

# City of Asheville, North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010



Prepared by the Finance Department



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**CITY OF ASHEVILLE**

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December 28, 2010

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

State law requires that all municipal governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America (GAAS) and generally accepted government auditing standards (GAGAS), if required, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Asheville (the “City”) for the fiscal year ended June 30, 2010.

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

The independent certified public accounting firm of Dixon Hughes PLLC has audited the City’s financial statements. The objective of the audit was to provide reasonable assurance that the City’s financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on their audit, Dixon Hughes concluded that the City’s financial statements, for the fiscal year ended June 30, 2010, are presented fairly in accordance with GAAP in all material respects. The independent auditors’ report is presented as the first component of the financial section of this report.

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

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

## *Profile of Government*

The City, incorporated in 1797, is located in the western part of the state, which is considered to be the top growth area in the state and one of the top growth areas in the country. Asheville currently occupies a land area of approximately 45.2 square miles and serves a population of 79,973. The City is the county seat of Buncombe County, the largest city in Western North Carolina and eleventh largest city in the State. Asheville is nestled between the Blue Ridge and Great Smoky Mountains and located astride the French Broad and Swannanoa Rivers. The City is surrounded by lush mountains, many with elevations above 5,000 feet. Asheville's natural and architectural beauty, moderate climate, strong job market and outstanding educational and health care facilities make it one of the most attractive locations in the United States. Asheville is consistently ranked high among the best places to live, work, and retire. The City's long-range planning is directed toward preserving this area's high quality of life, so that it shall remain one of the "best places."

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. 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 effect for one year. However, capital projects funds and grant funds are budgeted, as permitted by statute, for the life of each individual project. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by fund or project total. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each department or project. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. Encumbered amounts lapse at year-end. However, encumbrances are re-appropriated in the following year's budget. Budgetary control is also facilitated by the use of an

automated employee position classification system, which requires that every permanent position be budgeted.

### ***Local Economy***

The City is the regional center of manufacturing, transportation, health care, banking, professional services and shopping. The economy in this area is diverse, with strong representation in health care, retail trade and tourism. The area's leading industry in terms of employment is health services and private education, which currently employs approximately 30,000 people. Other leading industry sectors include government, retail trade, and leisure and hospitality. Together these four sectors account for 60% of all jobs in the Metropolitan Statistical Area ("MSA").

The City's setting in the heart of a vast and beautiful recreational area has made tourism an important part of the local economy. The most recent data from the N.C. Department of Commerce indicates that domestic tourism in Buncombe County generated an economic impact of \$661.95 million in 2009, a decrease of 6.9% over 2008. A good indicator of the status of the local tourist economy is growth in hotel/motel sales. Because of the economic decline during the last two years, hotel/motel sales decreased 8.7% in 2009 compared to the prior year. However, Buncombe County ranks 5<sup>th</sup> in travel impact among the state's 100 counties, and the number of jobs in this sector remains strong. Approximately 8,740 of the County's jobs are directly linked to travel 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. During the current recession, Buncombe County retail sales have seen a sharp decline, falling 8.8% in FY2009 (as compared to FY2008) and declining another 2.9% in FY2010. Of the \$2.9 billion in retail sales recorded in Buncombe County during FY2010, approximately 75% of those sales occurred within the City of Asheville. Among the eighteen cities in North Carolina with populations exceeding 50,000, Asheville had the highest level of retail sales per resident in FY2010 which reflects the City's position as the regional economic center for Western North Carolina. This high level of retail sales per resident is also likely associated with the City's status as a tourist destination.

The unemployment rate is another critical indicator of the relative strength in the economy, and as of October 2010, Buncombe County's unemployment rate was 7.4 %. By comparison, Buncombe County's unemployment rate in October 2009 was 8.3%, and in October 2008 it was 5.0%. Although the unemployment rate has dropped, it still remains elevated compared to where it was prior to the recession. Buncombe County's unemployment rate has, however, remained lower than both the statewide and national unemployment rates throughout the recession. As of October 2010, the state unemployment rate was 9.1% and the national rate was 9.0%.

### ***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 FY2011 CIP (through the fiscal year ending June 30, 2016) 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. However, the

most significant factor in the FY2011 CIP plan was the economy, which negatively affected revenues and limited the projects and purchases undertaken by the City.

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

The General Capital Reserve Fund provides funding for all general government capital needs. FY2011 funding was provided by a \$2,435,300 pay-as-you-go contribution from the General Fund and \$1,300,000 in debt proceeds.

CIP items and projects in the Water Resources Operating & Capital Improvement Funds were funded with utility revenues generated by the Water Resources Operating Fund and a capital maintenance fee. The capital improvement project budget for FY2011 was \$5.6 million, and an additional \$352,000 was budgeted for rolling stock replacement and small capital equipment.

### ***Relevant Financial Policies***

The Fiscal Management Section of the North Carolina State Treasurer's Office suggests local governments with taxing authority maintain an available fund balance, in their general fund, equal to (the larger of) eight percent of general fund expenditures or half the population group average. The City's fund balance policy is to maintain an unreserved fund balance no less than 15 percent of the General Fund operating budget excluding capital expenditures. In recent years, the City's fund balance grew to 31 percent of expenditures, exceeding the state's minimum suggested threshold, as well as the City's internal policy threshold. As a result, Council, based upon staff's recommendation, made a decision to spend down fund balance in order to address critical infrastructure needs as well as maintain adequate service levels during the current economic downturn. The City's fund balance in the General Fund has decreased over the past couple of years and is currently 12.5 percent of General Fund expenditures as of June 30, 2010.

### ***Insurance Programs***

The City maintains various risk management programs for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the City's internal service fund. For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustments of claims. The City purchases excess liability insurance with limits of \$15,000,000 across all liability lines – general, public officials, law enforcement, employment practices and automobile. The City also purchases insurance for real and personal property assets, including dams, in the amount of \$231,000,000. Coverage limits include sub-limits for flood and earthquake. The City is also self-insured as provided under North Carolina General Statutes for Workers Compensation and Employer Liability. The City retains out-of-pocket costs up to \$400,000 per event for workers' compensation claims. Excess insurance with statutory limits is maintained for any claims exceeding the \$400,000 self-insured retention. An aggregate stop-loss limit in the amount of \$3,000,000 applies to total workers compensation losses in excess of \$5,756,734 over a three-year period. The employee health benefits program is funded by both employee and employer contributions. Employee benefits paid through this program include health, dental, life and disability insurance. The City's health benefits are self-insured for claims below a \$150,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance.

## *Awards and Acknowledgements*

The Governmental Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the thirtieth time that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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



Lauren Bradley  
Administrative Services Director

# 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, 2009

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.



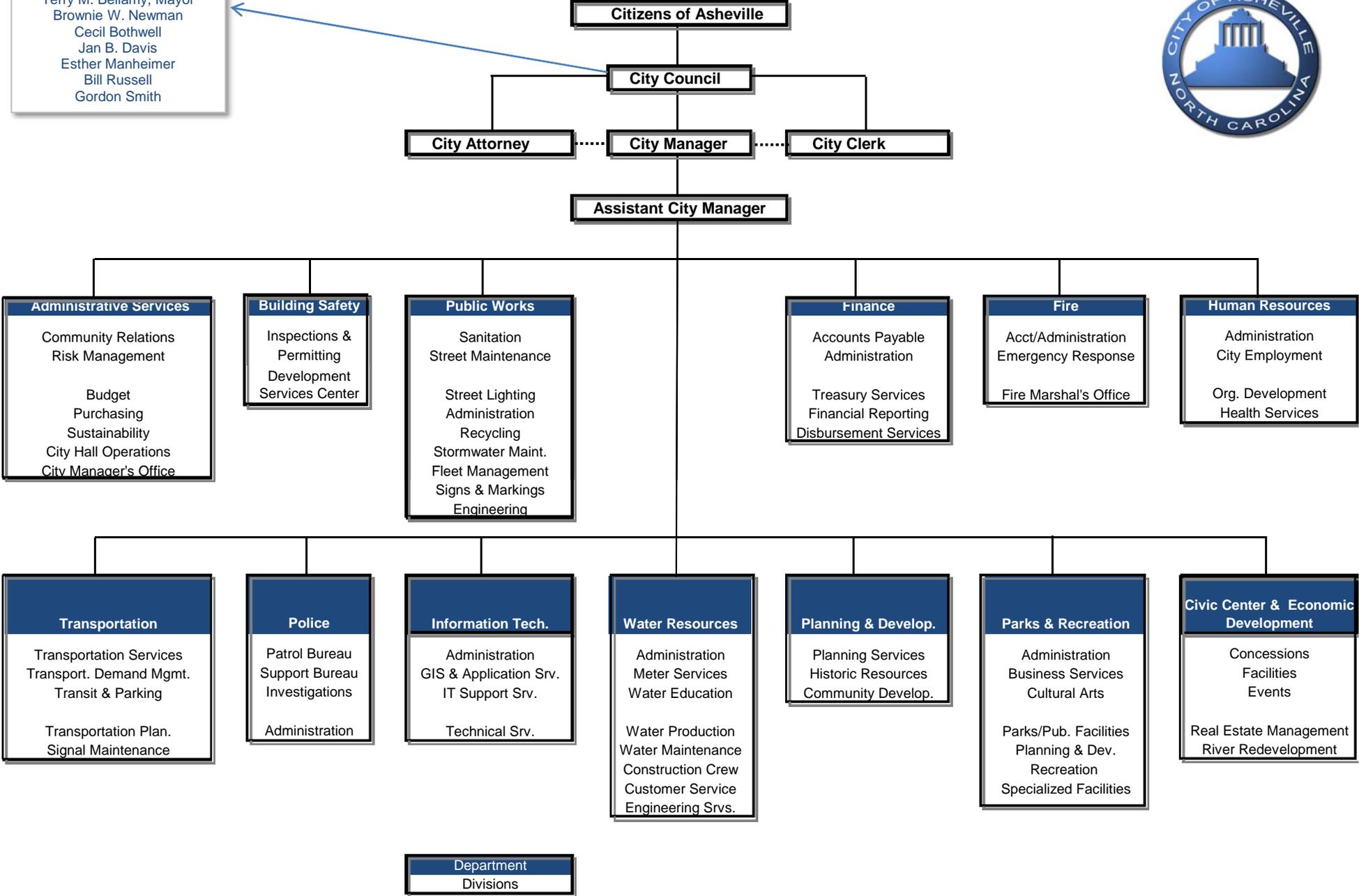
President

Executive Director

# CITY OF ASHEVILLE ORGANIZATION CHART



Terry M. Bellamy, Mayor  
 Brownie W. Newman  
 Cecil Bothwell  
 Jan B. Davis  
 Esther Manheimer  
 Bill Russell  
 Gordon Smith



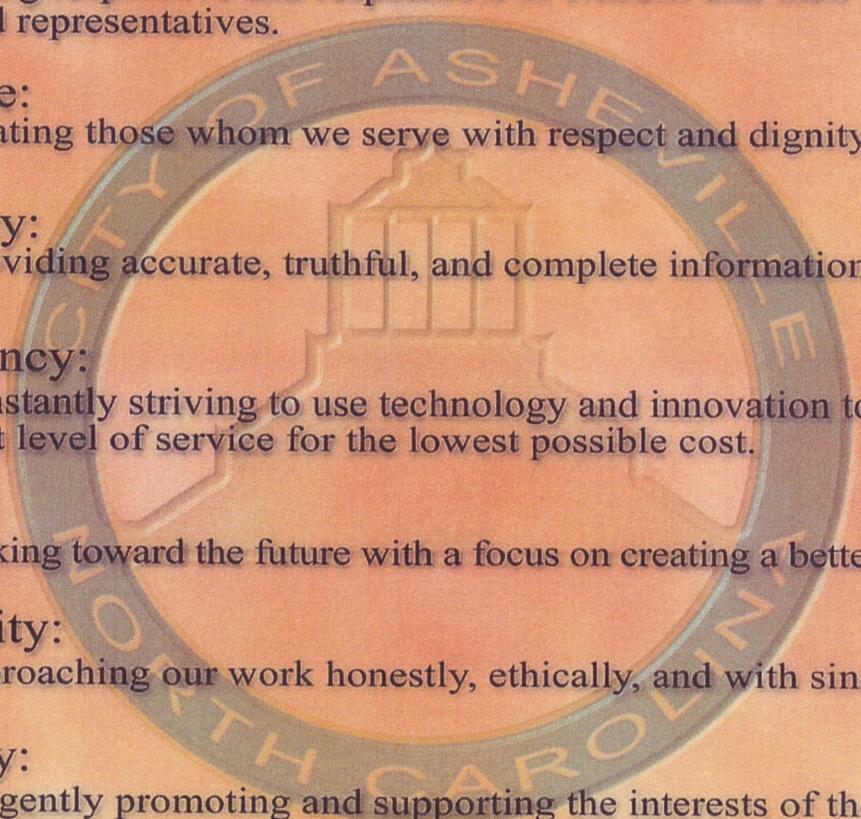
# City of Asheville

## 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:

- 
- A**ccountability:  
By being responsive and responsible to citizens and their elected representatives.
- S**ervice:  
By treating those whom we serve with respect and dignity.
- H**onesty:  
By providing accurate, truthful, and complete information.
- E**fficiency:  
By constantly striving to use technology and innovation to provide the highest level of service for the lowest possible cost.
- V**ision:  
By looking toward the future with a focus on creating a better Asheville.
- I**ntegrity:  
By approaching our work honestly, ethically, and with sincerity.
- L**oyalty:  
By diligently promoting and supporting the interests of the community we serve.
- L**eadership:  
By being a model for quality service and professionalism in our community and throughout the nation.
- E**qual 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"*

**- 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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparisons for the General Fund and the Housing Partnership Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 to the financial statements, the City restated beginning fund balance in the Housing Partnership Fund to defer the balance of notes receivable.

Independent Auditors' Report  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2010, 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, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Required Contributions, and Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Required Contributions (on Pages 3 - 16 and 62 - 65, respectively) 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 28, 2010

Dixon Hughes PLLC

**CITY OF ASHEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

As management of the City of Asheville (the "City"), we offer readers of the City of Asheville's financial statements this narrative overview and analysis of the financial activities of the City of Asheville for the fiscal year ended 2010. 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 \$366,847,351 (net assets). Of this amount, \$72,914,277 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets decreased by \$1,017,326.
- At the close of the current fiscal year, the City of Asheville's governmental funds reported combined ending fund balances of \$31,131,424 a decrease of \$3,367,082 in comparison with the restated prior year. The undesignated portion of the General Fund fund balances is \$11,162,752; this amount is available to spend at the City's discretion.
- At the end of the current fiscal year, the reserved portion of fund balance for all governmental funds was \$16,080,748, while the unreserved totaled \$15,050,676 for all governmental funds.
- The City's total long-term liabilities decreased by approximately \$5.7 million during the current fiscal year. This net decrease is primarily attributable to the payment of principal on the City's debt in conformance with the applicable maturity schedules.
- The City holds the following bond ratings:

Moody's	Aa1
Standard & Poor's	AA+

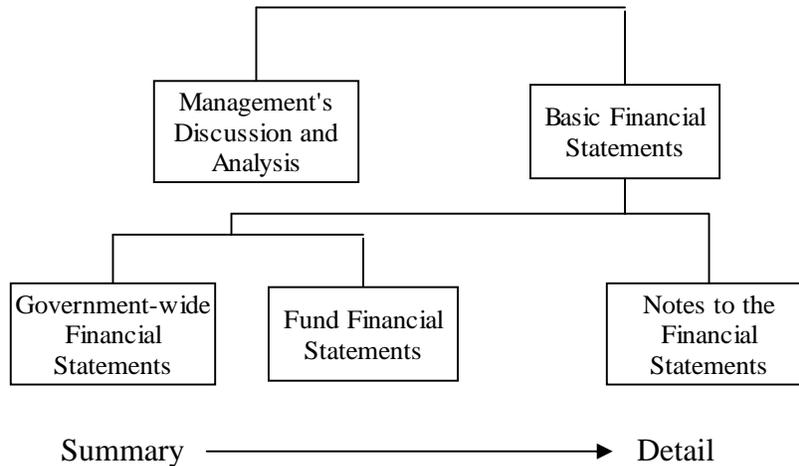
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City 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.

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide 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 other local taxes finance about 64% 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 K) provide a more detailed look at the City's most significant activities. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting ensures and reflects compliance, or non-compliance, with related legal requirements, such as General Statutes, grantor provisions, or the City's budget ordinance. The funds of the City are divided into three categories: 1) the governmental fund statements, 2) the proprietary fund statements, and 3) the fiduciary fund 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 E) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. (Exhibit D & F)

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

The City 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 G)

**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.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Asheville. The City uses one internal service fund to account for its self-insurance operations.

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 H through J of this report.

***Fiduciary Funds:*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City 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 K 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 31-61 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 62-65 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 \$366,847,351 as of June 30, 2010.

By far the largest portion of the City's net assets (\$289,467,962 or 79%) 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, 1.2% of the City's net assets, represent resources that are subject to external restrictions. These restrictions consist of community development activities, capital projects in the business-type activities relating to unexpended bond proceeds and cemetery maintenance. In addition, total unrestricted net assets amounted to 20% of total net assets. Unrestricted net assets may be used to meet the government's ongoing obligation to citizens and creditors.

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

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 61,718	\$ 58,078	\$ 59,392	\$ 52,336	\$ 121,110	\$ 110,414
Capital assets	186,523	184,653	194,805	200,780	381,328	385,433
Total assets	<u>248,241</u>	<u>242,731</u>	<u>254,197</u>	<u>253,116</u>	<u>502,438</u>	<u>495,847</u>
Non-current liabilities	30,927	33,179	82,351	78,398	113,278	111,578
Other liabilities	11,848	8,823	9,447	8,599	21,295	17,422
Total liabilities	<u>42,775</u>	<u>42,002</u>	<u>91,798</u>	<u>86,997</u>	<u>134,573</u>	<u>129,000</u>
Net assets:						
Invested in capital assets, net of related debt	163,616	164,710	119,193	124,758	282,809	289,468
Restricted	4,642	3,904	-	561	4,642	4,465
Unrestricted	37,208	32,114	43,206	40,800	80,414	72,893
Total net assets	<u>\$ 205,466</u>	<u>\$ 200,728</u>	<u>\$ 162,399</u>	<u>\$ 166,119</u>	<u>\$ 367,865</u>	<u>\$ 366,847</u>

Net assets for the governmental activities declined by \$4.7 million with the decrease in net assets primarily attributable to an increase in risk management claims payable and other postemployment benefits and expenses in excess of revenues. Net assets for business-type activities increased approximately \$3.7 million. This increase is primarily due to the results from operations of the City's water operations as discussed in more detail on Page 12 and the favorable changes in net assets of the parking services operations. Net assets invested in capital

assets, net of related debt, increased as the City continues to make capital investments in its governmental and business-type infrastructure while reducing the principal amount of its outstanding debt.

**Governmental activities.** Net assets of governmental activities decreased by \$4,737,300. Key elements of this decrease are as follows:

- Net changes in fund balances for the governmental funds reflected a reduction of \$3.4 million with the majority of the decrease occurring in unfavorable but planned reductions of governmental net assets. This decrease in net assets of governmental activities reflects the continuing impact of the economic downturn on the City's financial condition.
- Internal Service Fund, used by the City to reflect the costs of risk expenses and other post employment benefits is reported with governmental activities. The activity experienced a decrease in net assets of \$3.3 million – health care expenses exceeding revenues by \$1.7 million with an additional \$1.6 million for insurance claims reserves and other post employment benefits.
- Contributed capital in the amount of \$2.3 million for the new “green” lighting at Azalea Park and the City's right of way easements recorded in FY2010, in accordance with the new GASB 51 statement requirements, partially offset the decreases in net assets cited above.

### City of Asheville Changes in Net Assets

(amounts expressed in thousands)

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues:						
Charges for services	\$ 12,352	\$ 18,595	\$ 41,100	\$ 41,195	\$ 53,452	\$ 59,790
Operating grants and contributions	8,690	6,152	2,554	3,048	11,244	9,200
Capital grants and contributions	5,639	8,942	1,043	640	6,682	9,582
General revenues:						
Property taxes	43,971	45,238	-	-	43,971	45,238
Other taxes	23,091	14,561	-	-	23,091	14,561
Grants and contributions not restricted to specific programs	1,770	8,308	-	-	1,770	8,308
Investment earnings	1,434	139	1,203	357	2,637	496
Miscellaneous	820	93	2	47	822	140
Total revenues	<u>97,767</u>	<u>102,028</u>	<u>45,902</u>	<u>45,287</u>	<u>143,669</u>	<u>147,315</u>

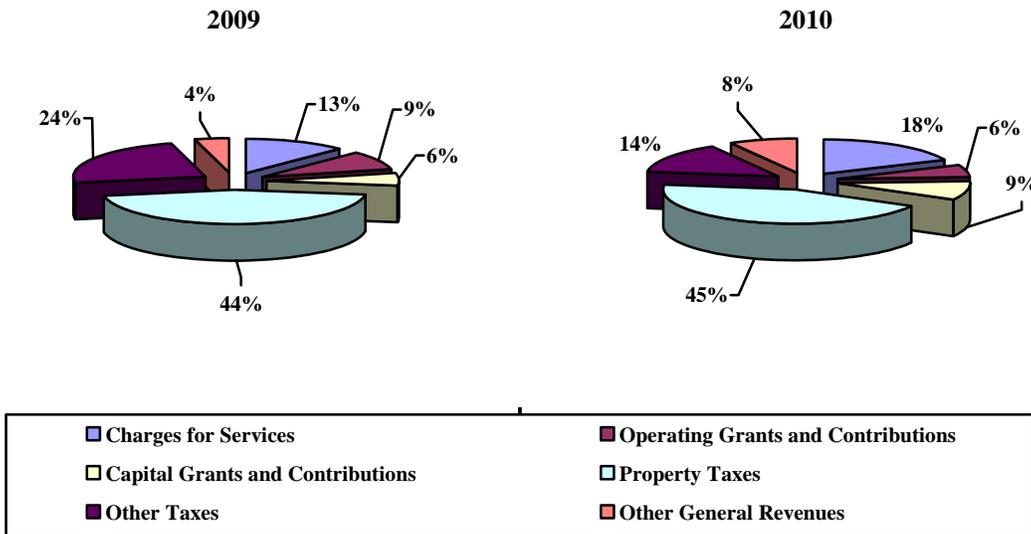
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Expenses:						
General government	\$ 14,206	\$ 21,245	\$ -	\$ -	\$ 14,206	\$ 21,245
Public safety	43,305	44,282	-	-	43,305	44,282
Public works	28,754	17,481	-	-	28,754	17,481
Community development	2,941	6,016	-	-	2,941	6,016
Transportation	-	7,359	-	-	-	7,359
Culture and recreation	12,626	9,328	-	-	12,626	9,328
Interest on long-term debt	1,125	930	-	-	1,125	930
Water resources	-	-	24,823	27,490	24,823	27,490
Civic Center	-	-	2,374	2,147	2,374	2,147
Festivals	-	-	1,106	758	2,013	758
Parking services	-	-	2,013	1,669	1,106	1,669
Mass transit	-	-	5,475	5,542	5,475	5,542
Stormwater	-	-	3,382	3,055	3,382	3,055
Golf course	-	-	1,114	1,031	1,114	1,031
Total expenses	<u>102,957</u>	<u>106,641</u>	<u>40,287</u>	<u>41,692</u>	<u>143,244</u>	<u>148,333</u>
Increase (decrease) in net assets before transfers	(5,190)	(4,613)	5,615	3,595	425	(1,018)
Transfers	<u>(1,865)</u>	<u>(125)</u>	<u>1,865</u>	<u>125</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(7,055)	(4,738)	7,480	3,720	425	(1,018)
Net assets, beginning of year	<u>212,521</u>	<u>205,466</u>	<u>154,919</u>	<u>162,399</u>	<u>367,440</u>	<u>367,865</u>
Net assets, end of year	<u>\$ 205,466</u>	<u>\$ 200,728</u>	<u>\$ 162,399</u>	<u>\$ 166,119</u>	<u>\$ 367,865</u>	<u>\$ 366,847</u>

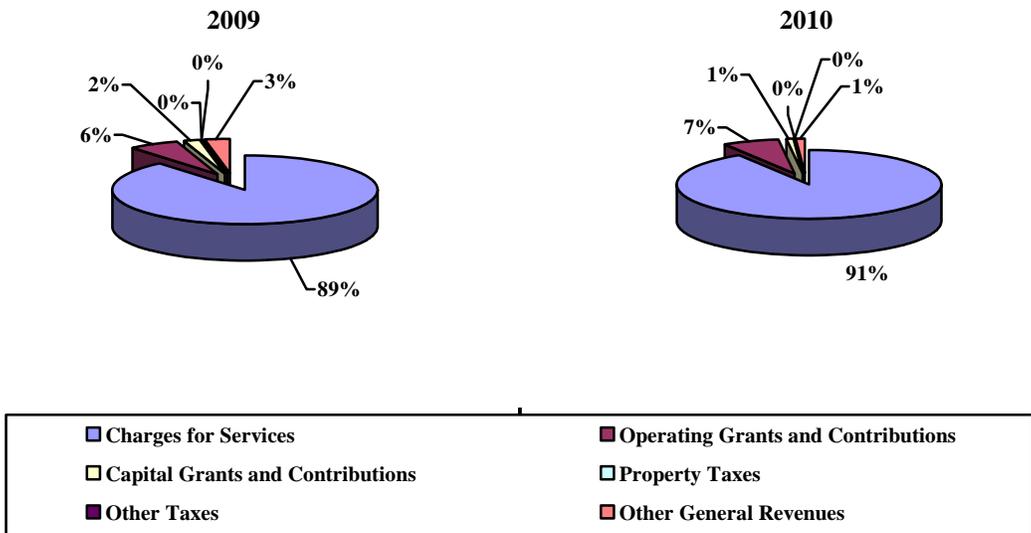
During FY2010, the City of Asheville converted its financial systems. As part of the conversion, a detailed re-mapping of revenues and expenses occurred which makes year over year comparisons at the functional level somewhat problematic.

Total revenues reported in the governmental activities for FY2010 were \$102.0 million as compared to FY2009's \$97.8 million representing an increase of \$4.2 million or 4.3%. Contributed capital increased by about \$1.8 million year over year. FY2010's contributed capital relates to the new "green" lighting at Azalea Park and the City's right of way easements recorded in FY2010 in accordance with the new GASB 51 statement requirements. Another component of the increase in revenues relates to the higher intergovernmental revenues in the amount of \$1.9 million for community development and various public infrastructure improvements. Total expenses reported in the governmental activities for FY2010 were \$106.6 million as compared to FY2009's \$103.0 million representing an increase of \$3.6 million or 3.5%. The largest portion of this year over year increase relates to higher depreciation costs (\$15.7 million in 2010 versus \$14.5 million in 2009 - \$1.2 million more) associated with the City's depreciable assets and higher risk expenses and other post employment benefits (\$3.3 million in 2010 versus \$2.1 million in 2009 - \$1.2 million more).

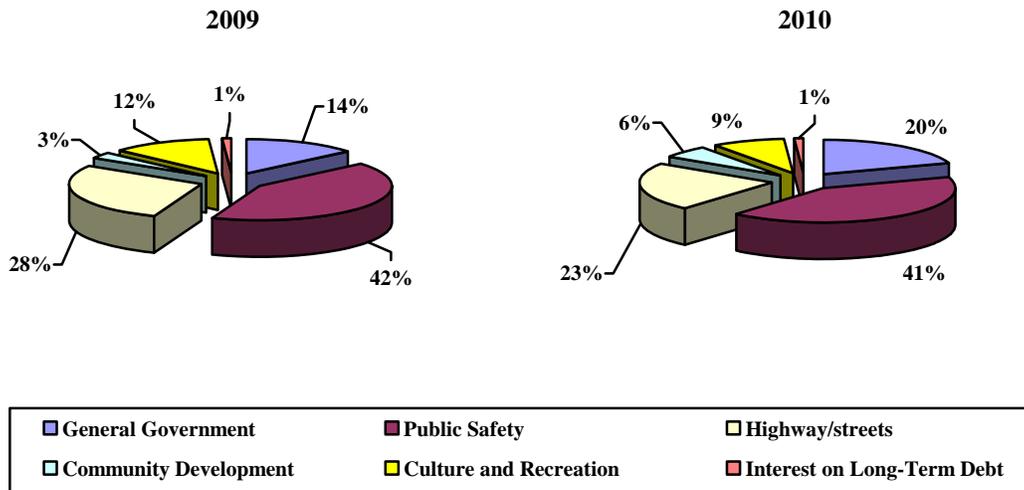
**Government-Wide Revenues  
Governmental Activities  
Figure 4**



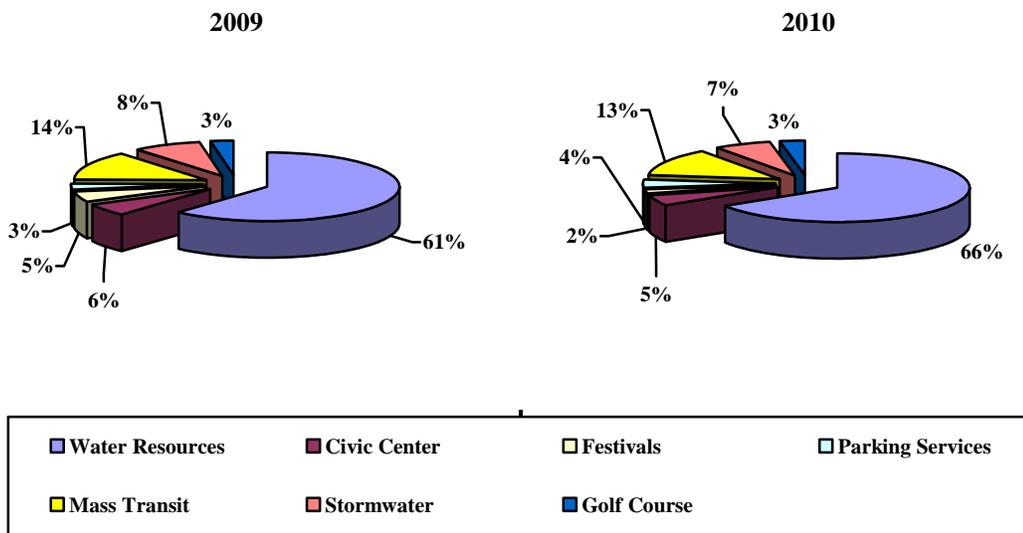
**Government-Wide Revenues  
Business-type Activities  
Figure 5**



**Government-Wide Expenses  
Governmental Activities  
Figure 6**



**Government-Wide Expenses  
Business-type Activities  
Figure 7**



**Business-type activities.** Business-type activities increased the City of Asheville's net assets by approximately \$3.7 million for FY2010 with \$2.8 million occurring in the Water Resource Fund and the balance of \$0.9 million occurring in the non-major enterprise funds. Key elements of this increase are as follows:

- Fiscal year total program revenues, investment earnings and miscellaneous revenues for the business-type activities are essentially unchanged, fiscal year over year. The majority of revenue in the business-type activity relates to the City's Water Resources Fund. During FY2010, water charges were increased by 4%; however, due to reduced water consumption attributable to conservation measures and economic conditions, overall water revenue remains largely unchanged in 2010 compared to 2009.
- Expenses in the business-type activities increased moderately, year over year, with the majority of the increase attributable to higher depreciation expenses (\$9.3 million in FY2010 versus \$6.3 million in FY2009). The increased depreciation expenses are due to the large capital additions made in the Water Resources Fund over the past several years with a portion of the resources for these improvements coming from the issuance of the Series 2007 revenue bonds.
- Non-major enterprise funds had a combined decrease in revenue of \$.3 million; the largest decline in revenue occurring in the Civic Center concession operations. The Civic Center, Parking, Festivals and Stormwater activities reflected lower operating expenses in 2010 compared to 2009 with slight increases in operating expenses reflected in Transit and Golf operations. Overall, changes in net assets in the non-major enterprise funds improved in 2010 to \$0.9 million compared to 2009's decrease of \$0.5 million, a favorable swing of \$1.4 million.

### **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, 2010, totals \$384,511,465 (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, intangibles (right of way, etc.) and construction in progress. Major capital expenditures in 2010 included the replacement of two fire engines, replacement of vehicles within public works, water and the police departments, replacement of public safety radios, Civic Center roof replacement, renovations to several parking decks, numerous water line distribution projects (Long Shoals, Brevard, Sandhill, Hendersonville/Rosscraggon) and the construction of the Fairview tank. Additional information regarding the City's capital assets can be found in Note 4 on Pages 44 and 45 of this report.

**City of Asheville Capital Assets**

(amounts expressed in thousands)

**Figure 8**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Land	\$ 31,494	\$ 31,814	\$ 10,281	\$ 10,343	\$ 41,775	\$ 42,157
Buildings and improvements	26,114	32,719	47,633	45,226	73,747	77,945
Machinery and equipment	15,805	12,638	11,654	12,102	27,459	24,740
Infrastructure	88,853	91,879	94,858	103,581	183,711	195,460
Construction in process	24,412	13,979	30,379	28,607	54,791	42,586
Intangibles	-	1,624	-	-	-	1,624
Net capital assets	<u>\$ 186,678</u>	<u>\$ 184,653</u>	<u>\$ 194,805</u>	<u>\$ 199,859</u>	<u>\$ 381,483</u>	<u>\$ 384,512</u>

**Long-term Debt.** As of June 30, 2010, the City of Asheville had total debt outstanding of \$96,616,000. Of this, \$2,650,000 is backed by the full faith and credit of the City. The remainder of the City's debt in the amount of \$93,966,000 represents bonds secured solely by specified revenue sources (revenue bonds) or contracts collateralized by the financed project (installment contracts). The City issued an installment financing in 2010 in the amount of \$1.3 million as reimbursement for the purchase of two fire trucks in June and July of 2009.

The City of Asheville's total net debt decreased approximately \$7,089,000 or 7 percent during the current fiscal year in accordance with its regularly scheduled maturity dates. The City has no bonds authorized but unissued at June 30, 2010.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Asheville is approximately \$859,032,000, 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 6 on Pages 46 - 51 of this report.

**City of Asheville**  
**General Obligation Bonds, Revenue Bonds, Installment Financing and Other Notes**

(amounts expressed in thousands)

**Figure 9**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
General obligation bonds	\$ 2,279	\$ 1,652	\$ 2,401	\$ 998	\$ 4,680	\$ 2,650
Revenue bonds	-	-	76,050	73,570	76,050	73,570
Installment contracts	20,628	18,291	86	43	20,714	18,334
Other	1,061	1,012	1,200	1,050	2,261	2,062
Total bonds	<u>\$ 23,968</u>	<u>\$ 20,955</u>	<u>\$ 79,737</u>	<u>\$ 75,661</u>	<u>\$ 103,705</u>	<u>\$ 96,616</u>

### General Fund Budgetary Highlights

During fiscal 2010, there was a \$2,507,415 increase in appropriations between the original and final amended General Fund budget. The single largest component of the budget change related to a transfer to the General Capital Projects Fund in the amount of \$2,181,282 to fund the local share of the Pack Square improvements.

Actual General Fund revenues fell below final budget estimates by approximately \$4.4 million with the three largest components of the unfavorable budget variance attributable to sales taxes (\$1.6 million or 10% under budget), licenses and permits (\$1 million or 20% under budget) and investment earnings (\$940,000 under budget). The unfavorable budget variance in connection with sales taxes, licenses and permits reflects the continuing impacts of the economic recession. Retail sales activity declined about 8% in FY2010 compared to FY2009. Residential and commercial development permitting activity in FY2010 continued to decline with the permit value representing the lowest nominal value in the last ten years. Investment income performance suffered as the result of historic low reinvestment rates. General Fund revenues for FY2010 totaled \$83.7 million compared to FY2009's revenues of \$85.5 million, a decrease of \$1.8 million or 2.1%.

General Fund expenditures were under budget by \$3.5 million, largely offsetting the \$4.4 million unfavorable revenue performance. Favorable expenditure budget variances occurred in almost every category of expenditure reflecting the implementation of cost control measures designed to offset the continuing affects of the economy on General Fund revenues. General Fund expenditures for FY2010 totaled \$83.1 million compared to FY2009's expenditures of \$84.4 million, a decrease of \$1.3 million or 1.5%

Actual revenues exceeded expenditures by \$676,082 in FY2010. The comparable figure in FY2009 was \$1,102,199.

Total other financing sources and uses for the period ended June 30, 2010 was (\$4.7 million), which is comprised mainly of transfers out in the amount of \$6.1 million (which includes the \$2,181,282 for Pack Square transfer) and debt issuance of \$1.3 million.

Other financing sources and uses contains the appropriated fund balance category; with a final budget of \$4 million. The initial budget was \$1.9 million. The uses cited in the previous paragraph of (\$4.7 million) combined with favorable revenues in excess of expenditures in the amount of \$676,082 resulted in a net change of (\$4,049,466) in the General Fund fund balance position. The actual net change in fund balance of (\$4 million) is reflective of the final budget – a budget that included a fund balance appropriation of \$4 million.

### **Economic Factors**

- The unemployment rate for Buncombe County is currently 7.4%, down from a rate of 8.3% one year ago. This compares favorably to the state's average unemployment rate of 9.1% and the national rate of 9.0%.
- Population of 79,973 has grown 16.1 % from 2000 to 2009.
- 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 2011 fiscal year.

### **Budget Highlights for the Fiscal Year Ending June 30, 2011.**

The City's adopted General Fund budget for FY2011 totaled \$91,635,962, which represents a 1.1% decrease compared to the FY2010 budget. Significantly, the FY2011 General Fund budget does not contain a fund balance appropriation to fund projected expenditures for the new fiscal year. The FY2011 budget was prepared under very difficult circumstances due to the lingering impact of the recent economic recession and unavoidable cost increases in key areas. As a result, the budget did not include funding for merit or market-based pay increases, but the budget did include funding for a one-time \$300 payment to all full-time employees earning at or below the Asheville area median income of \$41,722. Personnel costs were reduced through the implementation of a selective hiring freeze, which is projected to save approximately \$878,000. The selective hiring freeze targeted the equivalent of 15 management and development review positions, but did not include public safety or public works field positions. The General Fund personnel budget included a \$1.8 million increase in fringe benefit expenses due to rising health care costs and a State-mandated increase in the City's contribution to the state retirement system. The General Fund budget for operating costs was kept flat in FY2011 compared to FY2010. Police and Fire expenditures continue to be the largest component of the City's General Fund budget, comprising 42% of the total FY2011 General Fund budget. The General Fund budget also includes \$7.8 million in funding for debt service and pay-as-you-go capital improvements. This funding permits the City to replace aging vehicles in police, fire and public works and continue the City's street and sidewalk improvement program. The fiscal year 2011 General Fund budget includes \$5.4 million in debt service for the City's general obligation bonds, certificates of participation (COPS) and other general debt obligations, which is the same as the

prior year. The City will issue new General fund debt in the amount of \$2.3 million in FY2011 to fund the replacement of an aerial ladder truck (\$1.2 million) in the Fire Department and provide a portion of the construction funding (\$1.1 million) for the Livingston Street Recreation Center.

**Business-type Activities.** The FY2011 budget for the Water Resources Fund includes a 5% increase in water rates and capital improvement fees. This rate increase provides funding to continue current water operations, meet debt service obligations and provide a 1% Sullivan Act Transfer to the General Fund for water-related capital infrastructure improvements. The capital outlay category includes \$5.6 million for capital improvement projects, \$352,000 for rolling stock replacement and \$200,000 for small capital equipment. The debt service budget for FY2011, which includes payments on the \$40 million Series 2007 revenue bonds issued in FY2008 for capital improvements, is approximately 23% of the total Water Resources Fund budget. Operating costs in the Water Resources Fund were held flat in FY2011.

### **Requests for Information**

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

# Basic Financial Statements

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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, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
<b>ASSETS</b>				
Cash and investments	\$ 39,365,281	\$ 44,605,364	\$ 83,970,645	\$ 1,684,449
Restricted cash and investments	-	560,517	560,517	299,356
Receivables (net of allowance for uncollectibles):				
Property taxes	315,191	-	315,191	-
Due from other governments	5,971,880	1,568,561	7,540,441	-
Accounts receivable	756,849	6,808,037	7,564,886	1,883
Other receivables	93,420	-	93,420	-
Internal balances	2,009,611	(2,009,611)	-	-
Inventories	429,219	799,677	1,228,896	1,432,915
Prepays	-	3,912	3,912	103,382
Other assets	397,195	-	397,195	-
Notes receivable	8,739,332	-	8,739,332	-
Capital assets, net:				
Assets not being depreciated	47,417,742	38,950,078	86,367,820	-
Assets being depreciated, net	137,235,054	160,908,591	298,143,645	6,828,329
Unamortized debt issuance cost	-	920,974	920,974	-
Total assets	<u>242,730,774</u>	<u>253,116,100</u>	<u>495,846,874</u>	<u>10,350,314</u>
<b>LIABILITIES</b>				
Accounts payable	4,504,293	3,356,934	7,861,227	1,050,413
Due to other governments	-	2,730,591	2,730,591	250,000
Other accrued liabilities	2,065,959	327,221	2,393,180	276,759
Customer deposits	-	596,828	596,828	-
Accrued interest payable	63,259	1,423,029	1,486,288	-
Unearned revenue	1,211,528	163,904	1,375,432	-
Estimated claims payable	978,269	-	978,269	-
Non-current liabilities:				
Estimated claims payable	4,056,615	-	4,056,615	-
Due within one year	3,617,182	3,797,707	7,414,889	96,051
Due in more than one year	25,505,368	74,600,836	100,106,204	2,561,592
Total liabilities	<u>42,002,473</u>	<u>86,997,050</u>	<u>128,999,523</u>	<u>4,234,815</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	164,709,779	124,758,183	289,467,962	4,459,379
Restricted for:				
Community development	3,575,445	-	3,575,445	-
Capital projects	-	560,517	560,517	-
Working capital	-	-	-	563,571
Perpetual care	329,150	-	329,150	-
Unrestricted	32,113,927	40,800,350	72,914,277	1,092,549
Total net assets	<u>\$ 200,728,301</u>	<u>\$ 166,119,050</u>	<u>\$ 366,847,351</u>	<u>\$ 6,115,499</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, 2010**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Primary Government:				
Governmental activities:				
General government	\$ 21,244,912	\$ 10,974,372	\$ 437,130	\$ 463,466
Public safety	44,282,332	4,382,169	348,334	823,845
Public works	17,481,506	1,142,121	198,939	5,439,591
Community development	6,015,552	320,749	2,816,685	399,835
Transportation	7,358,785	476,381	2,166,363	160,896
Culture and recreation	9,328,272	1,299,313	184,601	1,653,941
Interest on long term debt	929,806	-	-	-
Total governmental activities	<u>106,641,165</u>	<u>18,595,105</u>	<u>6,152,052</u>	<u>8,941,574</u>
Business-type activities:				
Water resources	27,489,818	31,276,303	-	325,784
Civic center	2,146,775	1,418,463	-	-
Festivals	757,766	637,965	-	-
Parking services	1,668,881	2,801,861	-	-
Mass transit	5,542,457	1,144,926	3,048,511	314,426
Stormwater	3,055,242	3,187,664	-	-
Golf course	1,030,845	727,877	-	-
Total business-type activities	<u>41,691,784</u>	<u>41,195,059</u>	<u>3,048,511</u>	<u>640,210</u>
Total primary government	<u>\$ 148,332,949</u>	<u>\$ 59,790,164</u>	<u>\$ 9,200,563</u>	<u>\$ 9,581,784</u>
Component unit:				
ABC Board	<u>\$ 14,767,700</u>	<u>\$ 14,703,265</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Grants and contributions not restricted to specific programs				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Changes in net assets				
Net assets - beginning				
Net assets - ending				

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>City of Asheville ABC Board</b>
\$ (9,369,944)	\$ -	\$ (9,369,944)	\$ -
(38,727,984)	-	(38,727,984)	-
(10,700,855)	-	(10,700,855)	-
(2,478,283)	-	(2,478,283)	-
(4,555,145)	-	(4,555,145)	-
(6,190,417)	-	(6,190,417)	-
(929,806)	-	(929,806)	-
<u>(72,952,434)</u>	<u>-</u>	<u>(72,952,434)</u>	<u>-</u>
-	4,112,269	4,112,269	-
-	(728,312)	(728,312)	-
-	(119,801)	(119,801)	-
-	1,132,980	1,132,980	-
-	(1,034,594)	(1,034,594)	-
-	132,422	132,422	-
-	(302,968)	(302,968)	-
<u>-</u>	<u>3,191,996</u>	<u>3,191,996</u>	<u>-</u>
<u>(72,952,434)</u>	<u>3,191,996</u>	<u>(69,760,438)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,435)</u>
45,238,159	-	45,238,159	-
14,172,842	-	14,172,842	-
388,715	-	388,715	-
8,307,967	-	8,307,967	-
139,204	356,573	495,777	3,615
93,098	46,554	139,652	11,027
(124,851)	124,851	-	-
<u>68,215,134</u>	<u>527,978</u>	<u>68,743,112</u>	<u>14,642</u>
(4,737,300)	3,719,974	(1,017,326)	(49,793)
<u>205,465,601</u>	<u>162,399,076</u>	<u>367,864,677</u>	<u>6,165,292</u>
<u>\$ 200,728,301</u>	<u>\$ 166,119,050</u>	<u>\$ 366,847,351</u>	<u>\$ 6,115,499</u>

**CITY OF ASHEVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<b>Major Funds</b>			<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Community Development Fund</b>	<b>Housing Partnership Fund</b>		
<b>ASSETS</b>					
Cash and investments	\$ 18,778,879	\$ 127,122	\$ 610,250	\$ 10,318,604	\$ 29,834,855
Receivables (net of allowance for uncollectibles):					
Property taxes	315,191	-	-	-	315,191
Due from other governments	4,724,815	53,197	-	1,077,508	5,855,520
Accounts receivable	572,384	20,583	7,042	64,716	664,725
Other receivables	93,420	-	-	60	93,480
Inventories	429,219	-	-	-	429,219
Due from other funds	2,041,142	-	-	-	2,041,142
Other assets	-	-	-	-	-
Notes receivable	1,563,285	2,089,245	3,819,668	1,383,434	8,855,632
	<u>\$ 28,518,335</u>	<u>\$ 2,290,147</u>	<u>\$ 4,436,960</u>	<u>\$ 12,844,322</u>	<u>\$ 48,089,764</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,189,030	\$ 64,660	\$ -	\$ 2,224,809	\$ 4,478,499
Other accrued liabilities	2,060,558	2,204	445	2,752	2,065,959
Due to other funds	-	-	-	31,531	31,531
Unearned revenue	1,077,490	134,038	-	-	1,211,528
Deferred revenue	1,878,476	2,089,245	3,819,668	1,383,434	9,170,823
Total liabilities	<u>7,205,554</u>	<u>2,290,147</u>	<u>3,820,113</u>	<u>3,642,526</u>	<u>16,958,340</u>
Fund balances:					
Reserved for:					
Inventories	429,219	-	-	-	429,219
Encumbrances	2,289,049	-	-	5,594,527	7,883,576
State statute	7,431,761	-	7,042	-	7,438,803
Perpetual care	-	-	-	329,150	329,150
Undesignated, reported in:					
General fund	11,162,752	-	-	-	11,162,752
Special revenue funds	-	-	609,805	(1,304,043)	(694,238)
Capital projects fund	-	-	-	4,582,162	4,582,162
Total fund balances	<u>21,312,781</u>	<u>-</u>	<u>616,847</u>	<u>9,201,796</u>	<u>31,131,424</u>
Total liabilities and fund balances	<u>\$ 28,518,335</u>	<u>\$ 2,290,147</u>	<u>\$ 4,436,960</u>	<u>\$ 12,844,322</u>	<u>\$ 48,089,764</u>

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

**CITY OF ASHEVILLE**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

Total fund balances for governmental funds (Exhibit C)	\$ 31,131,424
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	184,652,796
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Property taxes receivable	315,191
Notes receivable	8,855,632
Certain assets held for resale are not available to pay for current period expenditures and, therefore, not reported in the funds.	397,195
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements:	
General obligation bonds	(1,651,997)
Installment financing contracts	(13,532,286)
Installment purchase contracts	(4,758,734)
Due to other governments	(1,011,690)
Accrued vacation payable	(4,393,205)
Unfunded pension obligation	(1,025,920)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:	
Interest payable	(63,259)
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.	<u>1,813,154</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 200,728,301</u></u>

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

**CITY OF ASHEVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Major Funds</b>			<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Community Development Fund</b>	<b>Housing Partnership Fund</b>		
<b>REVENUES</b>					
Taxes:					
Ad valorem taxes	\$ 45,252,647	\$ -	\$ -	\$ -	\$ 45,252,647
Other taxes	14,561,557	-	-	-	14,561,557
Intergovernmental	11,012,987	1,119,146	-	7,548,389	19,680,522
Licenses and permits	4,139,586	-	-	150,317	4,289,903
Charges for services	7,788,496	-	-	39,163	7,827,659
Investment earnings	74,341	-	-	2,508	76,849
Miscellaneous	916,205	70,868	58,140	958,180	2,003,393
Total revenues	<u>83,745,819</u>	<u>1,190,014</u>	<u>58,140</u>	<u>8,698,557</u>	<u>93,692,530</u>
<b>EXPENDITURES</b>					
Current:					
General government	13,085,057	-	-	868,090	13,953,147
Public safety	40,629,517	-	-	1,544,612	42,174,129
Public works	6,346,296	-	-	4,998,335	11,344,631
Community development	2,338,281	1,296,415	1,822,493	2,187,771	7,644,960
Transportation	6,364,323	-	-	994,462	7,358,785
Culture and recreation	9,100,169	-	-	1,517,983	10,618,152
Debt service:					
Principal	4,283,394	-	-	30,000	4,313,394
Interest and other charges	922,700	-	-	36,046	958,746
Total expenditures	<u>83,069,737</u>	<u>1,296,415</u>	<u>1,822,493</u>	<u>12,177,299</u>	<u>98,365,944</u>
Revenues over (under) expenditures	<u>676,082</u>	<u>(106,401)</u>	<u>(1,764,353)</u>	<u>(3,478,742)</u>	<u>(4,673,414)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	43,985	-	300,000	5,696,620	6,040,605
Transfers to other funds	(6,091,466)	(2,849)	-	(71,141)	(6,165,456)
Long-term debt issued	1,300,000	-	-	-	1,300,000
Proceeds from sale of capital assets	21,933	109,250	-	-	131,183
Total other financing sources (uses)	<u>(4,725,548)</u>	<u>106,401</u>	<u>300,000</u>	<u>5,625,479</u>	<u>1,306,332</u>
Net change in fund balances	(4,049,466)	-	(1,464,353)	2,146,737	(3,367,082)
Fund balances - beginning (as restated)	<u>25,362,247</u>	<u>-</u>	<u>2,081,200</u>	<u>7,055,059</u>	<u>34,498,506</u>
Fund balances - ending	<u>\$ 21,312,781</u>	<u>\$ -</u>	<u>\$ 616,847</u>	<u>\$ 9,201,796</u>	<u>\$ 31,131,424</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, 2010**

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

Net change in fund balances--total governmental funds (Exhibit E)	\$ (3,367,082)
Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(15,744,338)
Capital asset additions are a use of current financial resources and therefore, are not reported as expenditures in the governmental fund statements.	11,706,817
Contribution of capital assets is not a current financial resource and therefore, is not reported in the governmental fund statements.	2,287,357
Book value of capital assets disposed	(120,000)
Assets held for resale are a use of current financial resources and therefore, reported in the governmental fund statements.	397,195
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.	33,257
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:	
Property taxes	(14,488)
Notes receivable principal	312,209
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt:	
Repayment of long-term debt	4,313,394
Issuance of long-term debt	(1,300,000)
Adjustments to other long-term obligations that do not require current financial resources and therefore, are not reported as expenditures in the governmental fund statements:	
Accrued vacation payable	90,676
Unfunded pension obligation	(19,671)
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.	(3,312,626)
Change in net assets of governmental activities (Exhibit B)	<u>\$ (4,737,300)</u>

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

**CITY OF ASHEVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL--GENERAL FUND AND ANNUALLY ADOPTED**  
**MAJOR SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>			<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
Taxes:				
Ad valorem taxes	\$ 45,413,548	\$ 45,413,548	\$ 45,252,647	\$ (160,901)
Other taxes	16,210,273	16,210,273	14,561,557	(1,648,716)
Intergovernmental	11,107,981	11,144,481	11,012,987	(131,494)
Licenses and permits	5,144,049	5,144,049	4,139,586	(1,004,463)
Charges for services	7,920,909	7,990,909	7,788,496	(202,413)
Investment earnings	1,014,000	1,014,000	74,341	(939,659)
Miscellaneous	1,167,243	1,223,843	916,205	(307,638)
Total revenues	<u>87,978,003</u>	<u>88,141,103</u>	<u>83,745,819</u>	<u>(4,395,284)</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,628,825	14,196,176	13,085,057	1,111,119
Public safety	41,874,606	41,521,142	40,629,517	891,625
Public works	6,317,565	6,748,120	6,346,296	401,824
Community development	2,538,255	2,573,623	2,338,281	235,342
Transportation	7,088,683	6,716,636	6,364,323	352,313
Culture and recreation	9,770,339	9,625,229	9,100,169	525,060
Debt service:				
Principal	3,929,715	3,929,715	4,283,394	(353,679)
Interest and fees	1,500,207	1,273,957	922,700	351,257
Total expenditures	<u>86,648,195</u>	<u>86,584,598</u>	<u>83,069,737</u>	<u>3,514,861</u>
Revenues over (under) expenditures	<u>1,329,808</u>	<u>1,556,505</u>	<u>676,082</u>	<u>(880,423)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	1,898,364	4,034,447	-	(4,034,447)
Transfers from other funds	18,000	226,232	43,985	(182,247)
Transfers to other funds	(3,539,172)	(6,110,184)	(6,091,466)	18,718
Long-term debt issued	240,000	240,000	1,300,000	1,060,000
Proceeds from sale of capital assets	53,000	53,000	21,933	(31,067)
Total other financing sources (uses)	<u>(1,329,808)</u>	<u>(1,556,505)</u>	<u>(4,725,548)</u>	<u>(3,169,043)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(4,049,466)</u>	<u>\$ (4,049,466)</u>
Fund balances - beginning (as restated)			<u>25,362,247</u>	
Fund balances - ending			<u>\$ 21,312,781</u>	

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

<b>Housing Partnership Fund</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	58,140	58,140
-	-	58,140	58,140
-	-	-	-
-	-	-	-
300,000	300,000	1,822,493	(1,522,493)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>300,000</u>	<u>300,000</u>	<u>1,822,493</u>	<u>(1,522,493)</u>
<u>(300,000)</u>	<u>(300,000)</u>	<u>(1,764,353)</u>	<u>(1,464,353)</u>
-	-	-	-
300,000	300,000	300,000	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(1,464,353)</u>	<u>\$ (1,464,353)</u>
		<u>2,081,200</u>	
		<u>\$ 616,847</u>	

**CITY OF ASHEVILLE**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	<u>Water Resources</u>	<u>Non-major Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 37,746,636	\$ 6,858,728	\$ 44,605,364	\$ 9,530,426
Restricted cash and investments	560,517	-	560,517	-
Accounts receivable (net of allowance for uncollectibles)	5,869,067	938,970	6,808,037	92,124
Due from other governments	-	1,568,561	1,568,561	-
Inventories	680,464	119,213	799,677	-
Prepays	-	3,912	3,912	-
Total current assets	<u>44,856,684</u>	<u>9,489,384</u>	<u>54,346,068</u>	<u>9,622,550</u>
Capital assets:				
Assets not being depreciated	28,890,744	10,059,334	38,950,078	-
Assets being depreciated, net	148,626,633	12,281,958	160,908,591	-
Net capital assets	<u>177,517,377</u>	<u>22,341,292</u>	<u>199,858,669</u>	<u>-</u>
Unamortized debt issuance cost	920,974	-	920,974	-
Total assets	<u>223,295,035</u>	<u>31,830,676</u>	<u>255,125,711</u>	<u>9,622,550</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,500,047	856,887	3,356,934	25,794
Estimated claims payable	-	-	-	978,269
Customer deposits	596,328	500	596,828	-
Interest payable	1,423,015	14	1,423,029	-
Other accrued liabilities	274,347	52,874	327,221	-
Due to other funds	-	2,009,611	2,009,611	-
Due to other governments	2,730,591	-	2,730,591	-
Unearned revenue	-	163,904	163,904	-
Current portion of long-term debt	3,754,707	43,000	3,797,707	-
Total current liabilities	<u>11,279,035</u>	<u>3,126,790</u>	<u>14,405,825</u>	<u>1,004,063</u>
Non-current liabilities:				
Estimated claims payable	-	-	-	4,056,615
Long-term liabilities, less current portion	74,326,902	273,934	74,600,836	2,748,718
Total liabilities	<u>85,605,937</u>	<u>3,400,724</u>	<u>89,006,661</u>	<u>7,809,396</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	102,459,891	22,298,292	124,758,183	-
Restricted for:				
Capital projects	560,517	-	560,517	-
Unrestricted	34,668,690	6,131,660	40,800,350	1,813,154
Total net assets	<u>\$ 137,689,098</u>	<u>\$ 28,429,952</u>	<u>\$ 166,119,050</u>	<u>\$ 1,813,154</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, 2010**

	<b>Water Resources</b>	<b>Non-major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 31,177,452	\$ 8,133,429	\$ 39,310,881	\$ 14,579,566
Rents	-	984,105	984,105	-
Concessions	-	549,970	549,970	-
Other operating revenue	98,851	251,252	350,103	554,027
Total operating revenues	<u>31,276,303</u>	<u>9,918,756</u>	<u>41,195,059</u>	<u>15,133,593</u>
<b>OPERATING EXPENSES</b>				
Administration	674,118	3,703,844	4,377,962	3,316,073
Operations	16,319,400	8,824,077	25,143,477	15,192,501
Other operating expenses	-	90,435	90,435	-
Depreciation	7,743,757	1,562,499	9,306,256	-
Total operating expenses	<u>24,737,275</u>	<u>14,180,855</u>	<u>38,918,130</u>	<u>18,508,574</u>
Operating income (loss)	<u>6,539,028</u>	<u>(4,262,099)</u>	<u>2,276,929</u>	<u>(3,374,981)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	-	3,048,511	3,048,511	-
Interest earned	309,576	46,997	356,573	62,355
Interest expense	(2,624,113)	(21,111)	(2,645,224)	-
Loss on disposal of capital assets	(128,430)	-	(128,430)	-
Other non-operating revenue	33,554	13,000	46,554	-
Total non-operating revenues (expenses)	<u>(2,409,413)</u>	<u>3,087,397</u>	<u>677,984</u>	<u>62,355</u>
Income (loss) before transfers and capital grants and contributions	<u>4,129,615</u>	<u>(1,174,702)</u>	<u>2,954,913</u>	<u>(3,312,626)</u>
Transfers:				
Transfers from other funds	-	2,030,448	2,030,448	-
Transfers to other funds	(1,657,481)	(248,116)	(1,905,597)	-
Capital grants and contributions	325,784	314,426	640,210	-
Changes in net assets	<u>2,797,918</u>	<u>922,056</u>	<u>3,719,974</u>	<u>(3,312,626)</u>
Total net assets - beginning	<u>134,891,180</u>	<u>27,507,896</u>	<u>162,399,076</u>	<u>5,125,780</u>
Total net assets - ending	<u>\$ 137,689,098</u>	<u>\$ 28,429,952</u>	<u>\$ 166,119,050</u>	<u>\$ 1,813,154</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, 2010**

	<u>Water Resources</u>	<u>Non-major Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:				
Cash received from customers	\$ 30,948,830	\$ 9,727,904	\$ 40,676,734	\$ 15,047,658
Cash paid for goods and services	(10,551,238)	(7,495,241)	(18,046,479)	(16,749,953)
Cash paid to employees	(8,559,259)	(4,680,362)	(13,239,621)	(47,798)
Cash received from other sources	33,554	13,000	46,554	-
Net cash provided by (used for) operating activities	<u>11,871,887</u>	<u>(2,434,699)</u>	<u>9,437,188</u>	<u>(1,750,093)</u>
Cash flows from non-capital financing activities:				
Receipts from operating grants	-	2,764,401	2,764,401	-
Transfers from other funds	-	2,030,448	2,030,448	-
Transfers to other funds	(1,657,481)	(248,116)	(1,905,597)	-
Advances received from other funds	-	216,641	216,641	-
Advances paid to other funds	-	(17,394)	(17,394)	-
Net cash provided by (used for) non- capital financing activities	<u>(1,657,481)</u>	<u>4,745,980</u>	<u>3,088,499</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	-	314,426	314,426	-
Acquisition and construction of capital assets	(10,718,561)	(2,523,282)	(13,241,843)	-
Principal paid on debt	(4,033,407)	(43,000)	(4,076,407)	-
Interest paid on debt	(3,625,685)	(3,302)	(3,628,987)	-
Proceeds from sale of capital assets	69,480	-	69,480	-
Net cash used for capital and related financing activities	<u>(18,308,173)</u>	<u>(2,255,158)</u>	<u>(20,563,331)</u>	<u>-</u>
Cash flows from investing activities:				
Proceeds from sale of investments	5,366,411	-	5,366,411	-
Interest earned	309,576	46,997	356,573	62,355
Net cash provided by investing activities	<u>5,675,987</u>	<u>46,997</u>	<u>5,722,984</u>	<u>62,355</u>
Net increase (decrease) in cash and cash equivalents	(2,417,780)	103,120	(2,314,660)	(1,687,738)
Cash and cash equivalents:				
Beginning of year, July 1	40,164,416	6,755,608	46,920,024	11,218,164
End of year, June 30	<u>\$ 37,746,636</u>	<u>\$ 6,858,728</u>	<u>\$ 44,605,364</u>	<u>\$ 9,530,426</u>

(continued)

**CITY OF ASHEVILLE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Water Resources</u>	<u>Non-major 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)	\$ 6,539,028	\$ (4,262,099)	\$ 2,276,929	\$ (3,374,981)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	7,743,757	1,562,499	9,306,256	-
Non-operating revenue	33,554	13,000	46,554	-
Changes in assets and liabilities:				
Increase in accounts receivable	(781,618)	(134,791)	(916,409)	(85,935)
Increase in inventories	(680,464)	(14,667)	(695,131)	-
Decrease (increase) in prepaids	-	(2,861)	(2,861)	121,349
Increase (decrease) in accounts payable	(1,537,479)	510,184	(1,027,295)	13,188
Increase in due to other governments	421,635	-	421,635	-
Decrease in other accrued expenses	(48,228)	(126,572)	(174,800)	(34,258)
Decrease in unearned revenue	-	(56,061)	(56,061)	-
Increase in customer deposits	32,510	-	32,510	-
Increase in estimated claims payable	-	-	-	330,665
Increase in compensated absences	8,077	77,974	86,051	-
Increase (decrease) in other postemployment benefits	141,115	(1,305)	139,810	1,279,879
Net cash provided by (used for) operating activities	<u>\$ 11,871,887</u>	<u>\$ (2,434,699)</u>	<u>\$ 9,437,188</u>	<u>\$ (1,750,093)</u>
Reconciliation of cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 37,746,636	\$ 6,858,728	\$ 44,605,364	\$ 9,530,426
Restricted	560,517	-	560,517	-
Total cash and investments	<u>38,307,153</u>	<u>6,858,728</u>	<u>45,165,881</u>	<u>9,530,426</u>
Less: Investments	<u>560,517</u>	<u>-</u>	<u>560,517</u>	<u>-</u>
Cash and cash equivalents	<u>\$ 37,746,636</u>	<u>\$ 6,858,728</u>	<u>\$ 44,605,364</u>	<u>\$ 9,530,426</u>
Non-cash investing, capital, and financing activities:				
Donated water lines	<u>\$ 325,784</u>	<u>\$ -</u>	<u>\$ 325,784</u>	<u>\$ -</u>

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

**CITY OF ASHEVILLE  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2010**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 487,806
 <b>LIABILITIES</b>	
Due to others	\$ 487,806

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

**CITY OF ASHEVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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 are:

- **Asheville Board of Alcoholic Control** (the “ABC Board”) - The Asheville Board of Alcoholic Control was organized under the provisions of House Bill No. 1124 of the North Carolina General Assembly and implemented by a citywide election held November 14, 1947. The local ABC Board may borrow money in accordance with North Carolina General Statute 18B-702(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, N.C. 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. The assets and related long-term lease obligations are reported in the related governmental and business-type funds in the City's financial statements.

- **Asheville Claims Corporation** (the "ACC") - The Asheville Claims Corporation is a non-profit corporation chartered in 1993. Under the provisions of a claims administration contract between the ACC and the City of Asheville dated January 23, 2006, the ACC is responsible for administering liability losses, including auto liability, general liability, and tort claims against the City of Asheville that are not covered by commercial insurance or a risk financing pool. In connection with those claims not covered by commercial insurance or a risk financing pool, the Corporation is responsible for payment from City internal service fund assets claims that are established by judgment of a court of competent jurisdiction or by settlement. Additionally, the ACC has the authority to settle claims from City internal service fund assets, within the limits from time to time established by the City Council. The ACC is governed by a board of directors whose three members serve for one year or until successors are elected. One of the three members is appointed by the city manager. The board of directors elects the remaining members. The ACC has no assets, liabilities, revenues or expenses. The financial transactions of the ACC are included within the internal service fund in the City's financial statements.

### **Related Organizations**

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

### **Jointly Governed Organization**

- **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.

- B. **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.

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 judgments, 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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 funds:

- **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.
- **Community Development Fund** - The Community Development Fund is used to account for revenue and expenditures related to the Community Development Block Grant. The Department of Housing and Urban Development (HUD) stipulates what and how revenue can be expended.
- **Housing Partnership Fund** - The Housing Partnership Fund is used to account for resources designated by City Council for affordable housing.

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, Section 108 Rehabilitation and Affordable Home Ownership.
- **Capital Project Fund** - The Capital Project Fund is 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.
- **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 certain employee benefit programs and the City's risk management activities.

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.
- C. **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, Housing Partnership Fund, Water Resources Fund and the other non-major enterprise operating funds. Multi-year budgets are adopted for the Community Development Fund, other non-major governmental funds, and enterprise capital projects funds. All annual appropriations lapse at the fiscal-year end. As required by state law [N. C. General Statute 159-26(d)], the City maintains encumbrance accounts, which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are 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 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 the 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.

**D. Assets, Liabilities, and Net Assets/Fund Balance**

- **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.

- **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, 2009.

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.

- **Allowances for Doubtful Accounts** - All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. In addition, an allowance is provided for certain loans where collectability is uncertain.
- **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.

- **Restricted Assets** - Certain cash balances are held as restricted. Restricted cash in the Water Resources Fund relates to unspent debt proceeds and is only available for specific projects.
- **Notes Receivable** - Notes receivable are recorded in governmental funds net of an allowance for uncollectible accounts. The balance of the notes is not considered available and is deferred in the fund financial statements.
- **Capital Assets** - Capital assets, 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. Intangible assets (right-of-way easements) are defined by the City as assets with an indefinite useful life and an initial cost of more than \$5,000. 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

Land, intangible assets and construction in progress are not depreciated.

- **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 6-G. 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.

- **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.

- **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.

*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.

o **Unreserved**

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

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 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, 2010, the City's deposits had a carrying amount of \$28,629,626 and a bank balance of \$31,809,684. Of the bank balance, \$27,969,245 was covered by collateral held under the Pooling Method and \$3,840,439 was covered by federal depository insurance. The City also had \$46,694 in petty cash at year-end. The carrying amount for the ABC Board was \$1,722,517 and a bank balance of \$1,849,233. Of the bank balance, \$1,249,233 was covered by collateral held under the Pooling Method and \$600,000 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 2010 for the City was \$201,960. This amount takes into account all changes in fair value (including purchases, sales and maturities) that occurred during the year. The unrealized loss on investments held at year end was \$98,119.

As of June 30, 2010 the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>0-6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>3+ Years</u>
U.S. Government securities	\$ 390,754	\$ -	\$ -	\$ -	\$ 390,754
U.S. Government agencies	22,101,433	15,597,221	1,003,750	4,036,260	1,464,202
Commercial paper	1,999,390	1,999,390	-	-	-
NCCMT--cash portfolio	26,195,365	26,195,365	-	-	-
NCCMT--term portfolio	2,562,139	-	2,562,139	-	-
Certificate of Deposit	3,093,567	2,000,000	253,859	839,708	-
Total	<u>\$ 56,342,648</u>	<u>\$ 45,791,976</u>	<u>\$ 3,819,748</u>	<u>\$ 4,875,968</u>	<u>\$ 1,854,956</u>

\*Because the NCCMT Term Portfolio had a weighted average maturity of 0.8 years, it was presented as an investment with a maturity of 6-12 months.

- A. **Interest Rate Risk** - The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years. A portion of the assets reflected in the Internal Service Fund related to incurred but not reported liabilities is invested in securities that exceed three years.
- B. **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 U.S. Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit 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 (NCCMT) Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010. The City's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. 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.

- C. **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.
- D. **Concentration of Credit Risk** - The City does not limit the amount of investment in any one issuer. At June 30, 2010, approximately 18% of the City's total investments are in Federal Home Loan Bank securities, about 8% in Federal National Mortgage Association securities, about 7% in Federal Home Loan Mortgage Corporation securities, and about 7% in Federal Farm Credit Bank securities.

As of June 30, 2010, the ABC Board had investments of \$261,288

### 3. **Allowance for Uncollectible Accounts**

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

	<b><u>Governmental</u></b>	<b><u>Business-type</u></b>
General Fund:		
Property taxes receivable	\$ 813,000	\$ -
Due from other governments	2,181,282	-
Housing Partnership Fund:		
Loans receivable	169,320	-
Water Resources Fund:		
Customers	-	120,446
Non-major enterprise Funds:		
Customers	-	250,351
	<u>\$ 3,163,602</u>	<u>\$ 370,797</u>

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

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental Activities</b>					
Capital assets, non-depreciable:					
Land	\$ 31,494,448	\$ 439,765	\$ (120,000)	\$ -	\$ 31,814,213
Intangibles	-	1,624,283	-	-	1,624,283
Construction in progress	24,257,046	6,369,577	(16,647,377)	-	13,979,246
Total capital assets, non-depreciable	55,751,494	8,433,625	(16,767,377)	-	47,417,742
Capital assets, depreciable:					
Building and improvements	45,698,929	8,923,132	-	(6,237)	54,615,824
Machinery and equipment	37,916,071	691,685	(753,056)	(7,615)	37,847,085
Infrastructure	205,812,607	12,593,109	-	13,852	218,419,568
Total capital assets, depreciable	289,427,607	22,207,926	(753,056)	-	310,882,477
Less accumulated depreciation for:					
Building and improvements	(19,585,444)	(2,311,401)	-	-	(21,896,845)
Machinery and equipment	(22,111,394)	(3,851,171)	753,056	-	(25,209,509)
Infrastructure	(116,959,303)	(9,581,766)	-	-	(126,541,069)
Total accumulated depreciation	(158,656,141)	(15,744,338)	753,056	-	(173,647,423)
Total capital assets being depreciated, net	130,771,466	6,463,588	-	-	137,235,054
Governmental activities, capital assets, net	\$ 186,522,960	\$ 14,897,213	\$ (16,767,377)	\$ -	\$ 184,652,796
<b>Business-type Activities</b>					
Capital assets, non-depreciable:					
Land	\$ 10,280,911	\$ 62,276	\$ -	\$ -	\$ 10,343,187
Construction in progress	30,379,268	12,438,821	(14,211,198)	-	28,606,891
Total capital assets, non-depreciable	40,660,179	12,501,097	(14,211,198)	-	38,950,078
Capital assets, depreciable:					
Building and improvements	80,626,957	24,638	(100,250)	(12,439)	80,538,906
Machinery and equipment	25,670,443	1,807,063	(465,741)	1,516,439	28,528,204
Infrastructure	139,451,921	14,436,477	(266,738)	(1,504,000)	152,117,660
Total capital assets, depreciable	245,749,321	16,268,178	(832,729)	-	261,184,770
Less accumulated depreciation for:					
Building and improvements	(32,994,523)	(2,418,787)	100,250	-	(35,313,060)
Machinery and equipment	(14,016,396)	(2,864,346)	454,548	-	(16,426,194)
Infrastructure	(44,593,823)	(4,023,123)	80,021	-	(48,536,925)
Total accumulated depreciation	(91,604,742)	(9,306,256)	634,819	-	(100,276,179)
Total capital assets being depreciated, net	154,144,579	6,961,922	(197,910)	-	160,908,591
Business-type activities, capital assets, net	\$ 194,804,758	\$ 19,463,019	\$ (14,409,108)	\$ -	\$ 199,858,669

During the year the City recorded capital contributions in the amount of \$325,784, 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.

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

Governmental activities:	
General government	\$ 410,009
Public safety	2,075,143
Public works	12,251,151
Culture and recreation	<u>1,008,035</u>
Total depreciation expense--governmental activities	<u>\$ 15,744,338</u>
Business-type activities:	
Water resources	\$ 7,743,757
Non-major Enterprise Funds	<u>1,562,499</u>
Total depreciation expense--business-type activities	<u>\$ 9,306,256</u>

The City has numerous active construction projects as of June 30, 2010. 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, 2010 was \$3,973,711 and \$3,760,080 for governmental activities and business-type activities, respectively.

#### 5. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2010 is as follows:

	<b><u>Due to Other Funds</u></b>
Non-major governmental funds:	
Section 108 Rehabilitation Fund	\$ 31,531
Non-major enterprise funds:	
Festivals Fund	1,395,029
Mass Transit Fund	337,019
Golf Course Fund	<u>277,563</u>
General Fund--due from other funds	<u>\$ 2,041,142</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.

	<u>Transfers From Other Funds</u>				<u>Transfers to Other Funds</u>
	<u>General Fund</u>	<u>Housing Partnership Fund</u>	<u>Non-major Governmental Funds</u>	<u>Non-major Enterprise Funds</u>	
General Fund	\$ -	\$ 300,000	\$ 4,032,594	\$ 1,758,872	\$ 6,091,466
Community Development Fund	-	-	2,849	-	2,849
Non-major Governmental Funds	43,985	-	3,696	23,460	71,141
Water Resources Fund	-	-	1,657,481	-	1,657,481
Non-major Enterprise Funds	-	-	-	248,116	248,116
Transfers from other funds	<u>\$ 43,985</u>	<u>\$ 300,000</u>	<u>\$ 5,696,620</u>	<u>\$ 2,030,448</u>	<u>\$ 8,071,053</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.

## 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, 2010 are as follows:

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2010</u>
Municipal Building Series 1997-A	4.00 - 5.13	11/01/1997	06/01/2018	\$ 14,045,000	\$ 7,255,000
Taxable Series 1997-C	Variable*	11/13/1997	06/01/2018	5,515,000	1,590,000
Fire Stations and Equipment Series 2006	3.92	06/28/2006	06/28/2021	8,030,300	4,687,287
Total governmental					<u>13,532,287</u>
<u>Business-type Activities</u>					
Stormwater Series 2006	3.92	06/28/2006	06/28/2011	215,000	43,000
Total installment financing contracts					<u>\$ 13,575,287</u>

\*Interest is variable at LIBOR rate plus 59 basis points.

On June 1, 2010, the City redeemed the final payment of the Certificates of Participation Bonds, Series 1997B, in the amount of \$415,000. The date of the final payment was to be June 1, 2011.

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
2011	\$ 1,730,753	\$ 659,802	\$ 43,000	\$ 1,651
2012	1,330,153	697,506	-	-
2013	1,380,153	631,903	-	-
2014	1,435,153	563,596	-	-
2015	1,490,153	492,110	-	-
2016-2020	5,780,767	1,092,944	-	-
2021	385,155	15,098	-	-
Total	<u>\$ 13,532,287</u>	<u>\$ 4,152,959</u>	<u>\$ 43,000</u>	<u>\$ 1,651</u>

- 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 Matures	Amount of Original Issue	Balance Outstanding June 30, 2010
Fire trucks	3.06%	11/29/2002	11/05/2012	\$ 1,546,308	\$ 386,577
Fire and sanitation trucks	2.49%	06/25/2008	06/01/2013	5,000,000	3,072,157
Fire trucks	3.58%	05/07/2010	05/01/2015	1,300,000	1,300,000
Total installment purchase contracts					<u>\$ 4,758,734</u>

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 1,413,449	\$ 124,401
2012	1,438,474	86,112
2013	1,386,811	46,420
2014	260,000	16,289
2015	260,000	6,981
Total	<u>\$ 4,758,734</u>	<u>\$ 280,203</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.

General obligation bonds outstanding at June 30, 2010 are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2010</u>
Government activities:					
Street, sidewalk and storm drainage, Series 1993A	5.10 - 5.25%	07/01/1993	02/01/2013	\$ 1,300,000	\$ 265,000
Street, sidewalk and storm drainage, Series 1993B	5.10 - 5.25%	07/01/1993	02/01/2013	500,000	105,000
General obligation refunding bonds, Series 1999	4.20%	02/09/1999	06/01/2012	4,952,360	211,997
General obligation refunding bonds, Series 2000	4.90 - 5.00%	12/01/2000	12/01/2020	1,970,000	1,070,000
Total government activities					<u>1,651,997</u>
Business-type activities:					
Water--1995	5.10%	06/01/1995	06/01/2011	3,000,000	475,000
Water--1999	4.20%	02/09/1999	06/01/2012	12,217,640	523,003
Total business-type activities					<u>998,003</u>
Total general obligation bonds					<u>\$ 2,650,000</u>

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

Fiscal Year Ending June 30:	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 422,480	\$ 78,804	\$ 937,520	\$ 46,191
2012	269,517	59,145	60,483	2,540
2013	190,000	45,675	-	-
2014	100,000	36,000	-	-
2015	100,000	31,000	-	-
2016-2020	500,000	80,000	-	-
2021	70,000	1,750	-	-
Total	<u>\$ 1,651,997</u>	<u>\$ 332,374</u>	<u>\$ 998,003</u>	<u>\$ 48,731</u>

- 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, 2010, the outstanding balance of the defeased 2001 issue was \$10,551,189.

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

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
2011	\$ 1,580,000	\$ 1,708,212	\$ 3,288,212
2012	1,640,000	1,647,762	3,287,762
2013	1,705,000	1,578,731	3,283,731
2014	1,775,000	1,507,000	3,282,000
2015	1,850,000	1,425,250	3,275,250
2016-2020	10,725,000	5,606,375	16,331,375
2021-2025	13,690,000	2,569,500	16,259,500
Thereafter	3,165,000	79,125	3,244,125
	<u>\$ 36,130,000</u>	<u>\$ 16,121,955</u>	<u>\$ 52,251,955</u>
Total			

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 2026. At June 30, 2010, the total principal and interest remaining to be paid on the bonds is \$52,251,955.

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

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30:			
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	1,110,000	1,540,625	2,650,625
2015	1,155,000	1,495,325	2,650,325
2016-2020	6,530,000	6,727,963	13,257,963
2021-2025	8,050,000	5,209,512	13,259,512
Thereafter	17,520,000	3,686,537	21,206,537
	<u>\$ 37,440,000</u>	<u>\$ 23,536,137</u>	<u>\$ 60,976,137</u>
Total			

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$39,025,000 in Water System Revenue Bonds issued in December 2007. Proceeds from the bonds provided financing for the replacement of an antiquated pipe system. The bonds are payable solely from water customer new revenue and are payable through 2032. At June 30, 2010, the total principal and interest remaining to be paid on the bonds is \$60,976,137.

The City issued water system revenue bonds for water system improvements pursuant to a General Trust Indenture dated as of December 1, 2005 and Series Indenture Number 2, dated as of November 1, 2007 (together the "Indentures") between the City and The Bank of New York Trust Company, N.A., as trustee. The Indentures authorize and secure all outstanding revenue bonds of the City's water system and contain several financial and operating covenants governing such matters as rates, additional bonds, reserve funds, annual budgets, maintenance of the system and insurance. The City was in compliance with all such covenants during the fiscal year ended June 30, 2010. The City has covenanted that it will establish or maintain various rates and charges sufficient to pay the current expenses and debt service of the water system. The calculation for the rate covenant for the year ended June 30, 2010 is as follows:

Revenues	\$ 31,619,433
Current expenses	<u>16,993,518</u>
Net revenues available for debt service	<u>\$ 14,625,915</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 5,947,450
Add: 20% of senior debt service	1,189,490
Subordinate debt service:	
Debt service, principal and interest paid	<u>1,702,121</u>
Total debt service (plus 20%)	<u>\$ 8,839,061</u>
Rate coverage test	1.65

- E. **Due to Other Governmental Units** - The City owes \$680,000 on outstanding "Section 108" loans.

In 2001, the City agreed to assume 41 percent of a bond issued by Metropolitan Sewerage District of Buncombe County ("MSD"), Series 1985, for the Enka-Candler annexation in 1989. The remaining indebtedness was recorded by the City during the current fiscal year for a total liability of \$331,690 payable annually through June 30, 2024.

- F. **State Water Bond Loan** - In 1997, the City received a \$3,000,000 loan from the North Carolina Department of Environment 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. At June 30, 2010, the outstanding balance is \$1,050,000.

G. **Changes in Long Term Liabilities**

<b>Governmental Activities</b>	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balances</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 2,278,590	\$ -	\$ 626,593	\$ 1,651,997	\$ 422,480
Installment financing contracts	16,028,040	-	2,495,753	13,532,287	1,730,753
Installment purchase contracts	4,600,102	1,300,000	1,141,368	4,758,734	1,413,449
Due to other governments	1,061,370	-	49,680	1,011,690	50,500
Accrued vacation payable	4,483,881	2,437,455	2,528,132	4,393,204	-
Unfunded pension obligations	1,006,249	19,671	-	1,025,920	-
Unfunded OPEB obligation	1,468,838	1,279,880	-	2,748,718	-
Total governmental activities	<u>\$ 30,927,070</u>	<u>\$ 5,037,006</u>	<u>\$ 6,841,526</u>	<u>\$ 29,122,550</u>	<u>\$ 3,617,182</u>

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

<b>Business-type Activities</b>	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balances</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 2,401,410	\$ -	\$ 1,403,407	\$ 998,003	\$ 937,520
Revenue bonds	76,050,000	-	2,480,000	73,570,000	2,565,000
Installment financing contracts	86,000	-	43,000	43,000	43,000
State water bond loan	1,200,000	-	150,000	1,050,000	150,000
Accrued vacation payable	661,276	611,762	525,711	747,327	-
Unamortized bond proceeds	1,801,256	-	102,187	1,699,069	102,187
Unfunded OPEB obligation	151,334	139,810	-	291,144	-
Total business-type activities	<u>\$ 82,351,276</u>	<u>\$ 751,572</u>	<u>\$ 4,704,305</u>	<u>\$ 78,398,543</u>	<u>\$ 3,797,707</u>

- H. **Debt Margin** - The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to 8 percent of the appraised value of property subject to taxation. At June 30, 2010, such statutory limit for the City was approximately \$863,951,000, providing a legal debt margin of approximately \$859,032,000.
- I. **Component Unit Debt** - The ABC Board has a \$500,000 line of credit with a bank for working capital bearing interest at the LIBOR market index rate plus 1.65%. There have been no draws on this line.

On January 29, 2009, the ABC Board entered into a financing agreement with a commercial bank providing for the advance of \$2,750,000 to finance the acquisition and construction of facilities. The agreement has a twenty year term and requires semi-annual payments including principal and interest of \$200,176 beginning July 29, 2009. The loan is secured by real estate, improvements and fixtures at 145 Tunnel Road, 337 New Leicester Highway and 131 Old Charlotte Highway and bears interest at 3.96%.

Future maturities of the debt are as follows:

2011	\$ 96,051
2012	99,892
2013	103,887
2014	108,042
2015	112,363
Thereafter	<u>2,137,408</u>
	<u>\$ 2,657,643</u>

## 7. **Net Assets and Fund Balance**

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

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Capital assets, net of depreciation	\$ 184,652,796	\$ 199,858,669
Less: Capital asset-related debt	(19,943,017)	(75,661,003)
Unspent bond proceeds	<u>-</u>	<u>560,517</u>
Invested in capital assets, net of related debt	<u>\$ 164,709,779</u>	<u>\$ 124,758,183</u>

- B. **Fund Balance** - Fund balance in the Housing Partnership Fund was restated as of July 1, 2009, to properly reclassify the balance of notes receivable as deferred revenue. The net effect of this restatement is as follows:

	<b><u>Deferred Revenue</u></b>	<b><u>Fund Balance</u></b>
Beginning balance:		
As previously reported	\$ -	\$ 4,875,805
Notes receivable deferred	<u>2,794,605</u>	<u>(2,794,605)</u>
As restated	<u>\$ 2,794,605</u>	<u>\$ 2,081,200</u>

The balance of notes receivable that should have deferred as of June 30, 2008, was \$2,951,031. The net effect on the change in fund balance for the fiscal year ended June 30, 2009, would have been a decrease of \$156,426.

## 8. **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions on behalf of employees, elected officials, public

officials, and appointed members of boards and commissions; injuries to employees; and a variety of losses stemming from natural disasters and perils.

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

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

The City purchases excess liability insurance with limits of \$15,000,000 across all liability lines – general, public officials, law enforcement, employment practices and automobile. The City also purchases insurance for real and personal property assets, including dams, in the amount of \$231,000,000. Coverage limits 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 the self-insurance coverage, the City chooses not to participate in the NFIP.

The City is also self-insured as provided under North Carolina General Statutes for Workers Compensation and Employer Liability. The City retains out-of-pocket costs up to \$400,000 per event for workers' compensation claims. Excess insurance with statutory limits is maintained for any claims exceeding the \$400,000 self-insured retention. An aggregate stop-loss limit in the amount of \$3,000,000 applies to total workers compensation losses in excess of \$5,756,734 over a three-year period.

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

Settlement of claims in all classes of liability except the City's health program has not exceeded the City's limits of retention in any of the past ten years. The health program annually has several cases that exceed specific stop-loss and therefore recovers excess losses. In fiscal year 2010 and 2009, three and two cases, respectively, exceeded the \$150,000 self-insured retention level. Recoveries under specific stop-loss coverage are credited to the health program within the Internal Service Fund.

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

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 4,704,219	\$ 5,526,388
Plus incurred claims and changes in IBNR	13,468,076	10,530,029
Less claim payments	<u>(13,137,411)</u>	<u>(11,352,198)</u>
Ending balance	<u>\$ 5,034,884</u>	<u>\$ 4,704,219</u>

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Chief Financial Officer, accounting service managers, and the Superintendent of Customer Service are individually bonded for \$250,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$150,000.

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.

## 9. Pension Plan Obligations

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

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 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 4.90 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, 2010, 2009, and 2008 were \$2,403,609, \$2,421,377, and \$2,250,656, respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$84,207, \$80,639, and \$84,689, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

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

#### B. Law Enforcement Officers Special Separation Allowance

*Description.* The City and the ABC Board administer a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's 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, 2009, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	27	-
Active plan members	223	2
	<hr/>	<hr/>
Total	250	2
	<hr/> <hr/>	<hr/> <hr/>

*Summary of Significant Accounting Policies*

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

*Contributions.* The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City and ABC Board's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made 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, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5 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 21 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	\$ 434,291
Interest on net pension obligation	72,953
Adjustment to annual required contribution	<u>(63,387)</u>
Annual pension cost	443,857
Contributions made	<u>424,186</u>
Increase in net pension obligation	19,671
Net pension obligation beginning of year	<u>1,006,249</u>
Net pension obligation end of year	<u>\$ 1,025,920</u>

## Three-Year Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$ 361,619	81.59%	\$ 941,673
6/30/2009	404,035	84.02%	1,006,249
6/30/2010	443,857	95.57%	1,025,920

*Funded Status and Funding Progress.* As of December 31, 2009, 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 \$5,494,756. The covered payroll (annual payroll of active employees covered by the plan) was \$10,225,237, and the ratio of the UAAL to the covered payroll was 53.74 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**

*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, 2010 was \$473,869 and the officers' voluntary contributions were approximately \$196,592. The City's contribution for non-police personnel was \$2,023,118, with the voluntary

contributions of approximately \$1,131,758. The ABC Board's required contribution was \$4,979.

**D. Other Post-employment Benefits (OPEB)**

**Healthcare Benefits**

*Plan Description.* The City administers, under the terms of a City Resolution, a single-employer defined benefit healthcare benefits (HCB) plan. The plan provides postemployment healthcare benefits to employees retiring from the City with at least five years of creditable service that are eligible to receive a benefit from the North Carolina Local Governmental Employees Retirement System and do not have other insurance available. The benefits provided by the City include healthcare, prescription drugs and vision benefits. The City pays the full cost of coverage and the retiree can purchase coverage for their dependent.

For the ABC Board, the post employment benefits provided for eligible employees who retire from the Board consist of an allowance for law enforcement officers. Due to the relative insignificance of the liability the Board elected to accrue the entire obligation of \$21,047 for the year ended June 30, 2010. As of June 30, 2010, none of this cost was contributed, which resulted in an unfunded net OPEB obligation of \$21,047.

Membership of the City's HCB Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	<b><u>General Employees</u></b>	<b><u>Law Enforcement/ Fire</u></b>
Retirees and dependents receiving benefits	239	-
Active plan members	668	446
	<hr/>	<hr/>
Total	907	446
	<hr/>	<hr/>

*Funding Policy.* The City and the ABC Board have chosen to fund the healthcare benefits on a pay as you go basis. The City pays 100% of the retiree premium for the Standard Plan for retirees under the age of 65. Upon reaching 65, retirees who elect to remain in the plan must pay full cost. Spouses and dependents are eligible to participate in the City Retiree health care plan but the retiree must pay the full cost for dependent coverage.

The current ARC rate is 5.97% of annual covered payroll. For the current year, the City contributed \$1,465,128 or .03% of annual covered payroll. The City's required contributions for general employees, law enforcement officers/firefighters represented .11% and .13% of covered payroll respectively. There was \$120,024 of contributions made by employees.

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the Internal Service Fund, which is maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

Annual required contribution	\$ 2,995,947
Interest on net OPEB obligation	64,807
Adjustment to annual required contribution	<u>(55,912)</u>
Annual OPEB cost	3,004,842
Contributions made	<u>(1,585,152)</u>
Increase in net OPEB obligation	1,419,690
Net OPEB obligation beginning of year	<u>1,620,172</u>
Net OPEB obligation end of year	<u>\$ 3,039,862</u>

The City's net OPEB obligation is comprised of \$2,748,718 and \$291,144 for governmental activities and business-type activities, respectively. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 is as follows:

<u>For Year Ended June</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 2,839,721	42.95%	\$ 1,620,172
6/30/2010	3,004,842	52.75%	3,039,862

*Funded Status and Funding Progress.* As of December 31, 2009, 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 \$33,846,854. The covered payroll (annual payroll of active employees covered by the plan) was \$50,164,033, and the ratio of the UAAL to the covered payroll was 67.5 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are

compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included 4% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase 10.5% to 5% annually. Both rates included 3.75% inflation assumption. The actuarial value of assets was calculated based on the assumption that there were no assets set aside with the City that are legally held exclusively for retiree health benefits. If a trust or equivalent arrangement were set up for this purpose the investment rate of return can be increased. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 30 years.

#### 10. Deferred/Unearned Revenues

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

	<b><u>Deferred Revenue</u></b>	<b><u>Unearned Revenue</u></b>
General Fund:		
Property taxes receivable	\$ 315,191	\$ -
Notes receivable	1,563,285	-
Prepaid property taxes	-	141,202
Prepaid privilege licenses	-	887,911
Other	-	48,377
Community Development Fund:		
Notes receivable	2,089,245	-
Grants	-	134,038
Housing Partnership Fund:		
Notes receivable	3,819,668	-
Non-major Governmental Funds:		
Notes receivable	1,383,434	-
	<u>\$ 9,170,823</u>	<u>\$ 1,211,528</u>
Non-major Enterprise Funds:		
Customers		\$ 18,525
Festivals		145,379
		<u>\$ 163,904</u>

## 11. Commitments and Contingent Liabilities

- A. **Grant Revenues** - The City receives amounts from federal, state, and local government agencies in the form of grants. The disbursement of funds under these programs is subject to audit in accordance with the Office of Management and Budget Circular A-133 *Audit of States, Local Governments, and Non-profit Organizations and the State Single Audit Implementation Act*. The City expects the amount, if any, of expenditures that may be disallowed by the granting agencies as a result of these audits to be immaterial.
- B. **Claims and Litigation** - The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's attorney and management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

## 12. Stewardship, Compliance, and Accountability

- A. **Deficit Fund Balances and Net Assets** - Liabilities exceeded assets in the Affordable Home Ownership Fund (non-major governmental fund) and the Festivals Fund (non-major enterprise fund) by \$3,326 and \$1,556,517, respectively. Intergovernmental revenue and program revenue are expected to be collected to eliminate the deficit in the Affordable Home Ownership Fund. The deficit in the Festivals Fund is attributable to expenses exceeding operating revenues and General Fund transfers. A management review and decision will be needed in order to determine how to eliminate the deficit.
- B. **Budgetary Violation** - Expenditures exceeded budget in the Housing Partnership Fund. The violation is the result of the restatement of fund balance described in Note 7. Activity previously recorded directly to the balance sheet note receivable account was reclassified to an expenditure under the modified accrual basis of accounting. There are sufficient resources available to appropriate; however, the necessary budget amendment could not be made because the reclassification described in Note 7 was made after fiscal year-end. Future years expenditures reflected in this fund will be recorded on a modified accrual basis and will be accompanied with the appropriate budget authorization.

## 13. Subsequent Events

On July 1, 2010, the City received a bond rating upgrade from "AA" to "AA+" from Standard & Poor's, based on the City's continued prudent fiscal management and budgetary controls.

On July 12, 2010, the City entered into an installment purchase contract in the amount of \$1.1 million to provide financing for the new Livingston Street Recreation Center. This loan will mature on July 12, 2025.



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# Required Supplementary Information

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

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



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**CITY OF ASHEVILLE**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**JUNE 30, 2010**

<u>Calendar Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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	-	2,739,109	6,482,367	42.25
2004	-	3,150,445	-	3,150,445	6,977,643	45.15
2005	-	3,213,921	-	3,213,921	7,097,123	45.28
2006	-	3,500,082	-	3,500,082	8,097,773	43.22
2007	-	3,897,517	-	3,897,517	9,360,211	41.64
2008	-	4,236,980	-	4,236,980	10,144,346	41.77
2009	-	5,494,756	-	5,494,756	10,225,237	53.74

**CITY OF ASHEVILLE**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS**  
**JUNE 30, 2010**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2002	\$ 228,773	\$ 104,530	45.69 %
2003	243,061	136,589	56.20
2004	259,805	155,762	59.95
2005	291,233	202,534	69.54
2006	330,544	249,148	75.38
2007	324,789	253,747	78.13
2008	351,948	295,051	83.83
2009	393,335	339,459	86.30
2010	434,291	424,186	97.67

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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None

**CITY OF ASHEVILLE  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2010**

<b>Calendar Year</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Liability (AAL) Projected Unit Credit</b>	<b>Percentage Funded</b>	<b>Unfunded AAL (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
12/31/2005	\$ -	\$ 28,379,372	- %	\$ 28,379,372	\$ 35,060,422	80.94 %
12/31/2006	-	31,094,852	-	31,094,852	38,836,633	80.07
12/31/2009	-	33,846,854	-	33,846,854	50,164,033	67.47

**CITY OF ASHEVILLE  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS  
JUNE 30, 2010**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2009	\$ 2,839,721	\$ 1,219,549	42.95 %
2010	2,995,947	1,585,152	52.91

NOTES TO THE ABOVE SCHEDULE:

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

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of Pay, open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	10.00% - 5.00%
Year of ultimate trend rate	2017
*Includes inflation at	3.75%
Cost of living adjustments	None

# Governmental Fund

## Major Special Revenue Fund

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Special revenue funds are used to account for the proceeds of specific revenue sources (other than fiduciary trust funds or capital project funds) that are legally restricted to expenditure for specific purposes.

*Major Special Revenue Fund:*

- **Community Development Fund** - This fund is used to account for the City's Community Development Block Grant (CDBG) received from the U.S. Department of Housing and Urban Development. The fund is a multi-year project fund.



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**CITY OF ASHEVILLE  
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 8,306,846	\$ 6,570,336	\$ 1,119,146	\$ 7,689,482
Miscellaneous	1,704,372	1,342,818	70,868	1,413,686
Total revenues	<u>10,011,218</u>	<u>7,913,154</u>	<u>1,190,014</u>	<u>9,103,168</u>
<b>EXPENDITURES</b>				
Community development:				
CDBG Conversion Project	4,349,058	4,356,366	-	4,356,366
Fair Housing Assistance Program - 2008	86,000	41,000	45,000	86,000
ACT-Asheville Go Employ & Training	111,234	-	109,683	109,683
ACT-Renaissance Phase I	50,000	-	23,251	23,251
ACT-Finance & Ed Counseling	67,430	30,000	37,430	67,430
ACT-Down Payment Assistance CDBG	480,220	370,638	47,398	418,036
ACT-Emergency Repair I	700,000	452,367	181,812	634,179
ACT-Habitat Housing Services	227,500	137,715	72,900	210,615
ACT-Helpmate Domestic Violence Services	16,000	8,000	8,000	16,000
ACT-Homebase Housing Services	97,500	52,500	41,250	93,750
ACT-Homeless Initiative Coord	52,875	16,875	26,020	42,895
ACT-Homeless Program	188,800	94,400	94,400	188,800
ACT-Homeless Prevention Program	215,000	185,000	30,000	215,000
ACT-Housing Services	438,000	272,556	155,000	427,556
ACT-Micro-Business	390,000	240,000	141,600	381,600
ACT-Emergency Repair II	254,000	212,476	32,789	245,265
ACT-Program Admin CDBG	1,052,840	795,650	184,349	979,999
ACT-Resources Development	76,000	54,782	21,218	76,000
ACT-SPS Redevelopment	50,000	-	9,315	9,315
ACT-Supportive Housing Services	65,000	30,000	35,000	65,000
ACT-McCormick Heights Relcoation	59,459	59,458	-	59,458
ACT-Transit Infrastructure Improvements	155,000	86,875	-	86,875
ACT-Technical Assist - Weed & Seed	10,000	9,988	-	9,988
ACT-Burton Street Traffic Calming	15,000	15,000	-	15,000
ACT-Small Business Loan	185,000	118,311	-	118,311
ACT-Emma sidewalks	100,000	-	-	-
ACT-Hillcrest youth enrichment	28,200	28,200	-	28,200
ACT-N. Louisiana Street sidewalk	117,000	-	-	-
ACT-World changers home repair	19,435	19,434	-	19,434
ACT-Contingency	6,435	-	-	-
Total expenditures	<u>9,662,986</u>	<u>7,687,591</u>	<u>1,296,415</u>	<u>8,984,006</u>

(continued)

**CITY OF ASHEVILLE  
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Revenues over (under) expenditures	\$ 348,232	\$ 225,563	\$ (106,401)	\$ 119,162
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to other funds	(577,397)	(574,548)	(2,849)	(577,397)
Proceeds from sale of capital assets	229,165	348,985	109,250	458,235
Total other financing sources (uses)	<u>(348,232)</u>	<u>(225,563)</u>	<u>106,401</u>	<u>(119,162)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

# Non-major Governmental Funds Combining Statements and Schedules

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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.
- **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.

## *Capital Projects Fund:*

- **General Capital Projects** - This fund is used to account for the acquisition or construction of City assets that are financed with local funds.

## *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, 2010**

	<b>Special Revenue</b>		
	<b>Grant Programs</b>	<b>Section 108 Rehabilitation</b>	<b>Affordable Home Ownership</b>
<b>ASSETS</b>			
Cash and investments	\$ 1,318,557	\$ 817,623	\$ 5,058
Receivables:			
Due from other governments	697,333	-	64,745
Accounts receivable	64,716	-	-
Other receivables	-	-	60
Notes receivable	-	1,127,171	256,263
Total assets	<u>\$ 2,080,606</u>	<u>\$ 1,944,794</u>	<u>\$ 326,126</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,580,754	\$ -	\$ 73,156
Other accrued liabilities	2,719	-	33
Due to other funds	-	31,531	-
Deferred revenue	-	1,127,171	256,263
Total liabilities	<u>1,583,473</u>	<u>1,158,702</u>	<u>329,452</u>
<b>FUND BALANCES (DEFICIT)</b>			
Reserved for:			
Encumbrances	2,582,942	-	1,000
State statute	-	-	-
Perpetual care	-	-	-
Unreserved, reported in:			
Special revenue funds	(2,085,809)	786,092	(4,326)
Capital projects fund	-	-	-
Total fund balances (deficit)	<u>497,133</u>	<u>786,092</u>	<u>(3,326)</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,080,606</u>	<u>\$ 1,944,794</u>	<u>\$ 326,126</u>

<b>General Capital Projects Fund</b>	<b>Permanent Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ 7,848,216	329,150	\$ 10,318,604
315,430	-	1,077,508
-	-	64,716
-	-	60
-	-	1,383,434
<u>\$ 8,163,646</u>	<u>\$ 329,150</u>	<u>\$ 12,844,322</u>
\$ 570,899	\$ -	\$ 2,224,809
-	-	2,752
-	-	31,531
-	-	1,383,434
<u>570,899</u>	<u>-</u>	<u>3,642,526</u>
3,010,585	-	5,594,527
-	-	-
-	329,150	329,150
-	-	(1,304,043)
4,582,162	-	4,582,162
<u>7,592,747</u>	<u>329,150</u>	<u>9,201,796</u>
<u>\$ 8,163,646</u>	<u>\$ 329,150</u>	<u>\$ 12,844,322</u>

**CITY OF ASHEVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND BALANCES (DEFICIT)**  
**NON-MAJOR GOVERNMENTAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Special Revenue</b>		
	<b>Grant Programs</b>	<b>Section 108 Rehabilitation</b>	<b>Affordable Home Ownership</b>
<b>REVENUES</b>			
Intergovernmental revenue	\$ 5,173,287	\$ -	\$ 1,568,143
Licenses and permits	-	-	-
Charges for services	38,242	-	-
Investment earnings	226	-	-
Miscellaneous	537,487	63,273	10,770
Total revenues	<u>5,749,242</u>	<u>63,273</u>	<u>1,578,913</u>
<b>EXPENDITURES</b>			
Current:			
General government	333,307	-	-
Public safety	874,766	-	-
Public works	4,635,303	-	-
Community development	456,486	524	1,623,861
Transportation	14,146	-	-
Culture and recreation	173,137	-	-
Debt service:			
Principal	-	30,000	-
Interest and other charges	-	36,046	-
Total expenditures	<u>6,487,145</u>	<u>66,570</u>	<u>1,623,861</u>
Revenues over (under) expenditures	<u>(737,903)</u>	<u>(3,297)</u>	<u>(44,948)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	2,554,571	2,849	-
Transfers to other funds	(69,898)	-	-
Total other financing sources (uses)	<u>2,484,673</u>	<u>2,849</u>	<u>-</u>
Net change in fund balances	1,746,770	(448)	(44,948)
Fund balances (deficit) - beginning	<u>(1,249,637)</u>	<u>786,540</u>	<u>41,622</u>
Fund balances (deficit) - ending	<u>\$ 497,133</u>	<u>\$ 786,092</u>	<u>\$ (3,326)</u>

<b>General Capital Projects Fund</b>	<b>Permanent Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ 806,959	\$ -	\$ 7,548,389
150,317	-	150,317
921	-	39,163
-	2,282	2,508
346,650	-	958,180
<u>1,304,847</u>	<u>2,282</u>	<u>8,698,557</u>
534,783	-	868,090
669,846	-	1,544,612
363,032	-	4,998,335
106,900	-	2,187,771
980,316	-	994,462
1,344,846	-	1,517,983
-	-	30,000
-	-	36,046
<u>3,999,723</u>	<u>-</u>	<u>12,177,299</u>
<u>(2,694,876)</u>	<u>2,282</u>	<u>(3,478,742)</u>
3,139,200	-	5,696,620
<u>(1,243)</u>	<u>-</u>	<u>(71,141)</u>
<u>3,137,957</u>	<u>-</u>	<u>5,625,479</u>
443,081	2,282	2,146,737
<u>7,149,666</u>	<u>326,868</u>	<u>7,055,059</u>
<u>\$ 7,592,747</u>	<u>\$ 329,150</u>	<u>\$ 9,201,796</u>

**CITY OF ASHEVILLE  
GRANT PROGRAMS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>REVENUES</b>				
Restricted intergovernmental	\$ 22,463,246	\$ 7,060,816	\$ 5,173,287	\$ 12,234,103
Charges for services	99,708	1,381	38,242	39,623
Private donations	4,558,230	1,825,128	537,487	2,362,615
Investment earnings	58,490	63,173	226	63,399
Total revenues	<u>27,179,674</u>	<u>8,950,498</u>	<u>5,749,242</u>	<u>14,699,740</u>
<b>EXPENDITURES</b>				
General government:				
21st Century Comm Learn Ctr Summer	103,000	5,419	15,865	21,284
21st Century Comm Learn Ctr Year 1	130,000	-	96,202	96,202
Weed & Seed Initiative Year 1	175,000	160,349	627	160,976
Weed & Seed Initiative Year 2	200,000	166,568	356	166,924
Weed & Seed Initiative Year 3	150,000	22,349	97,791	120,140
Weed & Seed Initiative Year 4	142,000	-	20,123	20,123
River Dist Brownfields	400,000	32,053	75,350	107,403
RENCI - Grove Arcade Lease	124,708	-	54,661	54,661
Safe Neighborhoods	20,000	12,321	6,941	19,262
EECBG Administration Project	127,700	-	36,730	36,730
EECBG Building Inspection & Maint	35,000	-	29,311	29,311
EECBG IT Server Downsizing	100,000	-	80,108	80,108
CAYLA Program	58,000	57,148	-	57,148
ARRA LEAP	209,940	-	-	-
URTV 2008-101-80315-102	24,960	24,960	-	24,960
ARRA EECBG Fire Station 6	34,000	-	-	-
ARRA EECBG Fire Station 8	50,000	-	-	-
ARRA EECBG City Hall Lighting	120,000	-	-	-
ARRA EECBG Competitive Grants	250,000	-	-	-
Total general government	<u>2,454,308</u>	<u>481,167</u>	<u>514,065</u>	<u>995,232</u>
Public safety:				
Hazmat Grant 2006	192,858	186,334	(2,090)	184,244
Fire & Life Safety Education	34,540	13,848	20,191	34,039
Hazmat Grant 2007	251,571	115,500	123,395	238,895
Assistance to Firefighters DHS-FEMA	70,197	-	37,736	37,736
RRT-6 Operating Grant 2010	135,714	-	-	-
TRANSCAER Hazmat Study	500	-	468	468

(continued)

**CITY OF ASHEVILLE  
GRANT PROGRAMS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Public safety (continued):				
Hazmat Grant 2008	\$ 205,714	\$ -	\$ 18,914	\$ 18,914
Federal Forfeitures	575,373	387,136	108,025	495,161
State Forfeitures	258,569	125,739	79,008	204,747
Target Grant 2009	1,000	-	-	-
Emergency Management Bomb Unit	57,000	-	56,489	56,489
COPS Meth 2006	148,031	124,359	10,322	134,681
NCGCC Gang Violence Prevention	20,900	-	9,314	9,314
JAG 2007	72,496	14,131	8,811	22,942
JAG 2008	19,068	-	19,000	19,000
BYRNE Grant 2008	201,228	-	201,228	201,228
JAG 2009 BYRNE Local Solicitation	90,560	-	26,044	26,044
ARRA - JAG 2009 BYRNE Local Sol	372,630	-	107,164	107,164
Fire Bell	16,820	16,681	-	16,681
VIPER Interop Gateways	250,000	-	-	-
Medial Ambulance Bus	357,000	-	-	-
COPS Meth 2008	93,530	-	-	-
JAG 2006	53,641	53,641	-	53,641
Bullet proof vest	6,453	-	-	-
JAG 2010 Local Solicitation	89,881	-	-	-
Total public safety	<u>3,575,274</u>	<u>1,037,369</u>	<u>824,019</u>	<u>1,861,388</u>
Public works:				
TIP Enhance - Pack Square	8,240,523	5,643,152	2,424,040	8,067,192
TIP Enhance - Clingman Ave 1	-	96,395	(96,395)	-
Senate Bill 7 - Flood Damage	4,575,000	1,395,472	1,148,173	2,543,645
NCDPPEA Compost Bins DENR	6,000	-	6,000	6,000
ARRA Coxe Ave bike Lane	309,760	-	169,310	169,310
ARRA Dwntrwn Streetscape	121,000	-	75,447	75,447
ARRA & NCCWMTF Dingle Creek	454,500	-	347,367	347,367
ARRA Sidewalk Gaps	1,784,750	-	68,310	68,310
ARRA Kimberly Ave Resurfacing	732,094	-	471,233	471,233
N. Louisiana Phase 1	23,082	-	20,468	20,468
ARRA NCDHHS Summer Intern	1,500	-	170	170
Total public works	<u>16,248,209</u>	<u>7,135,019</u>	<u>4,634,123</u>	<u>11,769,142</u>

(continued)

**CITY OF ASHEVILLE**  
**GRANT PROGRAMS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Community Development:				
ACT-Program Admin CDBG	\$ 33,294	\$ 227	\$ 32,106	\$ 32,333
ACT-Weed & Seed Weatherization	75,000	-	52,500	52,500
ACT-Emergency Repair II	198,648	-	75,000	75,000
ARRA Homeless Prevent Rapid Response	509,460	-	105,549	105,549
Fair Housing Assistance 2009-2010	100,000	-	59,330	59,330
City Hall Bell	26,400	16,515	1,990	18,505
Emma infrastructure	537,500	-	-	-
MPO Grant	700,000	348,182	-	348,182
Dingle Creek Watershed 1	342,000	341,980	-	341,980
N. Louisiana Phase 2	117,000	-	-	-
ARRA S Slope bike lanes	196,625	-	-	-
Architectural Study	36,900	26,783	-	26,783
Downtown Asheville National Register	7,700	-	-	-
Rural Development BARP	823,000	822,974	-	822,974
FHA Prog 07-08	120,000	48,100	-	48,100
FHA Prog 08-09	100,000	43,940	-	43,940
ACT-Small business loan	26,000	-	-	-
Total community development	<u>3,949,527</u>	<u>1,648,701</u>	<u>326,475</u>	<u>1,975,176</u>
Transportation:				
TIP - Dykeman Riverway	600,000	-	14,146	14,146
ARRA Fairview Signals	105,600	-	1,180	1,180
Total transportation	<u>705,600</u>	<u>-</u>	<u>15,326</u>	<u>15,326</u>
Culture and Recreation:				
FIT Community Grant	60,000	-	46,514	46,514
AVL Parks & Greenway Foundation	29,708	4,735	2,311	7,046
Harvest House 2010	12,706	-	5,914	5,914
Harvest House 2008	16,404	14,958	698	15,656
Harvest House 2009	13,090	10,065	1,755	11,820
Senior Opportunity Center 2004	5,808	4,872	66	4,938
Senior Opportunity Center 2006	5,454	5,340	-	5,340
Senior Opportunity Center 2007	15,367	15,367	-	15,367
Senior Opportunity Center 2008	22,404	14,027	2,002	16,029
Senior Opportunity Center 2009	13,090	13,247	62	13,309
Senior Opportunity Center 2010	12,707	-	11,090	11,090

(continued)

**CITY OF ASHEVILLE**  
**GRANT PROGRAMS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Culture and Recreation (continued):				
WNC Nature Center Special Approp 10	\$ 113,056	\$ -	\$ 60,436	\$ 60,436
Otter Pond - Friends of the Nature Center	59,400	-	15,795	15,795
Cultural Ren Art Program	64,500	61,301	-	61,301
Cultural Ren Art Program 2	25,269	26,536	-	26,536
Friends of the Nature Center	76,660	54,709	5,699	60,408
Red Wolf Exhibit Improvements	104,000	-	20,795	20,795
Veterinary & Isolation Facility	75,000	-	-	-
Total culture and recreation	<u>724,623</u>	<u>225,157</u>	<u>173,137</u>	<u>398,294</u>
 Total expenditures	<u>27,657,541</u>	<u>10,527,413</u>	<u>6,487,145</u>	<u>17,014,558</u>
 Revenues under expenditures	<u>(477,867)</u>	<u>(1,576,915)</u>	<u>(737,903)</u>	<u>(2,314,818)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,034,753	327,278	2,554,571	2,881,849
Transfers to other funds	<u>(556,886)</u>	<u>-</u>	<u>(69,898)</u>	<u>(69,898)</u>
Total other financing sources (uses)	<u>477,867</u>	<u>327,278</u>	<u>2,484,673</u>	<u>2,811,951</u>
 Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ (1,249,637)</u>	1,746,770	<u>\$ 497,133</u>
 Fund deficit - beginning			<u>(1,249,637)</u>	
 Fund balance - ending			<u>\$ 497,133</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, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 2,300,000	\$ 2,300,000	\$ -	\$ 2,300,000
Miscellaneous	862,595	815,947	63,273	879,220
Total revenues	<u>3,162,595</u>	<u>3,115,947</u>	<u>63,273</u>	<u>3,179,220</u>
<b>EXPENDITURES</b>				
Community development:				
Loan 1	1,502,575	1,502,479	-	1,502,479
Loan 2	739,183	6,480	524	7,004
Debt service:				
Principal	1,195,908	1,140,908	30,000	1,170,908
Interest and other charges	337,486	283,697	36,046	319,743
Total expenditures	<u>3,775,152</u>	<u>2,933,564</u>	<u>66,570</u>	<u>3,000,134</u>
Revenues over (under) expenditures	(612,557)	182,383	(3,297)	179,086
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	<u>612,557</u>	<u>604,157</u>	<u>2,849</u>	<u>607,006</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 786,540</u>	<u>(448)</u>	<u>\$ 786,092</u>
Fund balance - beginning			<u>786,540</u>	
Fund balance - ending			<u>\$ 786,092</u>	

**CITY OF ASHEVILLE**  
**AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 9,375,247	\$ 6,982,141	\$ 1,568,143	\$ 8,550,284
Miscellaneous	352,836	237,254	10,770	248,024
Total revenues	<u>9,728,083</u>	<u>7,219,395</u>	<u>1,578,913</u>	<u>8,798,308</u>
<b>EXPENDITURES</b>				
Community development:				
HOME Conversion Project	3,505,582	3,505,576	-	3,505,576
ACT-MHO Direct Homebuyer HOME	494,353	229,533	256,228	485,761
ACT-Direct Homebuyer HOME	282,868	180,325	-	180,325
ACT-Program Administration HOME	736,392	562,757	129,607	692,364
ACT-HC Habitat Shuey Knolls	501,076	278,647	181,983	460,630
ACT-Homebuyer Assistance	129,076	73,306	50,200	123,506
ACT-Member Administration	54,622	14,979	38,642	53,621
ACT-Tenant Based Rental Assistance	299,934	139,085	82,998	222,083
ACT-Three Seed Development	209,276	176,625	32,651	209,276
ACT-Glen Rock Apartments	549,076	330,104	218,972	549,076
ACT-American Dream Dwnpymnt Initiativ	59,923	26,403	33,520	59,923
ACT-Self Help Homeownership	326,641	218,076	19,437	237,513
ACT-Affordable Rental Housing	60,000	23,000	-	23,000
ACT-Single Family Home Construction	80,000	-	18,520	18,520
ACT-Westmore Apratments	225,000	-	225,000	225,000
ACT-CHDO Operating Expenses	205,702	132,582	68,526	201,108
ACT-VOA Skyland Apts	164,077	-	164,077	164,077
ACT-Brotherton Subdiviison	114,000	-	-	-
ACT-Rosman Apartments	115,000	10,450	4,500	14,950
ACT-English Hills Development	100,000	-	99,000	99,000
ACT-Habitat Enka Development HOME	103,338	102,338	-	102,338
ACT-Our Next Generation SFNC	91,000	91,000	-	91,000
ACT-Site Rehabilitation	47,800	47,800	-	47,800
ACT-Baker Heights	17,500	17,500	-	17,500
ACT-Mapleton Development	100,000	-	-	-
ACT-Crowell Parks	499,183	499,183	-	499,183
ACT-Single Family Construction BC	80,000	79,000	-	79,000
ACT-Clingman Loft	166,605	165,605	-	165,605
ACT-East Riverside Development	264,734	229,595	-	229,595
ACT-Predevelopment Loan HOME	48,076	44,304	-	44,304
ACT-Rural Home Rehabilitation	97,183	-	-	-
ACT-Unallocated	66	-	-	-
Total expenditures	<u>9,728,083</u>	<u>7,177,773</u>	<u>1,623,861</u>	<u>8,801,634</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 41,622</u>	<u>(44,948)</u>	<u>\$ (3,326)</u>
Fund balance - beginning			<u>41,622</u>	
Fund deficit - ending			<u>\$ (3,326)</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, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 7,439,521	\$ 4,166,764	\$ 806,959	\$ 4,973,723
Licenses and permits	-	-	150,317	150,317
Charges for services	277,900	160,500	921	161,421
Investment earnings	415,863	383,181	-	383,181
Miscellaneous	3,917,467	3,092,798	346,650	3,439,448
Total revenues	<u>12,050,751</u>	<u>7,803,243</u>	<u>1,304,847</u>	<u>9,108,090</u>
<b>EXPENDITURES</b>				
General government:				
Building security enhancement	405,000	47,197	23,861	71,058
One stop shop	390,000	-	371,329	371,329
Gov TV equipment	106,000	12,037	36,454	48,491
VOIP telephone	222,945	204,821	18,123	222,944
HTE replacement	2,000,000	842,103	451,947	1,294,050
Develop revenue improvement	360,000	-	-	-
Radio replacements	533,550	533,551	-	533,551
Radio upgrades	135,000	-	-	-
Radio replacements	125,031	125,030	-	125,030
Tower management	173,600	-	-	-
Interest	572,241	572,239	-	572,239
Inactive accounts	1,237,521	-	-	-
COPS 97A	31	31	-	31
Total general government	<u>6,260,919</u>	<u>2,337,009</u>	<u>901,714</u>	<u>3,238,723</u>
Public safety:				
Fire station 6	2,855,599	2,855,598	-	2,855,598
Fire station 11	2,830,186	2,792,330	37,852	2,830,182
Fire station 12	253,566	253,565	-	253,565
Total public safety	<u>5,939,351</u>	<u>5,901,493</u>	<u>37,852</u>	<u>5,939,345</u>
Public works:				
TIP Enhance-East Oakview Bridge	1,363,000	242,279	4,968	247,247
TIP Enhance-Patton Ave	450,000	-	3,188	3,188
Clingman streetscape	907,251	-	248,213	248,213
SWR-SCA-Sardis Road	1,800,000	20,200	106,663	126,863
TIP Enhance-Avon Road	483,565	483,565	-	483,565

(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, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Public works (continued):				
Sullivan Act	\$ 1,570,041	\$ -	\$ -	\$ -
Sewer West Area	2,317,564	2,317,562	-	2,317,562
SWR-SCMP-Long Shoals	116,500	4,080	-	4,080
Airport Road Sewer Annex	250,000	-	-	-
Total public works	<u>9,257,921</u>	<u>3,067,686</u>	<u>363,032</u>	<u>3,430,718</u>
Community development:				
I-40 noise wall enhancement	106,900	9,000	97,900	106,900
Affordable housing infrastructure	74,880	65,880	9,000	74,880
Total community development	<u>181,780</u>	<u>74,880</u>	<u>106,900</u>	<u>181,780</u>
Transportation:				
College/Charlotte street signal	11,196	5,000	6,196	11,196
General sidewalks 2009	200,000	195,998	4,001	199,999
Jail annex paving	134,149	114	129,918	130,032
Traffic safety projects	135,000	6,835	10,748	17,583
General streets 2009	752,300	692,299	737	693,036
General sidewalks 2010	200,000	-	174,766	174,766
General streets 2010	752,300	7,609	653,950	661,559
Sidewalks East	200,000	158,467	-	158,467
Sidewalks West	207,440	101,842	-	101,842
Traffic calming	36,317	36,317	-	36,317
Yorkshire Widening	51,375	51,374	-	51,374
Grove Park Traffic	439,874	439,873	-	439,873
Burton street traffic calming	16,850	16,850	-	16,850
General sidewalks 2008	200,000	198,573	-	198,573
General streets 2008	752,300	751,894	-	751,894
General streets 2009	30,789	30,789	-	30,789
Total transportation	<u>4,119,890</u>	<u>2,693,834</u>	<u>980,316</u>	<u>3,674,150</u>
Culture and recreation:				
French Broad River Corridor Connector	278,800	51,829	96,653	148,482
French Broad River-Hominy Creek Grnwy	890,000	344,234	422,267	766,501
Livingston Street Center	2,430,000	196,210	538,273	734,483
Richmond Hill Park	430,800	380,461	79	380,540
Reed Creek Grnwy II	783,000	62,703	30,119	92,822
Reed Creek Grnwy IV	2,500	1,044	32	1,076

(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, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Culture and recreation(continued):				
Swimming pool maintenance	\$ 79,020	\$ 60,634	\$ 7,172	\$ 67,806
Urban Trail maintenance	45,819	16,617	8,368	24,985
Richmond Hill Park rain garden	246,258	242,653	3,605	246,258
Building maintenance	582,500	173,574	380,707	554,281
Public art allocation	46,809	8,679	37,558	46,237
Reed Creek restoration	30,850	-	30,850	30,850
Walton street pool	200,000	-	36,826	36,826
Azalea Park	5,096,519	4,833,564	(600)	4,832,964
Carrier Park	1,537,044	1,519,041	18,000	1,537,041
Memorial Stadium renovations	772,931	772,929	-	772,929
Aston Park	676,054	676,052	-	676,052
Richmond Hill Park rain garden	55,000	55,000	-	55,000
City Hall ventilation	119,013	119,013	-	119,013
Burton street renovation	214,542	214,541	-	214,541
McCormick Field Tourists lease	140,000	100,910	-	100,910
Rec Center roof repairs	150,000	146,626	-	146,626
Reed Creek Grnwy 1	505,133	505,131	-	505,131
Total culture and recreation	<u>15,312,592</u>	<u>10,481,445</u>	<u>1,609,909</u>	<u>12,091,354</u>
Total expenditures	<u>41,072,453</u>	<u>24,556,347</u>	<u>3,999,723</u>	<u>28,556,070</u>
Revenues under expenditures	<u>(29,021,702)</u>	<u>(16,753,104)</u>	<u>(2,694,876)</u>	<u>(19,447,980)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	18,051,982	15,436,211	3,139,200	18,575,411
Transfers to other funds	(461,501)	(460,259)	(1,243)	(461,502)
Proceeds from the sale of capital assets	24,000	24,000	-	24,000
Long term debt issued	11,407,221	8,902,818	-	8,902,818
Total other financing sources (uses)	<u>29,021,702</u>	<u>23,902,770</u>	<u>3,137,957</u>	<u>27,040,727</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,149,666</u>	443,081	<u>\$ 7,592,747</u>
Fund balance - beginning			<u>7,149,666</u>	
Fund balance - ending			<u>\$ 7,592,747</u>	

# Proprietary Funds

## Major Enterprise Fund

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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, 2010**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 32,585,629	\$ 31,177,452	\$ (1,408,177)
Other operating revenue	14,000	81,411	67,411
Interest earned	550,000	300,866	(249,134)
Total revenues	33,149,629	31,559,729	(1,589,900)
<b>EXPENDITURES</b>			
Administration	682,199	674,118	8,081
Operations	18,209,012	16,319,400	1,889,612
Capital outlay	1,750,814	1,122,846	627,968
Debt service:			
Principal	4,033,408	4,033,407	1
Interest and other charges	3,603,991	3,614,563	(10,572)
Total expenditures	28,279,424	25,764,334	2,515,090
Revenue over expenditures	4,870,205	5,795,395	925,190
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Water Capital Projects Fund	(5,597,735)	(5,597,735)	-
Transfers to other funds	(200,003)	(200,003)	-
Proceeds from disposal of capital assets	-	69,480	69,480
Appropriated fund balance	927,533	-	(927,533)
Total other financing sources (uses)	(4,870,205)	(5,728,258)	(858,053)
Revenues under expenditures and other financing sources (uses)	\$ -	67,137	\$ 67,137
Reconciling items:			
Water Capital Projects Fund:			
Transfers from Water Resources Fund		5,597,735	
Transfers to other funds		(1,457,478)	
Interest earned on Water Capital Projects Fund		8,710	
Other revenue recorded in the Water Capital Projects Fund		50,994	
Water Resources Fund:			
Principal payments on debt		4,033,407	
Capital contributions		325,784	
Depreciation		(7,743,757)	
Capitalized interest		990,450	
Capital outlay		1,122,846	
Book value of capital assets disposed		(197,910)	
Change in net assets		\$ 2,797,918	

**CITY OF ASHEVILLE**  
**WATER MAJOR CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Capital grants and contributions	\$ 1,626,162	\$ 1,628,362	\$ -	\$ 1,628,362
Interest earned	1,076,529	1,157,828	8,710	1,166,538
Other revenue	-	248,071	50,994	299,065
Total revenues	<u>2,702,691</u>	<u>3,034,261</u>	<u>59,704</u>	<u>3,093,965</u>
<b>EXPENDITURES</b>				
Critical Needs II	2,123,656	1,965,304	-	1,965,304
Treatment plant upgrades	8,420,733	7,711,090	545,663	8,256,753
Treatment upgrades	4,000,000	3,944,586	-	3,944,586
DOT -I-26 Patton	282,000	-	-	-
NCDOT US70-74/Tunnel-Kenilworth	75,000	-	58,660	58,660
Viewmont Acres	664,001	-	-	-
NC191 Sardis Road	1,320,266	965,429	-	965,429
Brevard Road I-40 & I-26	536,897	1,698	-	1,698
Brevard Road	225,000	-	-	-
Long Shoals I-26 to US 25	1,855,800	709,730	686,414	1,396,144
Sand Hill- Enka Lake	820,000	2,040	-	2,040
NCDOT Exit 44	538,572	-	-	-
I-240 Widening to North Haywood	488,760	-	-	-
Long Shoals to I-26	1,647,216	-	-	-
Matching funds \$3M grant	155,369	144,290	-	144,290
WCWG MNGT tools/equipment	550,000	550,000	-	550,000
Clingman Avenue	581,072	581,072	-	581,072
24 X 36 Main replacement	164,430	-	-	-
Meter testing	250,000	-	-	-
Affordable Infill	544,268	44,268	16,949	61,217
Auto meter readers	2,890,576	-	237,048	237,048
NCDOT Brevard Rd I-40-I-26	4,230,000	1,720,581	1,438,406	3,158,987
NCDOT Sandhill Road	2,252,398	-	1,670,714	1,670,714
NCDOT Long Shoals Road	253,442	-	-	-
West Asheville/Wood Ave	2,384,459	2,256,287	22,746	2,279,033
Riceville Reservoir	320,000	-	-	-
New maintenance facility	264,264	-	-	-
Parker Avenue Service Line Installment	37,515	37,515	-	37,515
Hendersonville/Rosscrag Road	7,100,383	5,952,230	598,102	6,550,332
NC191 Clayton Road	2,184,694	2,105,804	28,811	2,134,615
Royal Pines	2,336,560	2,206,626	(21)	2,206,605
Central Business District	12,750,630	11,745,978	387,448	12,133,426
Town Mountain tank shop	1,557,643	681,598	857,189	1,538,787

(continued)

**CITY OF ASHEVILLE**  
**WATER MAJOR CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>EXPENDITURES</b>				
Bee Tree Junction	\$ 1,947,590	\$ 1,763,068	\$ 115,399	\$ 1,878,467
White Fawn Junction	3,825,507	3,213,891	295,009	3,508,900
ARRA Pump system improvement	375,722	-	187,500	187,500
Valve installations	1,976,963	1,720,853	-	1,720,853
Pump St/MR standby	5,545,206	4,959,777	267,860	5,227,637
Fairview tank	2,524,090	791,562	1,283,413	2,074,975
Reynolds water system improvements	420,420	-	149,596	149,596
Upgrade contingency	747,451	92,680	504,322	597,002
Allen Mountain	156,590	-	-	-
2005 Annexation	176,640	18,595	-	18,595
Beaucatcher tank demolition	125,000	-	-	-
Waterline inspections	70,000	70,000	-	70,000
NCDOT I-40	40,429	-	-	-
Cost of issuance	580,846	580,846	-	580,846
Miscellaneous project expenditures	-	50,776	-	50,776
Total expenditures	<u>82,318,058</u>	<u>56,588,174</u>	<u>9,351,228</u>	<u>65,939,402</u>
Revenues under expenditures	<u>(79,615,367)</u>	<u>(53,553,913)</u>	<u>(9,291,524)</u>	<u>(62,845,437)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	41,649,882	35,988,373	5,597,735	41,586,108
Transfers to other funds	(1,466,588)	(100,000)	(1,457,478)	(1,557,478)
Proceeds from sale of bonds	39,432,073	39,460,923	-	39,460,923
Total other financing sources (uses)	<u>79,615,367</u>	<u>75,349,296</u>	<u>4,140,257</u>	<u>79,489,553</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 21,795,383</u>	<u>\$ (5,151,267)</u>	<u>\$ 16,644,116</u>

# Proprietary Funds

## Non-major Enterprise Funds

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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, 2010**

	<u>Civic Center</u>	<u>Parking Services</u>	<u>Festivals</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,932,100	\$ 2,928,367	\$ -
Accounts receivable (net of allowance for uncollectibles)	14,032	419,265	-
Due from other governments	-	-	-
Inventories	18,141	-	-
Prepays	-	-	3,912
Total current assets	<u>1,964,273</u>	<u>3,347,632</u>	<u>3,912</u>
Capital assets:			
Assets not being depreciated	2,328,639	6,384,474	-
Assets being depreciated, net	1,187,364	4,728,334	-
Net capital assets	<u>3,516,003</u>	<u>11,112,808</u>	<u>-</u>
Total assets	<u>5,480,276</u>	<u>14,460,440</u>	<u>3,912</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	451,778	168,209	7,470
Customer deposits	-	500	-
Interest payable	-	-	-
Other accrued liabilities	21,125	6,603	1,622
Due to other funds	-	-	1,395,029
Unearned revenue	18,525	-	145,379
Current portion of long-term liabilities	-	-	-
Total current liabilities	<u>491,428</u>	<u>175,312</u>	<u>1,549,500</u>
Non-current liabilities:			
Long-term liabilities, less current portion	<u>76,376</u>	<u>24,990</u>	<u>10,929</u>
Total liabilities	<u>567,804</u>	<u>200,302</u>	<u>1,560,429</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,516,003	11,112,808	-
Unrestricted	<u>1,396,469</u>	<u>3,147,330</u>	<u>(1,556,517)</u>
Total net assets	<u>\$ 4,912,472</u>	<u>\$ 14,260,138</u>	<u>\$ (1,556,517)</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 200,000	\$ 1,798,261	\$ -	\$ 6,858,728
-	505,673	-	938,970
1,568,561	-	-	1,568,561
90,755	-	10,317	119,213
-	-	-	3,912
<u>1,859,316</u>	<u>2,303,934</u>	<u>10,317</u>	<u>9,489,384</u>
237,721	-	1,108,500	10,059,334
2,046,402	3,496,413	823,445	12,281,958
<u>2,284,123</u>	<u>3,496,413</u>	<u>1,931,945</u>	<u>22,341,292</u>
<u>4,143,439</u>	<u>5,800,347</u>	<u>1,942,262</u>	<u>31,830,676</u>
166,053	25,699	37,678	856,887
-	-	-	500
-	14	-	14
2,064	16,140	5,320	52,874
337,019	-	277,563	2,009,611
-	-	-	163,904
-	43,000	-	43,000
<u>505,136</u>	<u>84,853</u>	<u>320,561</u>	<u>3,126,790</u>
<u>7,879</u>	<u>120,971</u>	<u>32,789</u>	<u>273,934</u>
<u>513,015</u>	<u>205,824</u>	<u>353,350</u>	<u>3,400,724</u>
2,284,123	3,453,413	1,931,945	22,298,292
<u>1,346,301</u>	<u>2,141,110</u>	<u>(343,033)</u>	<u>6,131,660</u>
<u>\$ 3,630,424</u>	<u>\$ 5,594,523</u>	<u>\$ 1,588,912</u>	<u>\$ 28,429,952</u>

**CITY OF ASHEVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Civic Center</u>	<u>Parking Services</u>	<u>Festivals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 453,712	\$ 2,800,541	\$ 90,757
Rents	561,229	-	221,627
Concessions	313,948	-	180,844
Other operating revenue	89,574	1,320	144,737
Total operating revenues	<u>1,418,463</u>	<u>2,801,861</u>	<u>637,965</u>
<b>OPERATING EXPENSES</b>			
Administration	779,684	-	-
Operations	1,073,326	1,267,485	749,609
Other operating expenses	-	90,000	-
Depreciation	293,765	311,396	-
Total operating expenses	<u>2,146,775</u>	<u>1,668,881</u>	<u>749,609</u>
Operating income (loss)	<u>(728,312)</u>	<u>1,132,980</u>	<u>(111,644)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue	-	-	-
Interest earned	14,165	21,075	-
Interest expense	-	-	(8,157)
Loss on disposal of capital assets	-	-	-
Other non-operating revenue	-	-	-
Total non-operating revenues (expenses)	<u>14,165</u>	<u>21,075</u>	<u>(8,157)</u>
Income (loss) before transfers and capital grants and contributions	(714,147)	1,154,055	(119,801)
Transfers:			
Transfers from other funds	701,315	-	184,726
Transfers to other funds	-	(248,116)	-
Capital grants and contributions	-	-	-
Changes in net assets	<u>(12,832)</u>	<u>905,939</u>	<u>64,925</u>
Total net assets - beginning	<u>4,925,304</u>	<u>13,354,199</u>	<u>(1,621,442)</u>
Total net assets - ending	<u>\$ 4,912,472</u>	<u>\$ 14,260,138</u>	<u>\$ (1,556,517)</u>

<b>Mass Transit</b>	<b>Stormwater</b>	<b>Golf Course</b>	<b>Total Non-major Enterprise Funds</b>
\$ 1,144,926	\$ 3,172,043	\$ 471,450	\$ 8,133,429
-	-	201,249	984,105
-	-	55,178	549,970
-	15,621	-	251,252
<u>1,144,926</u>	<u>3,187,664</u>	<u>727,877</u>	<u>9,918,756</u>
354,039	2,570,121	-	3,703,844
4,810,438	-	923,219	8,824,077
-	-	435	90,435
370,499	481,852	104,987	1,562,499
<u>5,534,976</u>	<u>3,051,973</u>	<u>1,028,641</u>	<u>14,180,855</u>
<u>(4,390,050)</u>	<u>135,691</u>	<u>(300,764)</u>	<u>(4,262,099)</u>
3,048,511	-	-	3,048,511
-	11,757	-	46,997
(7,481)	(3,269)	(2,204)	(21,111)
-	-	-	-
13,000	-	-	13,000
<u>3,054,030</u>	<u>8,488</u>	<u>(2,204)</u>	<u>3,087,397</u>
(1,336,020)	144,179	(302,968)	(1,174,702)
1,120,947	23,460	-	2,030,448
-	-	-	(248,116)
314,426	-	-	314,426
<u>99,353</u>	<u>167,639</u>	<u>(302,968)</u>	<u>922,056</u>
<u>3,531,071</u>	<u>5,426,884</u>	<u>1,891,880</u>	<u>27,507,896</u>
<u>\$ 3,630,424</u>	<u>\$ 5,594,523</u>	<u>\$ 1,588,912</u>	<u>\$ 28,429,952</u>

**CITY OF ASHEVILLE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Civic Center</b>	<b>Parking Services</b>	<b>Festivals</b>
Cash flows from operating activities:			
Cash received from customers	\$ 1,492,006	\$ 2,705,667	\$ 576,654
Cash paid for goods and services	(401,961)	(646,292)	(584,848)
Cash paid to employees	(1,121,115)	(727,850)	(159,938)
Cash received from other sources	-	-	-
Net cash provided by (used for) operating activities	<u>(31,070)</u>	<u>1,331,525</u>	<u>(168,132)</u>
Cash flows from non-capital financing activities:			
Receipts from operating grants	-	-	-
Transfers from other funds	701,315	-	184,726
Transfers to other funds	-	(248,116)	-
Advances received from other funds	-	-	-
Advances paid to other funds	-	-	(17,394)
Net cash provided by (used for) non-capital financing activities	<u>701,315</u>	<u>(248,116)</u>	<u>167,332</u>
Cash flows from capital and related financing activities:			
Receipts from capital grants or contributions	-	-	-
Acquisition and construction of assets	(1,700,482)	(415,759)	-
Principal paid on debt	-	-	-
Interest paid on debt	-	-	-
Net cash used for capital and related financing activities	<u>(1,700,482)</u>	<u>(415,759)</u>	<u>-</u>
Cash flows from investing activities:			
Interest earned	<u>14,165</u>	<u>21,075</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,016,072)	688,725	(800)
Cash and cash equivalents:			
Beginning of year, July 1	<u>2,948,172</u>	<u>2,239,642</u>	<u>800</u>
End of year, June 30	<u>\$ 1,932,100</u>	<u>\$ 2,928,367</u>	<u>\$ -</u>

<b>Mass Transit</b>	<b>Stormwater</b>	<b>Golf Course</b>	<b>Total Non-major Enterprise Funds</b>
\$ 1,144,926	\$ 3,080,774	\$ 727,877	\$ 9,727,904
(4,831,399)	(703,481)	(327,260)	(7,495,241)
(204,434)	(1,898,390)	(568,635)	(4,680,362)
13,000	-	-	13,000
<u>(3,877,907)</u>	<u>478,903</u>	<u>(168,018)</u>	<u>(2,434,699)</u>
2,764,401	-	-	2,764,401
1,120,947	23,460	-	2,030,448
-	-	-	(248,116)
49,323	-	167,318	216,641
-	-	-	(17,394)
<u>3,934,671</u>	<u>23,460</u>	<u>167,318</u>	<u>4,745,980</u>
314,426	-	-	314,426
(371,190)	(35,851)	-	(2,523,282)
-	(43,000)	-	(43,000)
-	(3,302)	-	(3,302)
<u>(56,764)</u>	<u>(82,153)</u>	<u>-</u>	<u>(2,255,158)</u>
-	11,757	-	46,997
-	431,967	(700)	103,120
<u>200,000</u>	<u>1,366,294</u>	<u>700</u>	<u>6,755,608</u>
<u>\$ 200,000</u>	<u>\$ 1,798,261</u>	<u>\$ -</u>	<u>\$ 6,858,728</u>

(continued)

**CITY OF ASHEVILLE  
COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<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)	\$ (728,312)	\$ 1,132,980	\$ (111,644)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	293,765	311,396	-
Non-operating revenue	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	68,293	(96,194)	-
(Increase) decrease in inventories	(232)	-	-
Increase in prepaids	-	-	(2,861)
Increase (decrease) in accounts payable	333,224	8,630	7,379
Increase (decrease) in accrued expenses	(14,572)	(20,213)	(4,508)
Increase (decrease) in unearned revenue	5,250	-	(61,311)
Increase (decrease) in compensated absences	10,752	(3,007)	4,813
Increase (decrease) in other postemployment benefits	762	(2,067)	-
Net cash provided by (used for) operating activities	<u>\$ (31,070)</u>	<u>\$ 1,331,525</u>	<u>\$ (168,132)</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ (4,390,050)	\$ 135,691	\$ (300,764)	\$ (4,262,099)
370,499	481,852	104,987	1,562,499
13,000	-	-	13,000
-	(106,890)	-	(134,791)
(18,592)	-	4,157	(14,667)
-	-	-	(2,861)
153,179	(27,117)	34,889	510,184
(6,104)	(62,629)	(18,546)	(126,572)
-	-	-	(56,061)
161	57,996	7,259	77,974
-	-	-	(1,305)
<u>\$ (3,877,907)</u>	<u>\$ 478,903</u>	<u>\$ (168,018)</u>	<u>\$ (2,434,699)</u>

**CITY OF ASHEVILLE  
CIVIC CENTER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Charges for services	\$ 522,650	\$ 453,712	\$ (68,938)
Rents	700,750	561,229	(139,521)
Concessions	325,000	313,948	(11,052)
Other operating revenue	79,650	89,574	9,924
Interest earned	70,000	14,165	(55,835)
Total revenues	<u>1,698,050</u>	<u>1,432,628</u>	<u>(265,422)</u>
<b>EXPENDITURES</b>			
Administration	939,759	779,684	160,075
Operations	1,210,232	1,073,326	136,906
Total expenditures	<u>2,149,991</u>	<u>1,853,010</u>	<u>296,981</u>
Revenues under expenditures	<u>(451,941)</u>	<u>(420,382)</u>	<u>31,559</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	391,315	391,315	-
Appropriated fund balance	60,626	-	(60,626)
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(29,067)</u>	<u>\$ (29,067)</u>
Reconciling items:			
Transfer to the Civic Center Capital Projects Fund		310,000	
Depreciation		<u>(293,765)</u>	
Change in net assets		<u>\$ (12,832)</u>	

**CITY OF ASHEVILLE**  
**CIVIC CENTER CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Capital grants and contributions	\$ 88,000	\$ -	\$ -	\$ -
Interest earned	17,265	17,265	-	17,265
Other revenue	40,000	39,253	-	39,253
Total revenues	<u>145,265</u>	<u>56,518</u>	<u>-</u>	<u>56,518</u>
<b>EXPENDITURES</b>				
Arena roof replacement	1,800,000	69,371	1,605,197	1,674,568
Main cooling tower	1,427	1,427	-	1,427
Air handler repair	116,711	116,711	-	116,711
Minor capital equipment	229,525	224,777	-	224,777
Standby transformer	65,000	-	44,887	44,887
General improvements	98,374	90,667	-	90,667
Exterior repairs	27,575	27,575	-	27,575
Concourse damage	30,000	4,846	-	4,846
Fire alarms	175,000	104,290	19,840	124,130
Portable storage	107,800	107,800	-	107,800
Smoke hatches	110,000	70,296	-	70,296
Arena seating	25,000	-	-	-
Emergency lighting	32,200	23,850	-	23,850
Wolfe fire exit	90,000	-	-	-
Marquee	5,000	-	-	-
Main banquet hall renovations	100,000	-	-	-
EECBG banquet hall HVAC	88,000	-	5,920	5,920
Basketball floor repairs	25,000	-	24,638	24,638
NBDL storage	10,000	-	-	-
Total expenditures	<u>3,136,612</u>	<u>841,610</u>	<u>1,700,482</u>	<u>2,542,092</u>
Revenues under expenditures	<u>(2,991,347)</u>	<u>(785,092)</u>	<u>(1,700,482)</u>	<u>(2,485,574)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	3,226,347	2,913,742	310,000	3,223,742
Transfers to other funds	(235,000)	(235,000)	-	(235,000)
Total other financing sources (uses)	<u>2,991,347</u>	<u>2,678,742</u>	<u>310,000</u>	<u>2,988,742</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 1,893,650</u>	<u>\$ (1,390,482)</u>	<u>\$ 503,168</u>

**CITY OF ASHEVILLE  
PARKING SERVICES FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Charges for services	\$ 2,789,700	\$ 2,800,541	\$ 10,841
Other operating revenue	-	1,320	1,320
Interest earned	50,000	21,075	(28,925)
Total revenues	<u>2,839,700</u>	<u>2,822,936</u>	<u>(16,764)</u>
<b>EXPENDITURES</b>			
Operations	2,476,511	1,267,485	1,209,026
Other operating	156,147	-	156,147
Total expenditures	<u>2,632,658</u>	<u>1,267,485</u>	<u>1,365,173</u>
Revenues over expenditures	<u>207,042</u>	<u>1,555,451</u>	<u>1,348,409</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(305,356)	(301,116)	4,240
Appropriated fund balance	98,314	-	(98,314)
Total other financing sources (uses)	<u>(207,042)</u>	<u>(301,116)</u>	<u>(94,074)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>1,254,335</u>	<u>\$ 1,254,335</u>
Reconciling items:			
Transfer to Parking Capital Projects Fund		53,000	
Depreciation		(311,396)	
Non-capitalized construction costs		<u>(90,000)</u>	
Change in net assets		<u>\$ 905,939</u>	

**CITY OF ASHEVILLE**  
**PARKING SERVICES CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Interest earned	\$ 60	\$ 1,304	\$ -	\$ 1,304
Rental income	-	44,046	-	44,046
Total revenues	<u>60</u>	<u>45,350</u>	<u>-</u>	<u>45,350</u>
<b>EXPENDITURES</b>				
Battery Park parking deck	21,432,000	4,093,280	265,231	4,358,511
Employee parking lot	58,027	53,787	-	53,787
Cushman	20,000	-	-	-
Biltmore Avenue garage	18,500,000	502,575	150,528	653,103
Wayfinding Signs	107,240	-	90,000	90,000
Rankin Deck restoration	500,000	-	-	-
General capital projects	60	2,030	-	2,030
Total expenditures	<u>40,617,327</u>	<u>4,651,672</u>	<u>505,759</u>	<u>5,157,431</u>
Revenues under expenditures	<u>(40,617,267)</u>	<u>(4,606,322)</u>	<u>(505,759)</u>	<u>(5,112,081)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from the sale of bonds	39,400,000	-	-	-
Transfers from other funds	1,217,267	1,525,071	53,000	1,578,071
Total other financing sources	<u>40,617,267</u>	<u>1,525,071</u>	<u>53,000</u>	<u>1,578,071</u>
Revenues under expenditures and other financing sources	<u>\$ -</u>	<u>\$ (3,081,251)</u>	<u>\$ (452,759)</u>	<u>\$ (3,534,010)</u>

**CITY OF ASHEVILLE  
FESTIVALS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Charges for services	\$ 56,300	\$ 90,757	\$ 34,457
Rents	107,000	160,316	53,316
Concessions	156,500	180,844	24,344
Other operating revenue	273,917	144,737	(129,180)
Interest earned	700	-	(700)
Total revenues	<u>594,417</u>	<u>576,654</u>	<u>(17,763)</u>
<b>EXPENDITURES</b>			
Operations	796,449	752,470	43,979
Interest and other charges	-	8,157	(8,157)
Total expenditures	<u>796,449</u>	<u>760,627</u>	<u>35,822</u>
Revenues under expenditures	<u>(202,032)</u>	<u>(183,973)</u>	<u>18,059</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	184,726	184,726	-
Appropriated fund balance	17,306	-	(17,306)
Total other financing sources	<u>202,032</u>	<u>184,726</u>	<u>(17,306)</u>
Revenues over expenditures and other financing sources	<u>\$ -</u>	<u>753</u>	<u>\$ 753</u>
Reconciling items:			
Net change in unearned revenue		61,311	
Net change in prepaids		<u>2,861</u>	
Change in net assets		<u>\$ 64,925</u>	

**CITY OF ASHEVILLE  
MASS TRANSIT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,206,000	\$ 1,144,926	\$ (61,074)
Intergovernmental revenue	3,333,833	3,048,511	(285,322)
Total revenues	4,539,833	4,193,437	(346,396)
<b>OPERATING EXPENDITURES</b>			
Administration	357,053	354,039	3,014
Operations	5,290,907	4,810,438	480,469
Interest and other charges	15,450	7,481	7,969
Total expenditures	5,663,410	5,171,958	491,452
Revenues under expenditures	(1,123,577)	(978,521)	145,056
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds	1,120,947	1,120,947	-
Transfer to other funds	(17,000)	(17,000)	-
Appropriated fund balance	19,630	-	(19,630)
Total other financing sources (uses)	1,123,577	1,103,947	(19,630)
Revenues over expenditures and other financing sources (uses)	\$ -	125,426	\$ 125,426
Reconciling items:			
Transfer to Mass Transit Capital Projects Fund		17,000	
Other revenue recorded in the Mass Transit Capital Projects Fund		13,000	
Capital grants and contributions		314,426	
Depreciation		(370,499)	
Change in net assets		\$ 99,353	

**CITY OF ASHEVILLE**  
**MASS TRANSIT CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Capital grants and contributions	\$ 10,750,086	\$ 1,542,475	\$ 314,426	\$ 1,856,901
Other revenue	13,000	-	13,000	13,000
Total revenues	<u>10,763,086</u>	<u>1,542,475</u>	<u>327,426</u>	<u>1,869,901</u>
<b>EXPENDITURES</b>				
Hybrid bus purchases	2,625,000	-	-	-
ARRA-FTA bus purchases	2,590,439	-	-	-
Transit garage project	125,000	-	-	-
General capital projects	5,486,262	1,672,788	-	1,672,788
Transit master plan	150,000	-	-	-
Fareboxes	233,417	-	219,030	219,030
Street Furniture Improvement	85,000	-	5,536	5,536
New Freedom Grant	208,512	-	-	-
Automated Voice System	147,400	-	146,624	146,624
Total expenditures	<u>11,651,030</u>	<u>1,672,788</u>	<u>371,190</u>	<u>2,043,978</u>
Revenues under expenditures	<u>(887,944)</u>	<u>(130,313)</u>	<u>(43,764)</u>	<u>(174,077)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,094,984	874,844	42,000	916,844
Transfers to other funds	(207,040)	(114,437)	(25,000)	(139,437)
Total other financing sources (uses)	<u>887,944</u>	<u>760,407</u>	<u>17,000</u>	<u>777,407</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 630,094</u>	<u>\$ (26,764)</u>	<u>\$ 603,330</u>

**CITY OF ASHEVILLE  
STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Charges for services	\$ 2,839,218	\$ 3,172,043	\$ 332,825
Intergovernmental revenue	5,000	-	(5,000)
Other operating revenue	30,000	15,621	(14,379)
Interest earned	30,000	11,757	(18,243)
Total revenues	<u>2,904,218</u>	<u>3,199,421</u>	<u>295,203</u>
<b>EXPENDITURES</b>			
Administration	3,037,942	2,605,972	431,970
Debt service:			
Principal	48,348	43,000	5,348
Interest and other charges	1,652	3,269	(1,617)
Total expenditures	<u>3,087,942</u>	<u>2,652,241</u>	<u>435,701</u>
Revenues over (under) expenditures	<u>(183,724)</u>	<u>547,180</u>	<u>730,904</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	-	23,460	23,460
Appropriated fund balance	183,724	-	(183,724)
Total other financing sources	<u>183,724</u>	<u>23,460</u>	<u>(160,264)</u>
Revenues over expenditures and other financing sources	<u>\$ -</u>	<u>570,640</u>	<u>\$ 570,640</u>
Reconciling items:			
Depreciation		(481,852)	
Principal payments on debt		43,000	
Capital outlay		35,851	
Change in net assets		<u>\$ 167,639</u>	

**CITY OF ASHEVILLE  
GOLF COURSE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Charges for services	\$ 645,000	\$ 471,450	\$ (173,550)
Rents	275,000	201,249	(73,751)
Concessions	80,000	55,178	(24,822)
Total revenues	<u>1,000,000</u>	<u>727,877</u>	<u>(272,123)</u>
<b>EXPENDITURES</b>			
Operations	1,006,438	923,219	83,219
Interest and other charges	-	2,204	(2,204)
Total expenditures	<u>1,006,438</u>	<u>925,423</u>	<u>81,015</u>
Revenues under expenditures	<u>(6,438)</u>	<u>(197,546)</u>	<u>(191,108)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	-	-	-
Appropriated fund balance	6,438	-	(6,438)
Total other financing sources	<u>6,438</u>	<u>-</u>	<u>(6,438)</u>
Revenues under expenditures and other financing sources	<u>\$ -</u>	<u>(197,546)</u>	<u>\$ (197,546)</u>
Reconciling items:			
Depreciation		(104,987)	
Non-capitalized construction costs		<u>(435)</u>	
Change in net assets		<u>\$ (302,968)</u>	

**CITY OF ASHEVILLE**  
**GOLF COURSE CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>EXPENDITURES</b>				
Golf Course irrigation	\$ 550,000	\$ 233,349	\$ 435	\$ 233,784
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	250,000	250,000	-	250,000
Issuance of installment financing	300,000	-	-	-
Total other financing sources	<u>550,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 16,651</u>	<u>\$ (435)</u>	<u>\$ 16,216</u>



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# Proprietary Funds

## Internal Service Fund

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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.



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**CITY OF ASHEVILLE  
INTERNAL SERVICES FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 14,549,736	\$ 14,579,566	\$ 29,830
Other operating revenue	297,500	554,027	256,527
Interest earned	100,000	62,355	(37,645)
Total revenues	14,947,236	15,195,948	248,712
<b>EXPENDITURES</b>			
Administration	3,363,980	3,316,073	47,907
Operations	13,283,631	13,575,662	(292,031)
Total expenditures	16,647,611	16,891,735	(244,124)
Revenues under expenditures	(1,700,375)	(1,695,787)	4,588
<b>OTHER FINANCING SOURCES</b>			
Appropriated fund balance	1,700,375	-	(1,700,375)
Revenues under expenditures and other financing sources	\$ -	(1,695,787)	\$ (1,695,787)
Reconciling items:			
Change in estimate for claims incurred but not reported		(330,665)	
Other postemployment benefits		(1,286,174)	
Change in net assets		\$ (3,312,626)	



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# Agency Fund

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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.



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**CITY OF ASHEVILLE  
CIVIC CENTER AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<b>ASSETS</b>				
Cash and investments	<u>\$ 563,196</u>	<u>\$ 3,264,103</u>	<u>\$ 3,339,493</u>	<u>\$ 487,806</u>
<b>LIABILITIES</b>				
Due to others	<u>\$ 563,196</u>	<u>\$ 3,264,103</u>	<u>\$ 3,339,493</u>	<u>\$ 487,806</u>



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## Other Supplemental Information

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This section contains additional information on property taxes for the year ended June 30, 2010.

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



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**CITY OF ASHEVILLE  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2010**

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Receivable July 1, 2009</u>	<u>Additions</u>	<u>Collections and Other Reductions</u>	<u>Taxes Receivable June 30, 2010</u>
2000	\$ 45,070	\$ -	\$ 45,070	\$ -
2001	54,478	-	2,197	52,281
2002	58,269	-	2,193	56,076
2003	61,738	-	2,151	59,587
2004	68,890	-	15,012	53,878
2005	60,385	-	2,488	57,897
2006	67,766	-	4,936	62,830
2007	61,203	-	6,175	55,028
2008	81,143	-	20,320	60,823
2009	464,737	-	355,956	108,781
2010	-	45,310,419	44,749,409	561,010
Totals	<u>\$ 1,023,679</u>	<u>\$ 45,310,419</u>	<u>\$ 45,205,907</u>	1,128,191
Less: Allowance for uncollectible accounts:				
General Fund				<u>813,000</u>
Ad valorem taxes receivable-net				<u>\$ 315,191</u>
Reconcilement to revenues collected:				
Revenue - General Fund				\$ 45,252,647
Penalties and interest				(144,393)
Taxes written off				45,070
Other adjustments				<u>52,583</u>
Collections and other reductions				<u>\$ 45,205,907</u>

**CITY OF ASHEVILLE**  
**ANALYSIS OF CURRENT TAX LEVY AND SECONDARY MARKET DISCLOSURES**  
**CITY - WIDE LEVY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	City - Wide			Total Levy	
	Property Valuation (000's)	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 10,607,340	\$ 0.42	\$ 44,550,827	\$ 42,461,500	\$ 2,089,327
Discoveries:					
Current year taxes	201,794	0.42	847,536	847,536	-
Penalties	-		72,133	72,133	-
Abatements	(38,114)		(160,077)	(94,243)	(65,834)
Total property valuation	<u>\$ 10,771,020</u>				
Net Levy			45,310,419	43,286,926	2,023,493
Uncollected taxes at June 30, 2010			<u>(561,010)</u>	<u>(413,371)</u>	<u>(147,639)</u>
Current year's taxes collected			<u>\$ 44,749,409</u>	<u>\$ 42,873,555</u>	<u>\$ 1,875,854</u>
Current levy collection percentage			<u>98.76%</u>	<u>99.05%</u>	<u>92.70%</u>
 <u>Secondary Market Disclosures:</u>					
Assessed valuation (dollars in thousands):					
Assessment ratio				100 %	
Real property				\$ 9,379,009	
Personal property				1,198,577	
Public service companies				<u>193,434</u>	
Total assessed valuation (dollars in thousands)				10,771,020	
Tax Rate per \$100				<u>0.42</u>	
Total Tax Levy				<u>\$ 45,310,419</u>	

# Statistical Section

## (Unaudited)

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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 for the fiscal year ended 2003. Financial information related to GASB 34 does not exist prior to the 2003 fiscal year.*

#### Revenue Capacity

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

#### Debt Capacity

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

#### Demographic and Economic Information

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the 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**  
**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 173,740	\$ 173,149	\$ 168,990	\$ 173,599
Restricted	31	5,750	5,774	12,076
Unrestricted	31,017	25,714	28,301	27,118
	<u>204,788</u>	<u>204,613</u>	<u>203,065</u>	<u>212,793</u>
Total governmental activities net assets	<u>\$ 204,788</u>	<u>\$ 204,613</u>	<u>\$ 203,065</u>	<u>\$ 212,793</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 61,794	\$ 75,087	\$ 80,280	\$ 92,519
Restricted	-	-	-	-
Unrestricted	22,964	24,981	25,480	29,832
	<u>84,758</u>	<u>100,068</u>	<u>105,760</u>	<u>122,351</u>
Total business-type activities net assets	<u>\$ 84,758</u>	<u>\$ 100,068</u>	<u>\$ 105,760</u>	<u>\$ 122,351</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 235,534	\$ 248,236	\$ 249,270	\$ 266,118
Restricted	31	5,750	5,774	12,076
Unrestricted	53,981	50,695	53,781	56,950
	<u>289,546</u>	<u>304,681</u>	<u>308,825</u>	<u>335,144</u>
Total primary government net assets	<u>\$ 289,546</u>	<u>\$ 304,681</u>	<u>\$ 308,825</u>	<u>\$ 335,144</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010<sup>(a)</sup></u>
\$ 166,595	\$ 165,821	\$ 163,616	\$ 164,710
7,272	6,362	4,642	3,904
<u>44,754</u>	<u>40,338</u>	<u>37,208</u>	<u>32,114</u>
<u>\$ 218,621</u>	<u>\$ 212,521</u>	<u>\$ 205,466</u>	<u>\$ 200,728</u>
\$ 99,339	\$ 133,002	\$ 119,193	\$ 124,758
-	-	-	561
<u>39,540</u>	<u>21,917</u>	<u>43,206</u>	<u>40,800</u>
<u>\$ 138,879</u>	<u>\$ 154,919</u>	<u>\$ 162,399</u>	<u>\$ 166,119</u>
\$ 265,934	\$ 298,823	\$ 282,809	\$ 289,468
7,272	6,362	4,642	4,465
<u>84,294</u>	<u>62,255</u>	<u>80,414</u>	<u>72,914</u>
<u>\$ 357,500</u>	<u>\$ 367,440</u>	<u>\$ 367,865</u>	<u>\$ 366,847</u>

(continued)

**CITY OF ASHEVILLE**  
**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses:				
Governmental activities:				
General government	\$ 14,159	\$ 10,699	\$ 14,685	\$ 15,907
Public safety	26,370	30,513	31,480	33,384
Public works	19,966	20,958	22,399	20,076
Community development	3,577	3,533	5,181	4,785
Transportation	-	-	-	-
Culture and recreation	5,801	5,120	7,347	7,783
Interest on long-term debt	1,440	1,341	1,182	1,179
Total governmental activities expenses	<u>71,313</u>	<u>72,164</u>	<u>82,274</u>	<u>83,114</u>
Business-type activities:				
Water resources	17,106	20,624	21,093	20,194
Civic center	2,003	2,669	2,361	2,252
Festivals	801	1,121	1,067	1,270
Parking services	1,016	1,348	1,364	1,249
Mass transit	3,575	3,775	3,928	4,262
Stormwater	-	-	-	1,995
Golf course	-	-	-	884
Total business-type activities expenses	<u>24,501</u>	<u>29,537</u>	<u>29,813</u>	<u>32,106</u>
Total primary government expenses	<u>\$ 95,814</u>	<u>\$ 101,701</u>	<u>\$ 112,087</u>	<u>\$ 115,220</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010<sup>(a)</sup></u>
\$	18,338	\$ 21,871	\$ 14,206	\$ 21,245
	34,454	39,465	43,305	44,282
	21,239	21,571	28,754	17,481
	5,920	5,046	2,941	6,016
	-	-	-	7,359
	9,767	10,122	12,626	9,328
	1,243	977	1,125	930
	<u>90,961</u>	<u>99,052</u>	<u>102,957</u>	<u>106,641</u>
	20,617	22,202	24,823	27,490
	2,220	2,259	2,374	2,147
	1,315	1,170	2,013	758
	1,330	1,769	1,106	1,669
	4,633	5,086	5,475	5,542
	2,500	2,919	3,382	3,055
	997	1,050	1,114	1,031
	<u>33,612</u>	<u>36,455</u>	<u>40,287</u>	<u>41,692</u>
\$	<u><u>124,573</u></u>	<u><u>135,507</u></u>	<u><u>143,244</u></u>	<u><u>148,333</u></u>

(continued)

**CITY OF ASHEVILLE**  
**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 8,491	\$ 6,720	\$ 8,002	\$ 9,255
Public safety	4,529	5,074	3,415	2,881
Other activities	573	213	186	3,029
Operating grants and contributions	5,782	6,786	9,553	6,645
Capital grants and contributions	498	463	346	2,897
Total governmental activities program revenues	<u>19,873</u>	<u>19,256</u>	<u>21,502</u>	<u>24,707</u>
Business-type activities:				
Charges for services:				
Water resources	22,598	22,795	23,174	23,992
Civic center	1,099	1,302	1,798	1,526
Festivals	463	425	701	1,033
Parking services	2,120	2,594	2,520	2,383
Mass transit	592	689	671	752
Stormwater	-	-	-	2,357
Golf course	-	-	-	839
Operating grants and contributions	1,597	1,884	2,501	2,171
Capital grants and contributions	255	2,077	2,165	4,137
Total business-type activities program revenues	<u>28,724</u>	<u>31,766</u>	<u>33,530</u>	<u>39,190</u>
Total primary government program revenue	<u>\$ 48,597</u>	<u>\$ 51,022</u>	<u>\$ 55,032</u>	<u>\$ 63,897</u>
Net (expense) revenue:				
Governmental activities	\$ (51,440)	\$ (52,908)	\$ (60,772)	\$ (58,407)
Business-type activities	<u>4,223</u>	<u>2,229</u>	<u>3,717</u>	<u>7,084</u>
Total primary government net expense	<u>\$ (47,217)</u>	<u>\$ (50,679)</u>	<u>\$ (57,055)</u>	<u>\$ (51,323)</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010<sup>(a)</sup></u>
\$ 8,766	\$ 9,568	\$ 6,180	\$ 10,974
3,747	4,358	4,467	4,382
3,140	3,120	1,705	3,239
6,578	8,114	8,690	6,152
2,374	103	5,639	8,942
<u>24,605</u>	<u>25,263</u>	<u>26,681</u>	<u>33,689</u>
30,465	31,535	30,841	31,276
1,556	1,671	1,730	1,418
868	860	2,850	638
2,870	3,009	771	2,802
968	1,178	1,136	1,145
3,035	3,050	2,901	3,188
894	966	870	728
2,374	2,076	2,554	3,049
3,571	3,751	1,044	640
<u>46,601</u>	<u>48,096</u>	<u>44,697</u>	<u>44,884</u>
<u>\$ 71,206</u>	<u>\$ 73,359</u>	<u>\$ 71,378</u>	<u>\$ 78,573</u>
\$ (66,356)	\$ (73,789)	\$ (76,276)	\$ (72,952)
<u>12,989</u>	<u>11,641</u>	<u>4,410</u>	<u>3,192</u>
<u>\$ (53,367)</u>	<u>\$ (62,148)</u>	<u>\$ (71,866)</u>	<u>\$ (69,760)</u>

(continued)

**CITY OF ASHEVILLE**  
**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes				
Property taxes	\$ 34,988	\$ 33,947	\$ 35,079	\$ 36,914
Sales taxes	12,028	13,571	14,545	16,107
Other taxes	4,669	6,656	8,257	6,086
Unrestricted grants and contributions	7,433	290	222	1,059
Investment earnings and miscellaneous	1,598	1,513	2,407	2,724
Special item	-	-	-	7,189
Transfers out	<u>(1,849)</u>	<u>(1,883)</u>	<u>(1,941)</u>	<u>(1,943)</u>
Total governmental activities	<u>58,867</u>	<u>54,094</u>	<u>58,569</u>	<u>68,136</u>
Business-type activities:				
Miscellaneous	(2,173)	741	34	559
Transfers in	<u>1,849</u>	<u>1,883</u>	<u>1,941</u>	<u>1,943</u>
Total business-type activities	<u>(324)</u>	<u>2,624</u>	<u>1,975</u>	<u>9,506</u>
Total primary government	<u>\$ 58,543</u>	<u>\$ 56,718</u>	<u>\$ 60,544</u>	<u>\$ 77,642</u>
Change in net assets:				
Governmental activities	\$ 7,427	\$ 1,186	\$ (2,203)	\$ 9,729
Business-type activities	<u>3,899</u>	<u>4,853</u>	<u>5,692</u>	<u>16,590</u>
Total primary government	<u>\$ 11,326</u>	<u>\$ 6,039</u>	<u>\$ 3,489</u>	<u>\$ 26,319</u>

<sup>(a)</sup>The City implemented a new accounting system in 2010. Certain amounts have been reclassified and are not comparable with prior years.

Note: Information prior to the implementation of GASB 34 in 2003 does not exist.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010<sup>(a)</sup></u>
\$ 41,254	\$ 42,119	\$ 43,971	\$ 45,238
17,399	16,548	15,036	14,173
6,163	7,456	8,054	389
1,513	1,242	1,771	8,308
3,127	3,025	2,254	232
5,044	-	-	-
<u>(2,317)</u>	<u>(2,701)</u>	<u>(1,865)</u>	<u>(125)</u>
<u>72,183</u>	<u>67,689</u>	<u>69,221</u>	<u>68,215</u>
1,222	1,700	1,205	403
<u>2,317</u>	<u>2,701</u>	<u>1,865</u>	<u>125</u>
<u>3,539</u>	<u>4,401</u>	<u>3,070</u>	<u>528</u>
<u>\$ 75,722</u>	<u>\$ 72,090</u>	<u>\$ 72,291</u>	<u>\$ 68,743</u>
\$ 5,827	\$ (6,100)	\$ (7,055)	\$ (4,737)
<u>16,528</u>	<u>16,042</u>	<u>7,480</u>	<u>3,720</u>
<u>\$ 22,355</u>	<u>\$ 9,942</u>	<u>\$ 425</u>	<u>\$ (1,017)</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General fund:				
Reserved	\$ 9,894	\$ 9,033	\$ 7,075	\$ 14,649
Unreserved	<u>7,313</u>	<u>10,009</u>	<u>17,481</u>	<u>17,833</u>
Total general fund	<u>\$ 17,207</u>	<u>\$ 19,042</u>	<u>\$ 24,556</u>	<u>\$ 32,482</u>
All other governmental funds:				
Reserved	\$ 341	\$ 354	\$ 2,382	\$ 573
Unreserved, reported in:				
Special revenue funds	156	216	47	1,563
Capital projects funds	<u>4,656</u>	<u>1,176</u>	<u>(14)</u>	<u>1,030</u>
Total all other governmental funds	<u>\$ 5,153</u>	<u>\$ 1,746</u>	<u>\$ 2,415</u>	<u>\$ 3,166</u>

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008<sup>(a)</sup></u>	<u>2009</u>	<u>2010</u>
\$ 15,529	\$ 13,834	\$ 19,762	\$ 10,460	\$ 8,665	\$ 10,150
<u>17,276</u>	<u>23,792</u>	<u>21,852</u>	<u>18,232</u>	<u>16,697</u>	<u>11,163</u>
<u>\$ 32,805</u>	<u>\$ 37,626</u>	<u>\$ 41,614</u>	<u>\$ 28,692</u>	<u>\$ 25,362</u>	<u>\$ 21,313</u>
\$ 3,978	\$ 7,793	\$ 5,462	\$ 5,682	\$ 7,884	\$ 5,931
(54)	1,362	834	830	(438)	(694)
<u>613</u>	<u>1,543</u>	<u>3,343</u>	<u>7,470</u>	<u>4,485</u>	<u>4,582</u>
<u>\$ 4,537</u>	<u>\$ 10,698</u>	<u>\$ 9,639</u>	<u>\$ 13,982</u>	<u>\$ 11,931</u>	<u>\$ 9,819</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues:				
Taxes	\$ 38,757	\$ 40,046	\$ 46,250	\$ 49,713
Intergovernmental	17,013	13,584	13,791	13,336
Licenses and Permits	4,673	4,417	4,406	5,074
Charges for services	4,947	5,103	9,064	6,933
Private donations	48	171	268	247
Investment earnings	1,027	439	437	181
Miscellaneous	975	1,562	849	1,055
Total revenues	<u>67,440</u>	<u>65,322</u>	<u>75,065</u>	<u>76,539</u>
Expenditures:				
Current:				
General government	8,822	8,602	7,552	8,637
Public safety	25,992	27,185	26,257	26,164
Public works	9,634	10,005	11,044	11,625
Community development	140	243	3,596	3,391
Planning	1,422	1,336	1,165	1,364
Engineering	1,683	1,505	1,600	1,673
Transportation	-	-	-	-
Culture and recreation	7,189	6,445	5,613	5,240
Capital outlay	8,498	7,667	6,666	5,598
Debt service:				
Principal	2,245	2,471	3,604	4,120
Interest	1,427	1,492	1,468	1,367
Total expenditures	<u>67,052</u>	<u>66,951</u>	<u>68,565</u>	<u>69,179</u>
Revenues over (under) expenditures	<u>387</u>	<u>(1,629)</u>	<u>6,500</u>	<u>7,360</u>
Other financing sources (uses):				
Transfer from other funds	2,927	3,131	1,627	1,889
Transfer to other funds	(4,740)	(4,220)	(3,475)	(3,772)
Long term debt issued	1,970	1,070	2,546	2,191
Sale of capital assets	161	156	207	163
Total other financing sources (uses)	<u>318</u>	<u>137</u>	<u>905</u>	<u>471</u>
Net change in fund balance	<u>\$ 705</u>	<u>\$ (1,492)</u>	<u>\$ 7,405</u>	<u>\$ 7,831</u>
Debt service as a percentage of non-capital expenditures	<u>6.27%</u>	<u>6.68%</u>	<u>8.19%</u>	<u>8.63%</u>

<sup>(a)</sup>The City implemented a new accounting system in 2010. Certain amounts have been reclassified and are not comparable with prior years.

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010<sup>(a)</sup></b>
\$	51,259	\$ 53,356	\$ 59,123	\$ 59,073	\$ 59,313	\$ 59,814
	14,875	15,440	14,969	16,590	18,313	19,681
	4,677	4,948	5,878	5,187	5,497	4,290
	8,188	9,023	9,775	10,319	7,359	7,828
	562	1,059	1,360	122	1,883	-
	663	1,833	1,930	1,588	1,243	77
	1,320	891	876	1,038	1,231	2,003
	<u>81,544</u>	<u>86,550</u>	<u>93,911</u>	<u>93,917</u>	<u>94,839</u>	<u>93,693</u>
	11,132	13,686	14,796	17,258	10,451	11,196
	29,692	31,003	32,550	35,826	39,699	41,734
	12,009	10,058	11,125	10,483	13,954	5,231
	5,181	3,450	3,720	3,074	2,941	7,547
	1,503	1,319	2,199	1,872	1,748	-
	1,924	1,761	2,632	2,502	2,413	-
	-	-	-	-	-	7,359
	6,334	6,622	8,477	5,935	11,079	8,320
	5,198	10,137	7,729	13,819	10,904	11,707
	3,820	3,803	4,408	3,892	4,207	4,313
	1,213	1,128	1,283	1,122	1,105	959
	<u>78,006</u>	<u>82,967</u>	<u>88,919</u>	<u>95,782</u>	<u>98,501</u>	<u>98,366</u>
	<u>3,538</u>	<u>3,583</u>	<u>4,992</u>	<u>(1,865)</u>	<u>(3,662)</u>	<u>(4,673)</u>
	3,548	4,254	4,099	5,156	3,442	6,041
	(5,489)	(6,197)	(6,416)	(16,906)	(5,307)	(6,166)
	-	8,030	-	5,000	-	1,300
	97	1,312	254	35	147	131
	<u>(1,844)</u>	<u>7,399</u>	<u>(2,063)</u>	<u>(6,715)</u>	<u>(1,718)</u>	<u>1,306</u>
\$	<u>1,694</u>	<u>\$ 10,982</u>	<u>\$ 2,929</u>	<u>\$ (8,580)</u>	<u>\$ (5,380)</u>	<u>\$ (3,367)</u>
	<u>6.91%</u>	<u>6.77%</u>	<u>7.01%</u>	<u>6.12%</u>	<u>6.06%</u>	<u>6.08%</u>



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

<u>Fiscal Year Ended June 30</u>	<u>Ad Valorem Taxes</u>	<u>Local Option Sales Taxes (a)</u>	<u>Other Taxes (a)</u>	<u>Total</u>
2001	\$ 27,962	N/A	\$ 10,795	\$ 38,757
2002	28,930	N/A	11,116	40,046
2003	33,013	\$ 11,733	1,504	46,250
2004	34,617	13,571	1,525	49,713
2005	35,178	14,545	1,536	51,259
2006	36,874	16,107	375	53,356
2007	41,264	17,399	460	59,123
2008	42,138	16,548	387	59,073
2009	43,840	15,036	437	59,313
2010	45,253	14,173	388	59,814

<sup>(a)</sup>Prior to FY 2003 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)**

<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>			<b>Personal Property</b>	
	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Public Works</b>	<b>Motor Vehicles</b>	<b>Other</b>
2001	\$ 2,227,298	\$ 1,588,834	\$ 187,891	\$ 460,054	\$ 578,729
2002	2,274,653	1,682,987	170,125	496,826	586,792
2003	2,940,284	2,155,124	158,102	496,247	579,976
2004	3,083,292	2,197,518	158,730	531,994	565,156
2005	3,169,846	2,280,227	162,514	486,374	580,056
2006	3,284,605	2,309,749	165,360	509,456	597,418
2007	4,867,777	3,598,231	189,426	549,169	613,292
2008	5,007,378	3,589,744	190,305	572,808	654,581
2009	5,153,320	3,663,006	195,966	571,182	718,508
2010	5,491,581	3,857,534	193,434	520,998	707,473

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. Revaluations were effective in Fiscal Years 2003 and 2007.

<sup>(a)</sup> Tax rates are per \$100 of assessed value.

<b><u>Total Taxable Assessed Value</u></b>	<b><u>Total City Direct Tax Rate (a)</u></b>	<b><u>Estimated Actual Assessed Value</u></b>	<b><u>Assessed Value as a Percentage of Actual Value</u></b>
\$ 5,042,806	0.56	\$ 5,082,879	99.21%
5,211,383	0.56	5,253,913	99.19%
6,329,733	0.53	6,410,366	98.74%
6,536,690	0.53	6,624,790	98.67%
6,679,017	0.53	6,768,622	98.68%
6,866,588	0.53	6,934,935	99.01%
9,746,647	0.42	9,873,788	98.71%
10,014,816	0.42	10,136,741	98.80%
10,301,982	0.42	10,426,677	98.80%
10,771,020	0.42	10,925,859	98.58%

**CITY OF ASHEVILLE  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING<sup>(a)</sup> GOVERNMENTS  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City of Asheville</b>			<b>Buncombe County</b>	<b>Asheville City Schools</b>	<b>Total Direct &amp; Overlapping Rates</b>
	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total Millage</b>	<b>Total County Millage (a)</b>	<b>Total District Millage (a)</b>	
2001	0.522	0.038	0.56	0.630	0.20	1.390
2002	0.524	0.036	0.56	0.630	0.20	1.390
2003	0.491	0.039	0.53	0.590	0.20	1.320
2004	0.488	0.042	0.53	0.590	0.20	1.320
2005	0.496	0.034	0.53	0.590	0.20	1.320
2006	0.498	0.032	0.53	0.590	0.20	1.320
2007	0.393	0.027	0.42	0.530	0.15	1.100
2008	0.397	0.023	0.42	0.530	0.15	1.100
2009	0.397	0.023	0.42	0.525	0.15	1.095
2010	0.397	0.023	0.42	0.525	0.15	1.095

Source: Buncombe County and Asheville City Schools

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

<sup>(a)</sup>Operating and debt service millage is not available for Buncombe County and Asheville City Schools.

**CITY OF ASHEVILLE  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT AND NINE YEARS AGO  
(amounts expressed in thousands)**

	<b>2009 Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>2000 Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Town Square West	\$ 106,662	1	0.37%	\$ -		-
Jack Tar Hotels	102,512	2	0.36%	71,684	1	1.42%
Ingles Markets	94,514	3	0.33%	50,214	4	1.00%
Progress Energy/CP & L	90,970	4	0.32%	45,871	6	0.91%
Asheville LLC	78,472	5	0.27%	47,077	5	0.93%
Bellsouth Telephone	47,806	6	0.17%	64,819	2	1.29%
Day International Inc	41,573	7	0.14%	-		-
Unison Engine Components	41,996	8	0.15%	-		-
Power Development, LLC	28,922	9	0.10%	-		-
Biltmore Commercial Properties	25,801	10	0.09%	-		-
BASF Corporation	-		-	55,008	3	1.11%
VME/Volvo	-		-	28,266	8	0.56%
Atlantic Southeast Airline, Inc	-		-	25,745	9	0.51%
Pechiney Plastic Packaging, Inc	-		-	22,870	10	0.45%
Biltmore Square	-		-	32,884	7	0.65%

Source: Buncombe County Tax Collector



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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Current Outstanding Balance</b>	<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>			<b>Amount</b>	<b>Percentage of Levy</b>
2001	\$ 28,033	\$ 27,696	98.8%	52	\$ 285	\$ 27,981	99.8%
2002	28,936	28,571	98.7%	56	309	28,880	99.8%
2003	33,118	32,641	98.6%	60	417	33,058	99.8%
2004	34,273	33,921	99.0%	54	298	34,219	99.8%
2005	35,443	35,091	99.0%	58	294	35,385	99.8%
2006	36,870	36,557	99.2%	63	250	36,807	99.8%
2007	41,675	41,414	99.4%	55	206	41,620	99.9%
2008	42,044	41,749	99.3%	61	234	41,983	99.9%
2009	43,737	43,272	98.9%	109	356	43,628	99.8%
2010	45,310	44,749	98.8%	561	-	44,749	98.8%

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

<u>Fiscal Year Ended June 30</u>	<u>Government Activities</u>			<u>Business-type</u>		
	<u>General Obligation Bonds</u>	<u>Installment Contracts</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>State Water Bond Loan</u>
2003	\$ 10,488	\$ 19,760	\$ 87	\$ 45,110	\$ 10,877	\$ 2,100
2004	9,101	18,020	67	44,090	9,289	1,950
2005	7,676	15,878	46	42,960	7,719	1,800
2006	6,057	21,916	24	41,800	6,413	1,650
2007	4,455	19,335	-	40,580	5,124	1,500
2008	2,985	22,091	-	78,170	3,750	1,350
2009	2,279	20,628	-	76,050	2,401	1,200
2010	1,652	18,291	-	73,570	988	1,050

<sup>(a)</sup>Not available.

Information prior to the implementation of GASB 34 in 2003 does not exist.

<u>Activities</u>						<u>Per Capita</u>	
<u>Installment</u>	<u>Unamortized</u>			<u>Debt as a</u>		<u>Personal</u>	
<u>Contract</u>	<u>Bond</u>	<u>Total</u>	<u>Personal</u>	<u>Percentage</u>		<u>Income</u>	<u>Debt</u>
	<u>Proceeds</u>	<u>Debt</u>	<u>Income</u>	<u>of Personal</u>			
				<u>Income</u>			
\$ 2,617	\$ -	\$ 91,039	\$ 1,875,581	4.85%	\$ 26,251	\$ 1,275	
2,113	26	84,656	1,999,706	4.23%	27,518	1,165	
1,610	22	77,711	2,096,547	3.71%	28,432	1,054	
1,320	19	79,199	2,296,829	3.45%	30,789	1,062	
742	1,600	73,336	2,336,661	3.14%	30,767	966	
129	1,900	110,375	1,818,296	6.07%	23,360	1,418	
86	1,800	104,444	2,113,446	4.94%	26,427	1,315	
43	1,669	97,263	(a)	(a)	(a)	1,216	

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

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2001	\$ 12,808	0.25%	\$ 186
2002	11,818	0.22%	169
2003	10,489	0.16%	147
2004	18,391	0.28%	253
2005	15,421	0.23%	209
2006	12,489	0.18%	167
2007	9,596	0.10%	126
2008	6,735	0.07%	87
2009	4,680	0.04%	59
2010	2,650	0.02%	33

**CITY OF ASHEVILLE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2010**  
**(amounts expressed in thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County subtotal, overlapping debt	\$ 67,860	37.35%	\$ 25,346
City of Asheville direct debt	<u>1,652</u>	100.00%	<u>1,652</u>
Total direct and overlapping debt	<u><u>\$ 69,512</u></u>		<u><u>\$ 26,998</u></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.

<sup>(1)</sup>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)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 403,425	\$ 416,911	\$ 506,379	\$ 522,935	\$ 534,321
Total net debt applicable to limit	<u>12,808</u>	<u>11,818</u>	<u>10,489</u>	<u>18,391</u>	<u>15,421</u>
Legal debt margin	<u>\$ 390,617</u>	<u>\$ 405,093</u>	<u>\$ 495,890</u>	<u>\$ 504,544</u>	<u>\$ 518,900</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>3.17%</u>	<u>2.83%</u>	<u>2.07%</u>	<u>3.52%</u>	<u>2.89%</u>

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 549,327	\$ 779,731	\$ 801,185	\$ 824,159	\$ 861,682
<u>12,489</u>	<u>9,596</u>	<u>6,735</u>	<u>4,680</u>	<u>2,650</u>
<u>\$ 536,838</u>	<u>\$ 770,135</u>	<u>\$ 794,450</u>	<u>\$ 819,479</u>	<u>\$ 859,032</u>
<u>2.27%</u>	<u>1.23%</u>	<u>0.84%</u>	<u>0.57%</u>	<u>0.31%</u>

**Legal Debt Margin Calculation**

Total assessed value	<u>\$ 10,771,021</u>
Debt limit (8% of total assessed value)	861,682
Debt applicable to limit:	
Total bonded debt	76,220
Less: Revenue bonds	<u>73,570</u>
Total debt applicable to limit	<u>2,650</u>
Legal debt margin	<u>\$ 859,032</u>

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

<b>Fiscal Year Ended June 30</b>	<b>Population<sup>(a)</sup></b>	<b>Personal Income (Expressed in thousands)</b>	<b>Per Capita Personal Income<sup>(b)</sup></b>	<b>School Enrollment<sup>(c)</sup></b>	<b>Unemployment Rate<sup>(d)</sup></b>
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	2,336,661	30,767	3,750	3.5%
2008	77,838	1,818,296	23,360	3,683	5.0%
2009	79,395	2,113,446	26,427	3,946	9.2%
2010	79,973	(e)	(e)	3,834	8.5%

Source:

<sup>(a)</sup>City of Asheville Planning Department

<sup>(b)</sup>US Department of Commerce, Bureau of Economic Analysis

<sup>(c)</sup>Asheville City Schools

<sup>(d)</sup>Department of Labor statistics

<sup>(e)</sup>Information not available

**CITY OF ASHEVILLE  
PRINCIPAL EMPLOYERS  
CURRENT AND FOUR YEARS AGO\***

<b>Employer</b>	<b>2010</b>		<b>Industry</b>	<b>2006</b>	
	<b>Rank</b>	<b>Employment Range</b>		<b>Rank</b>	<b>Employment Range</b>
Mission Health & Hospitals	1	3,000+	Education and Health Services	1	1,000 +
Buncombe County Schools	2	3,000+	Education and Health Services	2	1,000 +
Ingles Market Inc.	3	3,000+	Trade, Transportation, and Utilities	4	1,000 +
Veterans Administration	4	1000+	Public Administration		
Buncombe County Government	5	1,000 +	Public Administration	5	1,000 +
City of Asheville	6	1,000 +	Public Administration	7	1,000 +
Wal-Mart	7	1,000 +	Trade, Transportation, and Utilities	8	1,000 +
Asheville Buncombe Community College	8	1,000 +	Education and Health Services	9	500-999
Eaton Corporation-Cutler Hammer Inc.	9	1,000 +	Manufacturing	14	500-999
The Biltmore Company	10	500-999	Leisure and Hospitality		
Community Carepartners Inc.	11	500-999	Education and Health Services	12	500-999
The Grove Park Inn Resort & Spa	12	500-999	Leisure and Hospitality	10	500-999
Asheville City Schools	13	500-999	Education and Health Services	13	500-999
State of NC Dept of Health and Human	14	500-999	Public Administration		
OSC-Central Payroll	15	500-999	Public Administration		
US Postal Services	16	500-999	Trade, Transportation, and Utilities	15	500-999
Kendro Laboratory Products Lp	17	500-999	Manufacturing		
Arvato Digital Services LLC	18	500-999	Manufacturing		
Clientlogic Operating Corporation	19	500-999	Professional & Business Services		
Borg-Warner Turbo Systems	20	500-999	Manufacturing	16	500-999

Source: Buncombe County, accurate information was not available to calculate each employer as a percentage of the total labor force.

\*Information prior to 2006 is not available.



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**CITY OF ASHEVILLE**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Five Years\***

Function:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	196	198	197	281	227
Public Safety:					
Police:					
Officers	197	198	197	197	206
Civilians	52	53	54	32	47
Fire:					
Firefighters and officers	214	219	220	227	220
Civilians	2	2	2	5	16
Highway and streets:					
Engineering	41	42	42	-	8
Maintenance	119	120	121	79	50
Sanitation	36	37	36	37	29
Culture and recreation	146	144	143	126	115
Water	<u>136</u>	<u>135</u>	<u>130</u>	<u>137</u>	<u>148</u>
Total	<u><u>1,139</u></u>	<u><u>1,148</u></u>	<u><u>1,142</u></u>	<u><u>1,121</u></u>	<u><u>1,066</u></u>

Source: City of Asheville, Human Resources Department

\*Information prior to 2006 is not available.

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Function:					
Police:					
Number of police personnel and officers	218	218	171	235	239
Number of calls for service	94,296	109,953	93,771	87,343	96,775
Number of law violations:					
Uniform Crime Report Part I crimes reported	5,044	4,903	5,337	5,892	6,238
Uniform Crime Report Part II crimes reported	3,472	3,425	3,405	3,978	4,222
Part I Crime cases cleared by arrest	841	1,104	1,367	1,230	814
Accidents investigated	2,254	2,278	2,325	6,840	7,081
Number of physical arrests	(a)	(a)	(a)	(a)	(a)
Number of traffic violations	(a)	(a)	(a)	(a)	(a)
Number of incident reports	(a)	(a)	(a)	(a)	(a)
Fire:					
Number of fire personnel and officers	204	204	198	207	207
Number of calls answered	11,852	11,163	10,963	12,049	13,820
Inspections	3,989	3,159	4,656	4,474	6,292
Water:					
Number of service connections	44,316	45,333	46,377	47,290	48,332
Maximum daily capacity of plants in gallons	41,000,000	41,000,000	41,000,000	41,000,000	43,000,000
Daily average consumption in gallons (thousands of gallons)	21,800,000	21,500,000	21,700,000	21,400,000	20,900,000
Education:					
Number of preschool school instructors	(a)	(a)	(a)	(a)	(a)
Number of elementary school instructors	190	190	159	153	155
Number of middle school instructors	73	73	73	61	57
Number of secondary school instructors	107	107	92	98	99
Miscellaneous:					
Number of employees	1,215	911	899	919	928
Area in square miles	40.60	42.26	42.73	43.13	43.15

Sources: Various city departments.

<sup>(a)</sup>Not available

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
249	251	254	261	258
98,097	102,276	102,167	113,104	113,313
5,117	4,648	4,848	4,347	4,280
4,495	4,903	4,135	4,027	3,720
783	1,241	602	1,308	1,107
3,270	7,781	7,280	6,517	6,554
5,862	9,757	6,523	6,196	5,661
9,315	14,061	5,468	17,951	13,157
9,612	9,551	9,941	9,401	8,000
221	224	233	239	239
13,067	15,339	13,532	13,394	13,585
5,508	5,477	8,900	12,740	6,569
50,415	51,109	51,769	55,171	55,538
44,000,000	43,500,000	44,000,000	43,500,000	43,500,000
21,200,000	21,500,000	20,950,000	20,470,000	21,600,000
(a)	(a)	17	15	15
150	112	149	114	167
60	63	65	64	67
95	98	86	86	88
1,148	1,148	1,142	1,121	1,066
43.64	43.77	44.44	45.24	45.25

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Function:					
Police:					
Stations/resource centers	2/5	1/5	1/5	1/6	1/5
Patrol districts	5	5	5	5	5
Patrol units (beats)	(a)	(a)	(a)	(a)	(a)
Fire stations	9	9	9	9	9
Highways and streets:					
Streets (miles)	373	378	385	281	390
Street lights	11,019	9,854	12,531	12,531	12,581
Traffic lights	150	218	218	218	218
Culture and recreation:					
Parks acreage	740	727	727	728	755
Parks and playgrounds	43	44	46	55	56
Swimming pools	2	2	2	2	2
Tennis courts	22	22	22	22	34
Community centers	11	11	11	11	11
Water:					
Water mains (miles)	1,500	1,550	1,550	1,550	1,550
Fire hydrants	6,000	6,000	6,000	6,000	6,130
Number of treatment plants	3	3	3	3	3
Schools:					
Number of preschool schools	(a)	(a)	(a)	(a)	(a)
Number of elementary schools	6	6	6	5	5
Number of middle schools	1	1	1	1	1
Number of secondary schools	1	1	1	1	1
Number of community colleges	1	1	1	1	1
Number of universities	1	1	1	1	1
Hospitals:					
Number of hospitals	2	2	2	2	2
Number of patient beds (includes VA nursing home)	1,094	1,094	1,050	1,032	1,032

Sources: Various city departments.

<sup>(a)</sup>Information not available.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1/3	1/4	1/4	1/5	1/6
3	3	3	3	3
12	12	13	13	16
9	9	11	11	12
394	395	398	399	401
12,585	9,790	9,809	9,856	9,885
270	295	295	295	295
942	972	987	987	769
43	54	57	57	73
3	3	3	3	3
29	32	32	32	28
11	11	11	11	11
1,600	1,625	1,643	1,653	1,658
6,355	6,178	6,307	6,470	6,530
3	3	3	3	3
(a)	(a)	1	1	1
5	5	5	5	5
1	1	1	1	2
1	1	1	2	2
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
1,032	1,032	1,032	1,054	1,054

**CITY OF ASHEVILLE  
WATER SYSTEMS STATISTICS<sup>(a)</sup>  
HISTORICAL DEMAND  
Last Ten Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential single family:					
Total # of Accounts	38,936	39,808	40,726	41,575	42,525
Total # of Bills	233,616	234,717	238,335	246,672	251,782
Annual Usage Volume	2,651,286	2,574,760	2,672,756	2,570,229	2,572,856
Residential multi-family:					
Total # of Accounts	1,419	1,439	1,475	1,488	1,494
Total # of Bills	8,788	8,981	9,152	9,746	9,930
Annual Usage Volume	938,554	919,895	967,081	958,236	971,231
Non-residential:					
Total # of Accounts	3,961	4,086	4,006	4,057	4,172
Total # of Bills	23,984	23,722	24,355	26,109	26,649
Annual Usage Volume	3,090,454	3,116,198	3,355,708	3,389,719	3,326,140

<sup>(a)</sup> City of Asheville Water Resources Department.

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
43,660	44,899	45,706	45,968	46,329
253,411	258,111	267,134	276,263	280,518
2,642,539	2,772,653	2,844,103	2,796,210	2,663,582
1,509	1,523	1,546	1,568	1,576
9,456	9,039	9,249	10,069	10,262
975,238	982,227	999,955	990,837	987,162
4,377	4,481	4,524	4,573	4,573
25,826	24,918	26,111	28,089	28,437
3,274,229	3,209,849	2,832,160	2,590,537	2,479,587



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**CITY OF ASHEVILLE**  
**WATER SYSTEM STATISTICS <sup>(a)</sup>**  
**WATER CUSTOMERS**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Single Family Residential</b>	<b>Multi- Family Residential</b>	<b>Commercial/ Industrial</b>	<b>Total</b>
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	43,660	1,509	4,377	49,546
2007	44,899	1,523	4,481	50,903
2008	45,706	1,546	4,524	51,776
2009	45,968	1,568	4,573	52,109
2010	46,329	1,576	4,573	52,478

<sup>(a)</sup>City of Asheville Water Resources Department.

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net income projections:					
Operating revenues:					
Billing charge revenues	\$ 1,285,978	\$ 1,281,639	\$ 1,312,997	\$ 1,364,605	\$ 1,392,784
Volume charge revenues	17,663,735	18,102,462	18,880,139	18,650,881	18,514,311
Other operating revenues	<u>1,771,851</u>	<u>2,018,651</u>	<u>2,449,492</u>	<u>2,779,049</u>	<u>3,016,370</u>
Subtotal operating revenues	20,721,564	21,402,752	22,642,628	22,794,535	22,923,465
Operating expenses before depreciation:					
Operation and maintenance expenses	<u>(12,616,388)</u>	<u>(13,273,751)</u>	<u>(13,649,164)</u>	<u>(14,689,600)</u>	<u>(15,172,216)</u>
Operating income before depreciation	8,105,176	8,129,001	8,993,464	8,104,935	7,751,249
Depreciation	<u>(3,300,023)</u>	<u>(3,453,808)</u>	<u>(3,456,256)</u>	<u>(3,662,517)</u>	<u>(3,832,185)</u>
Operating income	4,805,153	4,675,193	5,537,208	4,442,418	3,919,064
Non-operating revenues:					
Investment income	1,135,322	561,319	189,961	115,296	250,971
Other non-operating revenues	-	-	-	-	-
Non-operating expenses:					
Bond interest expense and principal	<u>(2,938,684)</u>	<u>(3,461,924)</u>	<u>(3,116,929)</u>	<u>(3,085,313)</u>	<u>(2,896,086)</u>
Net income	<u>\$ 3,001,791</u>	<u>\$ 1,774,588</u>	<u>\$ 2,610,240</u>	<u>\$ 1,472,401</u>	<u>\$ 1,273,949</u>
Income available for debt service:					
Net income	\$ 3,001,791	\$ 1,774,588	\$ 2,610,240	\$ 1,472,401	\$ 1,273,949
Adjustments:					
Depreciation	3,300,023	3,453,808	3,456,256	3,662,517	3,832,185
Non-operating expenses	2,938,684	3,461,924	3,116,929	3,085,313	2,896,086
Payment in lieu of taxes <sup>(a)</sup>	<u>1,554,117</u>	<u>1,624,234</u>	<u>1,709,937</u>	<u>1,708,805</u>	<u>1,739,273</u>
Income available for debt service	<u>\$ 10,794,615</u>	<u>\$ 10,314,554</u>	<u>\$ 10,893,362</u>	<u>\$ 9,929,036</u>	<u>\$ 9,741,493</u>

<sup>(a)</sup>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 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.

<sup>(b)</sup>The City implemented a new accounting system in 2010. Certain amounts have been reclassified and are not comparable with prior years.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010<sup>(b)</sup></u>
\$ 1,394,387	\$ 1,410,688	\$ 1,466,020	\$ 2,117,273	\$ 2,332,017
18,983,499	19,286,742	20,433,779	21,612,926	21,835,672
3,614,925	9,767,758	9,635,108	7,110,917	7,108,614
<u>23,992,811</u>	<u>30,465,188</u>	<u>31,534,907</u>	<u>30,841,116</u>	<u>31,276,303</u>
<u>(13,581,335)</u>	<u>(14,091,207)</u>	<u>(15,261,707)</u>	<u>(16,855,360)</u>	<u>(16,993,518)</u>
10,411,476	16,373,981	16,273,200	13,985,756	14,282,785
<u>(3,971,962)</u>	<u>(4,229,696)</u>	<u>(4,327,033)</u>	<u>(4,817,994)</u>	<u>(7,743,757)</u>
6,439,514	12,144,285	11,946,167	9,167,762	6,539,028
427,548	989,590	1,429,927	1,090,534	309,576
-	-	-	-	33,554
<u>(2,640,752)</u>	<u>(2,295,937)</u>	<u>(2,613,513)</u>	<u>(3,149,639)</u>	<u>(2,624,113)</u>
<u>\$ 4,226,310</u>	<u>\$ 10,837,938</u>	<u>\$ 10,762,581</u>	<u>\$ 7,108,657</u>	<u>\$ 4,258,045</u>
\$ 4,226,310	\$ 10,837,938	\$ 10,762,581	\$ 7,108,657	\$ 4,258,045
3,971,962	4,229,696	4,327,033	4,817,994	7,743,757
2,640,752	2,295,937	2,613,513	3,149,639	2,624,113
-	-	-	-	-
<u>\$ 10,839,024</u>	<u>\$ 17,363,571</u>	<u>\$ 17,703,127</u>	<u>\$ 15,076,290</u>	<u>\$ 14,625,915</u>

**CITY OF ASHEVILLE**  
**PRINCIPAL WATER CUSTOMERS<sup>(a)</sup>**  
**For the Year Ended June 30, 2010**

<b>Customer</b>	<b>Type of Business</b>	<b>Consumption</b>	<b>Revenue</b>	<b>Percentage of Total Water Revenues</b>
Mission Hospitals	Hospital	159,068	352,102	1.13 %
Buncombe County Schools	Local education agency	48,386	283,939	.91
City of Hendersonville	Municipal government	289,412	248,894	.80
Grove Park Inn	Resort	70,752	234,600	.75
City of Asheville	Government	54,643	196,248	.63
Housing Authority of the City of Asheville	Housing and urban development	57,669	118,224	.38
Town of Biltmore Forest	Municipal government	70,461	175,863	.56
Milkco	Food processing	74,654	160,387	.51
Biltmore Company	Leisure and hospitality	69,227	154,076	.49
UNC-Asheville	University	33,270	144,565	.46

<sup>(a)</sup>City of Asheville Water Resources Department

# Compliance Section

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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, 2010**

<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>
<b>Federal Awards</b>				
<b><u>U.S. Department of Transportation</u></b>				
Direct Programs:				
Federal Transit Cluster:				
Federal Transit Urbanized Area Formula Program	20.507	Various	\$ 2,000,972	\$ -
Passed through North Carolina Department of Transportation:				
Federal Transit Metropolitan Planning Grant	20.505	09-08-100	52,016	6,502
Highway Planning and Construction Cluster:				
TIP Enhancement Projects:				
ARRA - Downtown Streetscape	20.205	U-5174	83,212	-
ARRA - Kimberly Ave Resurfacing	20.205	U-5187	240,493	-
ARRA - Sidewalk Gaps	20.205	U-5186	49,502	-
ARRA - Coxe Ave Bike Lane	20.205	U-5173	49,409	-
Dykeman Riverway Plan	20.205	U-5019	3,387	-
Amboy Rd Sidewalks	20.205	E-4585	97,493	-
East Oakview Bridge	20.205	B-4343	114,385	-
W. End Clingman Streetscape	20.205	E-4815 & E-4966	15,592	-
Pack Square	20.205	U-4919	1,609,496	-
French Broad River Hominy Crk Grnway	20.205	EB-3608	240,000	60,000
Total U.S. Department of Transportation			4,555,957	66,502
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Direct Programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-09-MC-370001	840,019	-
Community Development Block Grant	14.218	B-08-MC-370001	254,494	-
Community Development Block Grant	14.218	B-07-MC-370001	15,318	-
Community Development Block Grant	14.218	B-04-MC-370001	9,315	-
CDBG - ARRA Entitlement	14.253	B-09-MY-370001	159,605	-
HOME Program	14.239	M-09-DC-370201	606,167	-
HOME Program	14.239	M-08-DC-370201	680,446	-
HOME Program	14.239	M-07-DC-370201	244,936	-
HOME Program	14.239	M-05-DC-370201	3,382	-
HOME Program	14.239	M-04-DC-370201	33,212	-
ARRA - Hmlss Prevent and Rapid Response	14.257	S-09-MY-370007	105,550	-
Fair Housing Assistance Program (FHAP)	14.401	FF205K084018	59,330	-
Outstanding Section 108 Loan Balances	14.248	NA	1,127,171	-
Economic Develop Initiative - Veterans' Mem	14.246	B06SPNC0608	4,848	-
Total U.S. Department of Housing and Urban Development			4,143,792	-

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<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>
<b><u>U. S. Department of Energy</u></b>				
Direct Programs:				
Energy Efficiency Conservation Block Grant	81.128	DE-SC002764	\$ 135,423	\$ -
<b><u>U. S. Department of Justice</u></b>				
Direct Programs:				
Justice Assistant Grant - BJA - 2008	16.738	2008-DJ-BX-0522	19,000	-
Justice Assistant Grant - Byrne - 2008	16.738	2008-DD-BX-0511	201,228	-
Justice Assistant Grant - Byrne - 2009	16.738	2009-DJ-BX-0398	26,044	-
ARRA - Justice Assistant Grant - Byrne	16.804	2009-SB-B9-0932	107,164	-
COPS Methamphetamine Initiative 2006	16.710	2006-CK-WX-0467	38,162	-
NCGCC Gang Violence Prevention Project	16.000	011-1-08-001-SG-443	12,940	-
Weed & Seed Grant	16.595	2008-WS-QX-0050	120,140	-
Weed & Seed Grant	16.595	2009-WS-QX-0092	20,123	-
Bulletproof Vest Partnership	16.607	2007BUBX07037915	11,468	-
Total U.S. Department of Justice			556,270	-
<b><u>U. S. Department of Homeland Security</u></b>				
Direct Programs:				
SAFER	97.083	EMW-2005-FF-02775	25,854	-
Assistance to Firefighters Wildland Grant Passed through North Carolina Department Crime Control and Public Safety:	97.044	EMW-2008-FO-11916	48,564	-
RRT6 Hazmat 2006	97.067	2006-GE-T6-0010	62,605	-
RRT6 Hazmat 2007	97.073	2007-GE-T7-0048	128,818	-
RRT6 Hazmat 2008	97.067	2008-GE-T8-0033	32,422	-
RRT6 Hazmat 2010 Operating Grant	97.000	N/A	10,500	-
Public Assistance for Infrastructure Support (FEMA)	97.036	021-90086-00	63,422	63,036
Passed through NC Emergency Management Bomb Unit Grant	97.067	2008-GE-T8-0033	56,489	-
Total U.S. Department of Homeland Security			428,673	63,036
<b><u>U. S. Department of Agriculture</u></b>				
Passed through North Carolina Department of Health and Human Services:				
Summer Camp and Afterschool Food Service	10.559	7197	16,077	-
<b><u>U.S. Environmental Protection Agency</u></b>				
Direct Programs:				
Brownfields Assessment and Cleanup Coop	66.818	N/A	75,350	-

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<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>
<b>State Awards</b>				
<b><u>N. C. Department of Transportation</u></b>				
Direct Programs:				
Powell Bill	N/A	DOT-4, WBS 32570	\$ -	\$ 2,125,431
State Maintenance Assistance Program	N/A	10-SM-002	-	931,660
Transportation Demand Management - 2009	N/A	09-RS-010	-	11,076
Transportation Demand Management - 2010	N/A	10-RS-010	-	29,856
DOT-11 Capital Grant	N/A	09-09-310	-	21,903
Intercity Grant - Black Mountain	N/A	09-IC-003	-	268,966
Intercity Grant - Weaverville	N/A	09-IC-004	-	143,335
Total N.C.Department of Transportation			-	3,532,226
<b><u>N. C. Department of Health and Human Services</u></b>				
Passed through Land of Sky Regional Council:				
Senior Center Gen'l Purpose - Senior Opportunity	N/A	HB-1473	-	12,708
Senior Center Gen'l Purpose - Harvest House	N/A	HB-1473	-	12,707
Total N.C. Dept of Health and Human Services			-	25,415
<b><u>N. C. Health and Wellness Trust Fund</u></b>				
Direct Programs:				
FIT Community Grant	N/A	N/A	-	47,419
<b><u>N. C. Department of Environment and Natural Resources</u></b>				
Direct Programs:				
Special Appropriations-WNC Nature Center	N/A	Grant # 1756, 2005-421	-	110,621
Flood Damage Reduction, Flood Preparedness	N/A	W07019, 07021, 07022	-	1,209,412
Stream Restoration for Reed Creek	N/A	2008-2292	-	32,000
NCDPPEA Compost Bins	N/A	NCDPPEA	-	5,000
ARRA NC Diesel Emissions	N/A	Contract # 2482	-	16,529
Total N. C. Department of Environment and Natural Resources			-	1,373,562
<b><u>N. C. Department of Public Instruction</u></b>				
Direct Programs:				
21st Century Community Learning Center	N/A	COHORT7647B	-	117,486
Direct Programs:				
Project Safe Neighborhoods	N/A	011-1-08-001-BA-031	-	12,770
Total federal and state awards expended			\$ 9,911,541	\$ 5,238,417

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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 Subrecipients**

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
BC / MHO - Homebuyer Assistance	HOME Investment Partnerships	14.239	\$ 256,228
CHDO Operating Expenses	HOME Investment Partnerships	14.239	68,526
HAC - Three Seeds	HOME Investment Partnerships	14.239	32,651
HACA - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	21,041
HB - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	48,622
HC / HAC - Downpayment Assistance	HOME Investment Partnerships	14.239	50,200
Henderson Co. Habitat - Shuey Knolls	HOME Investment Partnerships	14.239	181,983
MHO - ADDI	HOME Investment Partnerships	14.239	33,520
MHO - Glen Rock Apartments	HOME Investment Partnerships	14.239	218,972
MHO - Self-Help Homeownership	HOME Investment Partnerships	14.239	19,437
MHO - Single Family House Rehabilitation	HOME Investment Partnerships	14.239	18,520
MHO - Westmore Apartments	HOME Investment Partnerships	14.239	225,000
On Track - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	13,335
Volunteers of America - Skyland Apts	HOME Investment Partnerships	14.239	164,077
WCCA - English House - Brevard	HOME Investment Partnerships	14.239	99,000
WCCA - Rosman / Estatoe Apartments	HOME Investment Partnerships	14.239	4,500
			<u>1,455,612</u>

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Asheville Buncombe Christian Community	Hmlss Prevent Rapid Resp Prog	14.257	\$ 37,678
Eblen Kimmel Charities	Hmlss Prevent Rapid Resp Prog	14.257	27,692
Pisgah Legal Services	Hmlss Prevent Rapid Resp Prog	14.257	5,595
United Way's 2-1-1	Hmlss Prevent Rapid Resp Prog	14.257	904
Western North Carolina Aids Project	Hmlss Prevent Rapid Resp Prog	14.257	33,680
			<u>105,550</u>
AAHH - Housing Services	Community Develop Block Grant	14.218	72,900
MHO - Emergency Repair	Community Develop Block Grant	14.218	181,812
MHO - Emergency Repair Tier II	Community Develop Block Grant	14.218	32,789
MHO - Housing Services	Community Develop Block Grant	14.218	155,000
MHO - Down Payment Assistance	Community Develop Block Grant	14.218	47,398
EMSDC - Renaissance I	Community Develop Block Grant	14.218	23,251
On Track - Homebase Housing Counseling	Community Develop Block Grant	14.218	41,250
HB - Supportive Housing Services	Community Develop Block Grant	14.218	35,000
EMSDC - South Pack Square Redevelop	Community Develop Block Grant	14.218	9,315
MHO - Asheville Go-Employment Training	Community Develop Block Grant	14.218	109,683
MBW - Micro Business Development	Community Develop Block Grant	14.218	141,600
ABCRC - Fair Housing	Community Develop Block Grant	14.218	45,000
On Track - Financial/Housing Counseling	Community Develop Block Grant	14.218	37,430
HPMT - Domestic Violence Services	Community Develop Block Grant	14.218	8,000
HB - Homeless Programs	Community Develop Block Grant	14.218	94,400
PLS - Homelessness Prevention	Community Develop Block Grant	14.218	30,000
PLS - Resource Development	Community Develop Block Grant	14.218	21,218
COA - Program Administration	Community Develop Block Grant	14.218	184,349
COA - Homelessness Prevention	Community Develop Block Grant	14.218	17,494
			<u>1,287,889</u>
MHO - Emergency Repair II	CDBG - ARRA	14.253	75,000
COA - North Louisiana Sidewalks	CDBG - ARRA	14.253	52,500
COA - Homelessness Prevention	CDBG - ARRA	14.253	32,105
			<u>159,605</u>
Total			<u>\$ 3,008,656</u>

**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, 2010 which collectively comprises the City’s basic financial statements, and have issued our report thereon dated December 28, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs reported as Findings 2010-1 and 2010-2 to be material weaknesses.

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*. Management has disclosed one instance of non-compliance in the notes to the financial statements.

We noted certain matters that we reported to the City in a separate letter dated December 28, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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 28, 2010

*Dixon Hughes PLLC*

**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 could have a direct and material effect on each major federal programs for the year ended June 30, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 28, 2010

*Dixon Hughes PLLC*

**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 could have a direct and material effect on each of its major state programs for the year ended June 30, 2010. 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, 2010.

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, and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct non-compliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected, on a timely basis.

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 28, 2010

*Dixon Hughes PLLC*

**CITY OF ASHEVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Section I--Summary of Auditors' Results**

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*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?        X   yes                                 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?

           Yes                        X   no

(continued)

**CITY OF ASHEVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Program
14.257	ARRA Homeless Prevention and Rapid Re-housing Program (HPRP)
20.205	Highway Planning and Construction Program Cluster: Transportation Improvement Program (TIP) Enhancement Projects
14.218	CDBG Entitlement Grant Cluster: Community Development Block Grant (CDBG)
14.253	ARRA Community Development Block Grant
16.738	Edward Byrne Memorial Justice Assistance Grant (JAG) Program
16.804	ARRA JAG Program
20.507	Federal Transit Urbanized Area Formula Program

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 the State Single Audit Implementation Act.            yes       X       No

(continued)

**CITY OF ASHEVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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

Identification of major state programs:

Program Name

Powell Bill  
Flood Damage Reduction, Flood Preparedness  
Intercity Grant - Weaverville  
Intercity Grant - Black Mountain

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**Section II--Financial Statement Findings**

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**Finding 2010-1 -Bank Reconciliation**

**MATERIAL WEAKNESS**

Criteria:	Cash balances recorded in a government's accounting system should be reconciled to bank statements from financial institutions on a timely basis.
Condition:	The City was unable to reconcile its main operating bank account on a timely basis.
Effect:	Material misstatements, caused by error or fraud, could go undetected and not corrected in a reasonable time period.
Cause:	Problems in the City's processes for recording cash receipts and tracking outstanding checks were complicated by staff turnover, the conversion of the City's accounting system and multiple, decentralized cash receipting and depositing locations.

(continued)

**CITY OF ASHEVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

Recommendation: We recommend the City modify its current processes to improve the bank reconciliation process, devote sufficient resources to ensure bank reconciliations are completed and reviewed in a timely manner every month and develop training programs to ensure that decentralized cash receipting locations conform to timely and proper recording of cash receipts.

Management's response: See Corrective Action Plan.

**Finding 2010-2 - Internal Control over Financial Reporting**

**MATERIAL WEAKNESS**

Criteria: Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial information, including the financial statements and Schedule of Expenditures Federal and State Awards, in accordance with accounting principles generally accepted in the United States of America.

Governmental funds are accounted for on the modified accrual basis of accounting which focuses on current assets and current liabilities. Long-term assets, such as notes receivable, are recorded as assets but the revenue generated from the asset is not available and must be deferred.

Condition: The City has notes receivable in several governmental funds but did not defer the balance of the notes receivable in the Housing Partnership Fund issued in prior years.

(continued)

**CITY OF ASHEVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

Effect: Fund balance as of July 1, 2009 was restated decreasing fund balance by \$2,794,605. In addition, the reclassification of current year activity caused expenditures to exceed budget creating a statutory violation (expenditures in excess of budget). The reclassification of current year activity occurred after the close of fiscal year 2010 and prior to the completion of the 2010 Comprehensive Annual Financial Report.

Cause: Insufficient understanding, supervision and review of the activity recorded in the fund.

Recommendation: We recommend the City modify its processes to record the issuance of notes receivable as expenditures and defer the related revenue until payments are received and educate the staff responsible for account coding to ensure transactions are properly recorded. In addition, annually adopted budgets for this fund should be changed to reflect the change in accounting.

Management's response: See Corrective Action Plan.

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**Section III--Federal Award Findings and Questioned Costs**

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There were none.

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**Section IV--State Award Findings and Questioned Costs**

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There were none.

**CITY OF ASHEVILLE, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Section II--Financial Statement Findings**

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There were none.

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**Section III--Federal Award Findings and Questioned Costs**

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**Finding:**       **2008-1**  
**Status:**       Corrected.

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**Section IV--State Award Findings and Questioned Costs**

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There were none.

**CITY OF ASHEVILLE, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Section II -- Financial Statement Findings**

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**Finding 2010-1 - Bank Reconciliation**

Contact Person:	Lauren Bradley, Administrative Services Director
Corrective Action:	The City's Treasury Services function instituted new control and reconciliation processes in October and November 2010 in connection with the recording of cash receipts, tracking of disbursements and outstanding checks. At the issuance date of the 2010 Comprehensive Annual Financial Report, this component of the financial statement finding has been resolved. With regard to the decentralized cash receipting locations and conformance to timely and proper recording of cash receipts, the Treasury Services function will develop tailored training programs reflecting the varied systems and processes that are utilized by the multiple cash receipting locations and provide additional direct training.
Proposed Completion Date:	<ul style="list-style-type: none"><li>• New control and reconciliation process – completed in October and November 2010</li><li>• Identify cash receipting deficiencies by location – January 2011</li><li>• Develop training modules by location – February 2011</li><li>• On-site training – March 2011</li></ul>

(continued)

**CITY OF ASHEVILLE, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2010**

**Finding 2010-2 - Internal Control Over Financial Reporting**

Contact Person:	Lauren Bradley, Administrative Services Director
Corrective Action:	The City's Financial Reporting function will communicate the accounting change to Budget and Planning & Development functions. Financial Reporting will provide the appropriation financial transaction illustrations to ensure the recording of expenditures, revenues and loan receivables in conformance with general acceptable accounting principles.
Proposed Completion Date:	Develop financial transaction illustrations and communicate change to Budget and Planning & Development – January 2011