094	.36

(a) City of Asheville Water Resources Department

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 Independent Auditors' reports 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.

City of Asheville
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Federal Expenditures	State Expenditures	Total Expenditures
Federal Awards					
U.S. Department of Transportation					
Direct Programs:					
Federal Transit Cluster:					
Federal Transit Authority - Capital and Operating	20.507	Various	\$ 1,157,848	\$ -	\$ 1,157,848
Capital Investment Grant	20.500	DOT-19	125,599	-	125,599
Total Federal Transit Cluster			<u>1,283,447</u>	<u>-</u>	<u>1,283,447</u>
Passed through NCDOT:					
Intercity Grant - Weaverville	20.509	08-IC-002	51,774	51,774	103,548
Intercity Grant - Black Mountain	20.509	08-IC-003	83,008	83,008	166,016
Highway Planning and Construction Program:					
Federal Transit Metropolitan Planning Grant	20.505	07-08-100	41,673	5,210	46,883
MPO - French Broad River	20.205	MPO-FY07	166,460	-	166,460
TIP Enhancement Grant - East Oakview Bridge	20.205	B-4343	14,905	-	14,905
TIP Enhancement Grant - W. End Cling Ped Impr. 2	20.205	E-4966	6,343	-	6,343
SPR-Bike/Ped Plans	20.205	5877	24,000	-	24,000
Highway Safety Cluster:					
NC Governor's Highway Safety Program	20.605	QN-07-17-01-03	107,163	-	107,163
NC GHSP For Regional Coordinator's Expenses	20.602	K2-08-07-01-11	17,501	-	17,501
Total Highway Safety Cluster			<u>124,664</u>	<u>-</u>	<u>124,664</u>
Total U .S. Department of Transportation			<u>1,796,274</u>	<u>139,992</u>	<u>1,936,266</u>
U.S. Department of Housing and Urban Development					
Direct Programs:					
Community Development Block Grant	14.218	B-07-MC-370001	1,269,191	-	1,269,191
Community Development Block Grant	14.218	B-06-MC-370001	320,306	-	320,306
Community Development Block Grant	14.218	B-05-MC-370001	94,727	-	94,727
HOME Program	14.239	M-07-DC-370201	914,746	-	914,746
HOME Program	14.239	M-06-DC-370201	217,487	-	217,487
HOME Program	14.239	M-05-DC-370201	77,206	-	77,206
HOME Program	14.239	M-04-DC-370201	43,502	-	43,502
Fair Housing Assistance Program-FHAP	14.401	FF204K044018	48,100	-	48,100
Outstanding Section 108 loan balances	14.248		1,144,717	-	1,144,717
Total U.S. Dept of HUD			<u>4,129,982</u>	<u>-</u>	<u>4,129,982</u>
U. S. Department of Agriculture					
Passed through NC Dept of Health & Human Services:					
Summer Day Camp Program Food Service	10.559	7843	12,084	-	12,084
After School Program Food Service	10.559	7197	12,329	-	12,329
Total U.S Department of Agriculture			<u>24,413</u>	<u>-</u>	<u>24,413</u>
U. S. Department of Commerce					
Direct Programs:					
National Weather Service Grant	11.450	NA05NWS4501009	57,620	-	57,620
Total U.S Department of Commerce			<u>57,620</u>	<u>-</u>	<u>57,620</u>

(continued)

City of Asheville
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Total Expenditures</u>
<u>U. S. Department of Justice</u>					
Direct Programs:					
Justice Assistant Grant - BJA	16.738	2006-DJ-BX-0429	\$ 53,580	\$ -	\$ 53,580
Justice Assistant Grant - BJA	16.738	2005-DJ-BX-0508	59,980	-	59,980
Weed & Seed Grant	16.595	2006-WS-Q6-0166	88,440	-	88,440
Weed & Seed Grant	16.595	2007-WS-Q7-0129	54,376	-	54,376
COPS Methamphetamine Initiative	16.710	2006-CK-WX-0467	120,626	-	120,626
Total U. S. Department of Justice			377,002	-	377,002
<u>U. S. Department of Homeland Security</u>					
Direct:					
SAFER	97.083	EMW-2005-FF-02775	186,764	-	186,764
Passed through NC Dept of Crime Control & Public Safety:					
Hazmat	97.067	2006-GE-T6-0010	97,334	-	97,334
Total U.S. Department of Homeland Security			284,098	-	284,098
State Awards					
<u>N. C. Department of Transportation</u>					
Direct Programs:					
Powell Bill	N/A	DOT-4	-	2,607,730	2,607,730
State Maintenance Assistance Program	N/A	SMAP	-	759,215	759,215
Transportation Demand Management	N/A	DOT-11	-	33,127	33,127
Pack Square Renaissance Park	N/A	DOT-18	-	25,000	25,000
TIP Enhancement Grant - Pack Square	N/A	E-4816	-	117,761	117,761
Total N.C. Department of Transportation			-	3,542,833	3,542,833
<u>N. C. Department of Health and Human Services</u>					
Passed through Land of Sky Regional Council:					
Senior Center Gen'l Purpose - Senior Opportunity	N/A	HB-1473	-	11,522	11,522
Senior Center Gen'l Purpose - Harvest House	N/A	HB-1473	-	13,906	13,906
Total N.C. Dept of Health and Human Services			-	25,428	25,428
<u>N. C. Department of Environment and Natural Resources</u>					
Direct Programs:					
High Unit Cost Grant - DEH0930	N/A	DEH0930	-	550,898	550,898
Special Appropriations-WNC Nature Center	N/A	Grant # 650	-	112,879	112,879
Richmond Hill Park Rain Garden	N/A	2008-2288	-	11,830	11,830
Flood Damage Reduction, Flood Preparedness	N/A	W07019, 07020, 07021	-	993,703	993,703
Passed through Cleanwater Management Trust Fund:					
Dingle Creek Watershed	N/A	CWMTF-2005B-701	-	133,000	133,000
Total N.C. DENR			-	1,802,309	1,802,309
<u>N.C. Department of Crime Control and Public Safety</u>					
Passed through NC Rural Development Center					
Hurricane Recovery Business Area Redevel Planning	N/A	-	-	125,077	125,077
Total N.C. Dept of Crime Control and Public Safety			-	125,077	125,077
Total Federal and State Awards Expended			\$ 6,669,389	\$ 5,635,639	\$ 12,305,028

(concluded)

CITY OF ASHEVILLE
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

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>Federal CFDA Number</u>	<u>Federal Expenditures</u>
AHC - Tenant-Based Rental Assistance	HOME Investment Partnerships	14.239	\$ 32,914
HB - Tenant-Based Rental Assistance	HOME Investment Partnerships	14.239	21,663
MHO - East Riverside Development	HOME Investment Partnerships	14.239	124,722
MHO - Crowell Park	HOME Investment Partnerships	14.239	108,932
MHO - Clingman Avenue Apartments	HOME Investment Partnerships	14.239	132,072
MHO - Glen Rock Apartments	HOME Investment Partnerships	14.239	39,763
MHO - Housing for Veterans	HOME Investment Partnerships	14.239	33,749
MHO - Self-Help - Bunc. Co.	HOME Investment Partnerships	14.239	105,076
Buncombe Co. - SCA Site Rehab	HOME Investment Partnerships	14.239	75,620
HAC - Three Seeds	HOME Investment Partnerships	14.239	106,780
HAC - Sugar Hill Apartments	HOME Investment Partnerships	14.239	11,451
HAC / Henderson Co. Downpmnt Assist	HOME Investment Partnerships	14.239	10,400
Henderson Co. Habitat - Shuey Knolls	HOME Investment Partnerships	14.239	155,030
Madison Co. Owner - Occupied Rehab	HOME Investment Partnerships	14.239	90,199
MHO - ADDI	HOME Investment Partnerships	14.239	11,500
General Program Admin	HOME Investment Partnerships	14.239	123,740
Member Government Administration	HOME Investment Partnerships	14.239	1,215
CHDO Operating Expenses	HOME Investment Partnerships	14.239	68,016
Total			\$ 1,252,840

See the accompanying Independent Auditors' Report .

CITY OF ASHEVILLE
Schedule of Revenue and Expenditures -- High Unit Cost Grant--
Project Number DEH0930

From Inception and the Year Ended June 30, 2008

	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Project</u> <u>to Date</u>
Sources of Funds:			
State Funds	\$ 2,442,395	\$ 557,605	\$ 3,000,000
Total Revenues	<u>\$ 2,442,395</u>	<u>\$ 557,605</u>	<u>\$ 3,000,000</u>
Construction Cost:			
WC0201	\$ 583,484	\$ -	\$ 583,484
WC0202	613,090	-	613,090
WC0203	795,511	550,898	1,346,409
Administrative Expense:			
Professional Services	435,418	-	435,418
Advertising	1,062	-	1,062
Legal Fees	13,045	-	13,045
Engineering Fees	3,296	-	3,296
License, Taxes & Fees	96	-	96
Other			
Right of Ways	4,100	-	4,100
Total Expenditures	<u>\$ 2,449,102</u>	<u>\$ 550,898</u>	<u>\$ 3,000,000</u>



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

**Report 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***

City of Asheville
Asheville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Asheville, North Carolina (the "City"), as of and for the year ended June 30, 2008 which collectively comprises the City's basic financial statements, and have issued our report thereon dated December 30, 2008. We did not audit the financial statements of the City of Asheville ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Asheville ABC Board, is based solely on the report of the other auditors. 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. The financial statements of the City of Asheville ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*; however, management has disclosed one instance of non-compliance in the notes to the financial statements.

We noted certain matters that we have reported to management of the City in a separate letter dated December 30, 2008.

This report is intended solely for the information and use of the members of City Council, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 30, 2008

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DIXON HUGHES P.L.L.C.

Certified Public Accountants and Advisors

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

City of Asheville
Asheville, North Carolina

Compliance

We have audited the compliance of the City of Asheville, North Carolina (the "City"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 non-compliance 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Asheville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed one instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and the State Single Audit

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Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as Finding 2008-1.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of the members of City Council, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 30, 2008

Dixon Hughes PLLC



DIXON HUGHES PLLC
Certified Public Accountants and Advisors

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

City of Asheville
Asheville, North Carolina

Compliance

We have audited the compliance of the City of Asheville, North Carolina (the "City"), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. The City's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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 non-compliance 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 non-compliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that non-compliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a State program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of the members of City Council, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 30, 2008

Dixon Hughes PLLC

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

Section I--Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no

- Significant deficiencies identified that
are not considered to be material
weaknesses? _____ yes X none reported

- Non-compliance material to financial
statements noted? _____ yes X no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no

- Significant deficiencies identified that
are not considered to be material
weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs: unqualified

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

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2008

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Program
14.218	Community Development Block Grant
20.500 & 20.507	Highway Safety Cluster
20.205	Highway Planning and Construction

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

Auditee qualified as low risk auditee? _____ yes X no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

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

Type of auditors' report issued on compliance for major State programs: unqualified

Identification of major State programs:

- Program Name
- Powell Bill
 - State Maintenance Assistance Program
 - High Unit Cost Grant
 - Flood Damage Reduction, Flood Preparedness

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2008

Section II--Financial Statement Findings

There were none.

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2008

Section III--Federal Award Findings and Questioned Costs

Finding: 2008-1 Inspection of HOME Projects

US Department of Housing and Urban Development (HUD)

Program Name: HOME

CFDA 14.239

NON-COMPLIANCE

Sub-recipient monitoring

- Criteria: HUD requires on-site inspections during the period of affordability to determine compliance with property standards and verify the information submitted by the owners no less than: 1) every three years for projects containing 1 to 4 units, 2) every two years for projects containing 5 to 25 units, and 3) every year for projects containing 26 or more units.
- Condition: As noted in the Consolidated Annual Performance and Evaluation Report, 22 projects were listed as being subject to inspection. Of these 22 projects, only 13 met the monitoring requirements specified above.
- Effect: HOME projects could be out of compliance.
- Cause: Recent staff turnover has left the City without sufficient resources to stay current on its inspections.
- Recommendation: We recommend the City devote sufficient resources to comply with HOME standards.
- Management's Response: See Corrective Action Plan.

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2008

Section IV--State Award Findings and Questioned Costs

There were none.

CITY OF ASHEVILLE, NORTH CAROLINA

Corrective Action Plan

For the Year Ended June 30, 2008

Section III—Federal Award Findings and Questioned Costs

2008-1 Inspection of HOME projects

US Department of Housing and Urban Development (HUD)

Program Name: HOME

CFDA 14.239

NON-COMPLIANCE

Sub-recipient Monitoring

Name of contact person:

Judy Daniel, Planning & Development Director

Corrective action:

Management will continue to take measures to fill the vacant staff positions. Until those vacant positions are filled, the department is concurrently seeking contracted staffing to be responsible for the workload requirements that are critical to meeting the needs to comply with HOME standards in regards to inspections. Current staff is working toward preparing a plan to bring the nine projects within compliance by June 30, 2009.

Proposed completion date:

June 30, 2009

CITY OF ASHEVILLE, NORTH CAROLINA

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2008

Section II--Financial Statement Findings

Finding: 2007-1

Status: Corrected.

Section III--Federal Award Findings and Questioned Costs

Finding: 2007-2

Status: Repeated as finding 2008-1.

Section IV--State Award Findings and Questioned Costs

There were none.