



**City of Asheville  
North Carolina  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2011**

**"Our Quality of Service, Your Quality of Life"**



# **City of Asheville, North Carolina**

**Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2011**



**Prepared by the Finance Department**



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**CITY OF ASHEVILLE**

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October 31, 2011

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, 2011.

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 Goodman LLP has audited the City's financial statements. The objective of the audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on their audit, Dixon Hughes Goodman concluded that the City's financial statements, for the fiscal year ended June 30, 2011, 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 45.52 square miles and serves a population of 83,746. 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.

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 activities of the City of Asheville (primary government), as well as all of its component units. Component units are legally separate entities for which the government is financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations and, as such, are included in the reporting entity. The Asheville Public Financing Corporation and the Asheville Claims Corporation are reported as blended component units, and, as such, are not presented in the Basic Financial Statements. The Asheville Alcoholic Control Board is reported as a discretely presented component unit and is presented in a separate column in the Basic Financial Statements to emphasize that it is legally separate from the primary government and to distinguish its financial position, results of operations and cash flows from that of the primary government.

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

of accomplishing budgetary controls. Encumbered amounts lapse at year-end. However, encumbrances are re-appropriated in the following year's budget. Budgetary control is also facilitated by the use of an automated employee position classification system, which requires that every permanent position be budgeted.

### ***Local Economy***

The City is the regional center of manufacturing, transportation, health care, banking, professional services and shopping. The economy is diverse, with strong representation in health care, retail trade and tourism. The area's leading industry in terms of employment is health services and private education, which currently employs approximately 31,000 people. Other leading industry sectors include government, retail trade, and accommodation and food services. 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 indicate that domestic tourism in Buncombe County generated an economic impact of \$729.02 million in 2010. Buncombe County ranks 5th in travel impact among the state's 100 counties. More than 8,940 jobs in Buncombe County are directly linked to travel and tourism. Hotel/motel sales are a good indicator of the status of the local tourist economy. Hotel/motel sales grew steadily between 2004 and 2007; however, the effects of the recession began in 2008 and extended into 2009, with hotel/motel sales falling by a combined 11.7% over those two years. Sales did rebound in 2010, but they still remain below their 2007 peak.

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. The economic recession and its lingering effects caused retail sales to drop substantially in FY 2008, 2009, and FY 2010, with sales falling over 11% during this time period. Sales finally rebounded in FY 2011, with year-over-year growth of 7.43%. Of the \$3.1 billion in retail sales recorded in Buncombe County during FY2011, approximately 75% of those sales occurred within the City of Asheville. Among large cities in North Carolina, Asheville has one of the highest levels of retail sales per resident. This data reflect Asheville's position as the regional economic center for Western North Carolina. Asheville's high level of retail sales per resident is also likely associated with Asheville's status as a tourist destination

The unemployment rate is another critical indicator of the relative strength in the economy. As the effects of the recession began to be felt in Buncombe County, the average unemployment climbed throughout 2009 and the early part of 2010, peaking at 9.7% in February 2010. The local employment data have improved slightly since then, and as of August 2011, the county's unemployment rate stood at 8.4%. Local unemployment rates are below both the statewide rate (10.4%) and the national rate (9.1%).

### ***Long-Term Financial Planning***

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

The CIP is updated annually based on input from Council, the public and city staff. The FY2011 CIP (through the fiscal year ending June 30, 2015) 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 contained in the five year CIP.

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

The General Capital Project Fund provides funding for all general government capital needs. FY2011 funding was provided by a \$2,439,044 pay-as-you-go contribution from the General Fund and \$1,100,000 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 unassigned fund balance of no less than 15 percent of the General Fund operating budget excluding capital expenditures. The City's fund balance in the General Fund has decreased over the past couple of years as a result of the economic recession. At June 30, 2011, the unassigned fund balance is approximately 15 percent of General Fund expenditures.

### ***Insurance Programs***

The City maintains various risk management programs for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the City's internal service fund. For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustments of claims. The City purchases excess liability insurance with limits of \$15,000,000 across all liability lines – general, public officials, law enforcement, employment practices and automobile. The City also purchases insurance for real and personal property assets, including dams, in the amount of \$233,000,000. 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 \$450,000 per event for workers' compensation claims. Excess insurance with statutory limits is maintained for any claims exceeding the \$450,000 self-insured retention. An aggregate stop-loss limit in the amount of \$3,000,000 applies to total workers compensation losses in excess of \$3,382,436 over a two-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, 2010. This was the thirty-first 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, 2011. 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 Goodman LLP, in its preparation. Also, this report would not have been possible without the efficient and dedicated service of the entire staff of the City’s Accounting Division as well as the cooperation of all other departments and divisions of the City. We would also like to thank the members of Council for their interest and support.

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

Respectfully submitted,



Gary W. Jackson  
City Manager



Lauren Bradley  
Finance and Management 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, 2010

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.



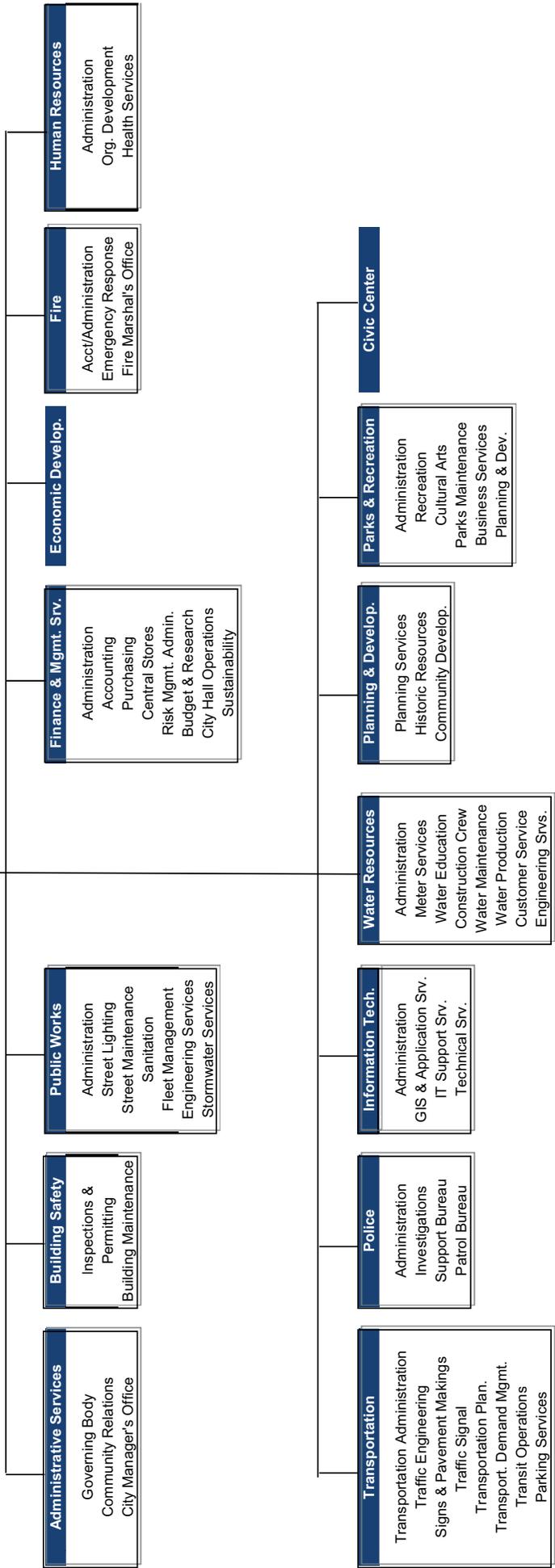
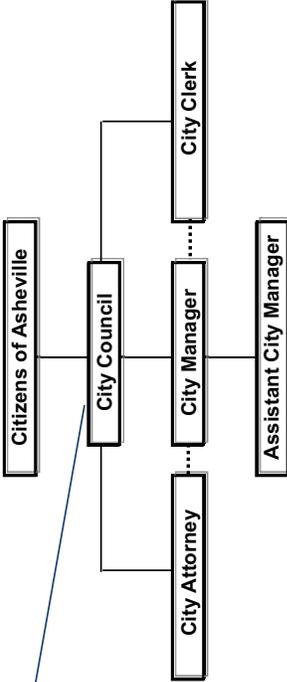
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President

*Jeffrey R. Erner*

Executive Director

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



**Department Divisions**

# The ASHEVILLE way



## Continuous Improvement

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

## Integrity

Asheville employees demonstrate character with courage, honesty and pride.

## Diversity

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

## Safety and Welfare

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

## Excellent Service

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



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

**- Independent Auditors' Report -**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Asheville, North Carolina (the "City"), as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7(B) to the financial statements, the City restated beginning net assets in Governmental Activities and Business-type Activities to correct errors in construction in progress and its unfunded OPEB obligation. The City also adopted GASB Statement No. 54.

Independent Auditors' Report  
Page Two

As a result, beginning fund balances in the General Fund and non-major governmental funds have been restated to reclassify various funds and programs.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2011, 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 - 17 and 67 - 70, 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.

October 28, 2011

*Dixon Hughes Goodman LLP*

**CITY OF ASHEVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

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 2011. 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 \$358,497,623 (net assets). Of this amount, \$65,687,402 (unrestricted net assets) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets of \$358,497,623 represents a decrease of \$1,063,102 over FY2010's restated net assets of \$359,560,725.
- At the close of the current fiscal year, the City of Asheville's governmental funds reported combined ending fund balances of \$27,944,330, a decrease of \$3,534,461 in comparison with the restated prior year's amount of \$31,478,791. The unassigned portion of the General Fund fund balances is \$13,102,169; this amount is available to spend at the City's discretion.
- At the end of the current fiscal year, the non-spendable, restricted, committed and assigned portions of fund balance for all governmental funds was \$14,842,161.
- The City's total long-term liabilities increased by \$1.5 million during the current fiscal year. This increase is primarily attributable to additional debt issuance in connection with governmental and business type activities and increases in pension, OPEB and compensated absence liabilities; these combined increases were partially offset by 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+

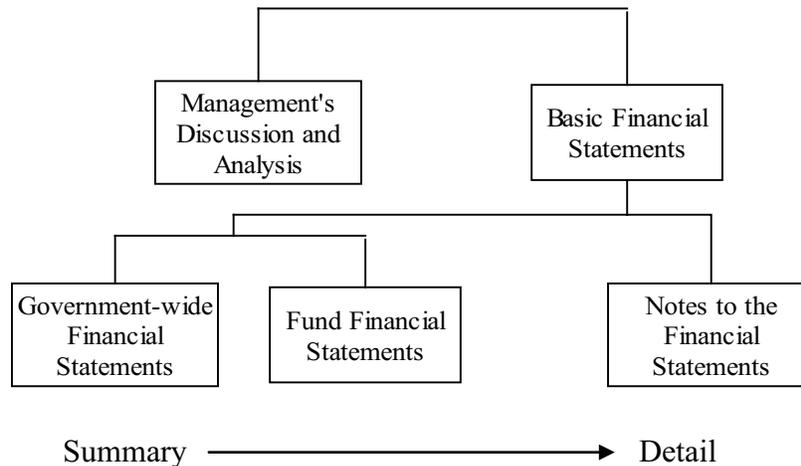
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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 both short and long-term information about the City's financial status.

The next statements (Exhibits C through K) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements. The supplemental section also contains funding information about the City's pension plans and post-employment healthcare and dental benefits plans.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The

government-wide statements provide short- and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City of Asheville'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 way to gauge the City's financial condition.

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 67% of the costs of these activities. Business-type activities include water utility, stormwater management, parking, festivals, golf course, civic center, mass transit services, and the newly created street cut utility program. 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 government-wide financial statements are on Exhibits A and B of this report.

### **Fund Financial Statements**

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

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

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

**Proprietary Funds.** The City 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 mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the financing of goods and services provided by the Health Insurance, Workers' Compensation and Property and Casualty Funds on a cost reimbursement basis. Additionally, the City uses an internal service fund entitled General for the purpose of accumulating net assets not specifically assigned to any of the other internal service funds. As each of these services predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 two agency funds, which are its only fiduciary funds. 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 - 66 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 67-70 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 \$358,497,623 as of June 30, 2011.

By far the largest portion of the City's net assets (\$279,452,460 or 78%) 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, 3.7% of the City's net assets, represent resources that are subject to external restrictions. These restrictions consist of stabilization by state statute, community development activities, cemetery maintenance and other functions. In addition, total unrestricted net assets amounted to 18.3% 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	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 58,078	\$ 53,746	\$ 53,257	\$ 54,349	\$ 111,335	\$ 108,095
Capital assets	178,718	171,758	197,801	203,603	376,519	375,361
Total assets	<u>236,796</u>	<u>225,504</u>	<u>251,058</u>	<u>257,952</u>	<u>487,854</u>	<u>483,456</u>
Non-current liabilities	26,068	24,706	74,640	78,071	100,708	102,777
Other liabilities	15,189	13,242	12,396	8,939	27,585	22,181
Total liabilities	<u>41,257</u>	<u>37,948</u>	<u>87,036</u>	<u>87,010</u>	<u>128,293</u>	<u>124,958</u>
Net assets:						
Invested in capital assets, net of related debt	158,776	154,318	122,700	125,135	281,476	279,453
Restricted	3,904	13,358	561	-	4,465	13,358
Unrestricted	32,859	19,880	40,761	45,807	73,620	65,687
Total net assets	<u>\$ 195,539</u>	<u>\$ 187,556</u>	<u>\$ 164,022</u>	<u>\$ 170,942</u>	<u>\$ 359,561</u>	<u>\$ 358,498</u>

\*2010 restated in 2011

Net assets for the governmental activities declined by \$8 million. Total governmental assets decreased by \$11.3 million while liabilities decreased by approximately \$3.3 million.

Net assets for business-type activities increased approximately \$6.9 million. This increase is primarily due to favorable results in the City's water and civic center operations, capital contributions in the mass transit operations and a transfer from the governmental activities to eliminate a deficit net asset position in a non-major enterprise fund.

Net assets invested in capital assets, net of related debt, reflected a modest decline. The decrease is primarily the result of improved capitalization monitoring procedures which resulted in greater portions of expenses reflected in operations as opposed to capital assets. The impact of this improved internal control over financial reporting is that more of the City's expenses in deferred maintenance and renovation programs are being reflected as reductions to net assets.

**Governmental activities.** Net assets of governmental activities decreased by \$7,983,160. Key elements of this decrease are as follows:

- Cash and investments combined with receivables (due from State for annual sales tax refund) and internal balances reflected a decrease of \$3.7 million. The reduction in internal balances is principally due to the elimination of a portion of internal balance between the governmental and business-type activities in 2011.
- Depreciation expenses were in excess of capital additions by approximately \$7 million.
- Governmental liabilities decreased by \$3.3 million with the majority of the decrease attributable to a reduction in payable and other accrued liabilities in the amount of \$1.2 million, claims payable of \$0.6 million and long term liabilities in the amount of \$1.7 million.

**City of Asheville Changes in Net Assets**  
(amounts expressed in thousands)

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 18,753	\$ 14,898	\$ 41,195	\$ 44,797	\$ 59,948	\$ 59,695
Operating grants and contributions	5,489	5,422	3,049	2,983	8,538	8,405
Capital grants and contributions	8,942	8,616	640	3,310	9,582	11,926
General revenues:						
Property taxes	45,238	45,979	-	-	45,238	45,979
Other taxes	15,152	15,673	-	-	15,152	15,673
Grants and contributions not restricted to specific programs	8,308	8,511	-	-	8,308	8,511
Investment earnings	139	155	357	171	496	326
Miscellaneous	115	430	47	29	162	459
Total revenues	<u>102,136</u>	<u>99,684</u>	<u>45,288</u>	<u>51,290</u>	<u>147,424</u>	<u>150,974</u>
Expenses:						
General government	22,590	18,381	-	-	22,590	18,381
Public safety	43,137	44,323	-	-	43,137	44,323
Public works	5,606	10,111	-	-	5,606	10,111
Community development	6,024	6,492	-	-	6,024	6,492
Transportation	19,133	14,233	-	-	19,133	14,233
Culture and recreation	9,328	10,933	-	-	9,328	10,933
Interest on long-term debt	930	861	-	-	930	861
Water resources	-	-	27,490	31,045	27,490	31,045
Parking services	-	-	1,669	1,920	1,669	1,920
Street cut utility	-	-	-	1,073	-	1,073
Stormwater	-	-	3,055	2,771	3,055	2,771
Civic Center	-	-	2,147	2,510	2,147	2,510
Mass transit	-	-	5,542	5,751	5,542	5,751
Golf course	-	-	1,031	979	1,031	979
Festivals	-	-	758	654	758	654
Total expenses	<u>106,748</u>	<u>105,334</u>	<u>41,692</u>	<u>46,703</u>	<u>148,440</u>	<u>152,037</u>
Increase (decrease) in net assets before transfers	(4,612)	(5,650)	3,596	4,587	(1,016)	(1,063)
Transfers	<u>(125)</u>	<u>(2,333)</u>	<u>125</u>	<u>2,333</u>	<u>-</u>	<u>-</u>
Changes in net assets	(4,737)	(7,983)	3,721	6,920	(1,016)	(1,063)
Net assets, beginning, restated	<u>200,276</u>	<u>195,539</u>	<u>160,301</u>	<u>164,022</u>	<u>360,577</u>	<u>359,561</u>
Net assets, ending	<u>\$ 195,539</u>	<u>\$ 187,556</u>	<u>\$ 164,022</u>	<u>\$ 170,942</u>	<u>\$ 359,561</u>	<u>\$ 358,498</u>

Total revenues reported in the governmental activities for FY2011 were \$99.7 million as compared to FY2010's \$102.1 million representing a decrease of \$2.4 million or 2.3%. The majority of the year over year variance is attributable to a decline in charges for services (\$3.9 million) partially offset by an increase in property and other taxes (\$1.3 million).

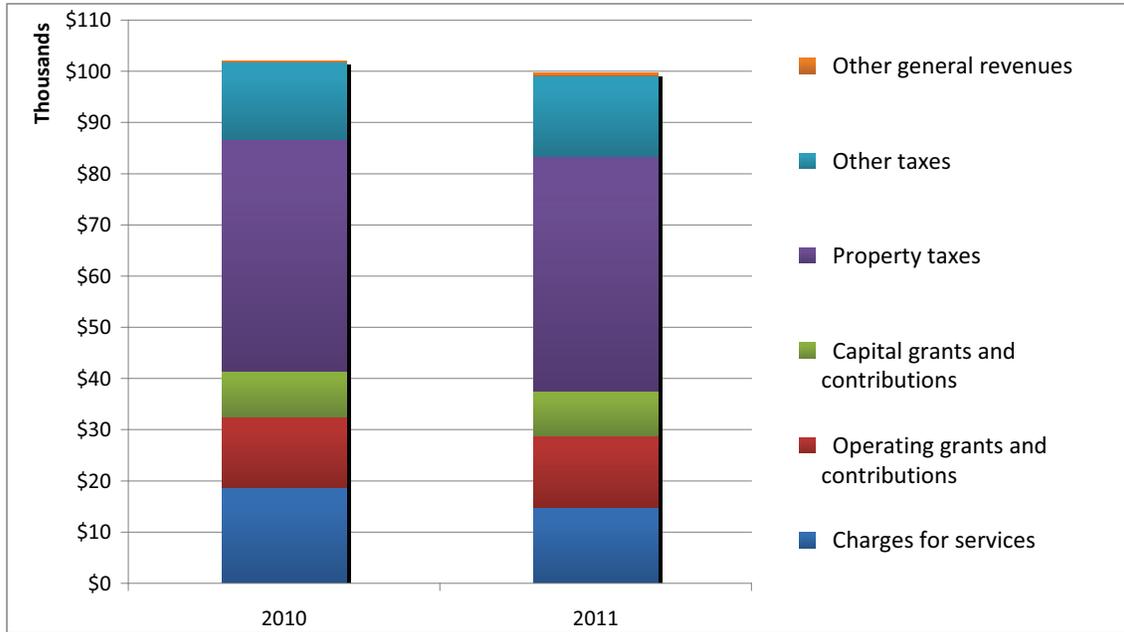
The decrease in charges for services is principally due to the overstatement in FY2010 of internal services charges for services related to the business-type activities in the amount of \$2.9 million. These charges should have been eliminated on the governmental activities statement in the charges for services and general government expenses category. For FY2011, the City has correctly eliminated those revenues and expenses in order to avoid duplicating those items on the Statement of Activities. Additionally, in FY2011, revenues and expenses related to fuel sales to external not-for-profit and governmental agencies were removed from the Statement of Activities. Approximately \$0.8 million of revenues in charges for services has been eliminated with a corresponding reduction in general government expenses. These two items represent the majority of the reduction in charges for services when comparing FY2011 to FY2010.

Property and other taxes improved by approximately \$1.3 million, year over year. The property tax levy increased by approximately \$546,000 due to improvements in the tax base while the allowance for doubtful accounts was reduced by \$41,000 due to improved collection rates. Other taxes principally comprised of sales taxes, increased year over year by approximately \$521,000 representing a slight improvement in economic activity and retail sales.

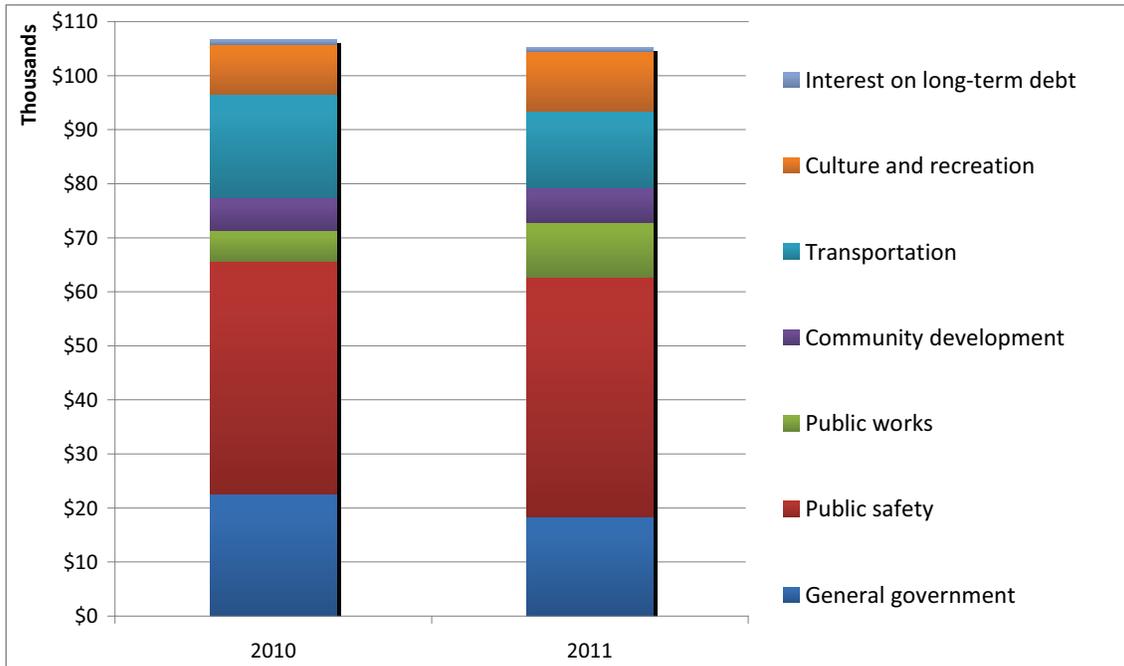
Total expenses reported in the governmental activities for FY2011 were \$105.3 million as compared to FY2010's \$106.7 million representing a decrease of \$1.4 million or 1.3%. General government expenses reflected a year over year decrease of approximately \$4.2 million. Of that \$4.2 million, approximately \$3.7 million related to the overstatement of Internal Service Fund charges for services for business-type activities that were not eliminated in FY2010 and the reclassification of fuel sales (\$0.8 million) from programs revenues in FY2010 to a reduction of general government expenses in FY2011. The year over year changes in the public works (+\$4.5 million) and transportation (-\$4.9 million) program areas largely offset each other and represent improved classification efforts relating to these programs in FY2011.

Adjusting FY2010's amount of \$106.7 million for the internal service and fuel sales reclassifications would have resulted in an FY2010 governmental activities expense amount of \$103.0. Governmental activities expenses in FY2011 totaled \$105.3 representing an increase of \$2.3 million or 2.3% over FY2010's adjusted amount of \$103.0 million.

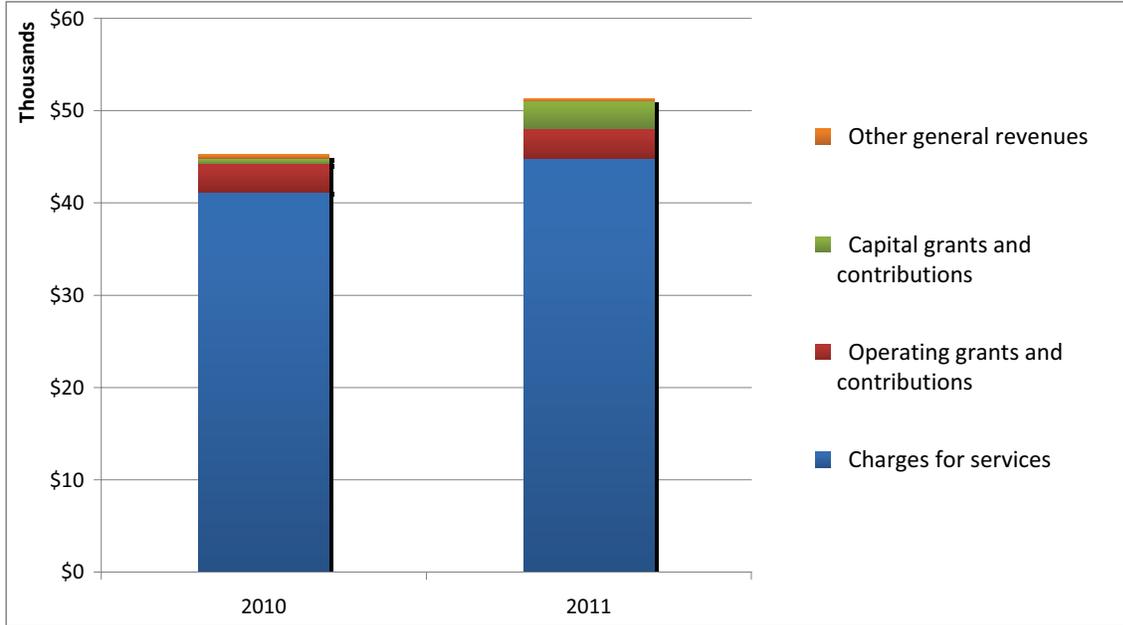
**Government-wide Analysis**  
**Revenue from Governmental Activities**  
 Figure 4



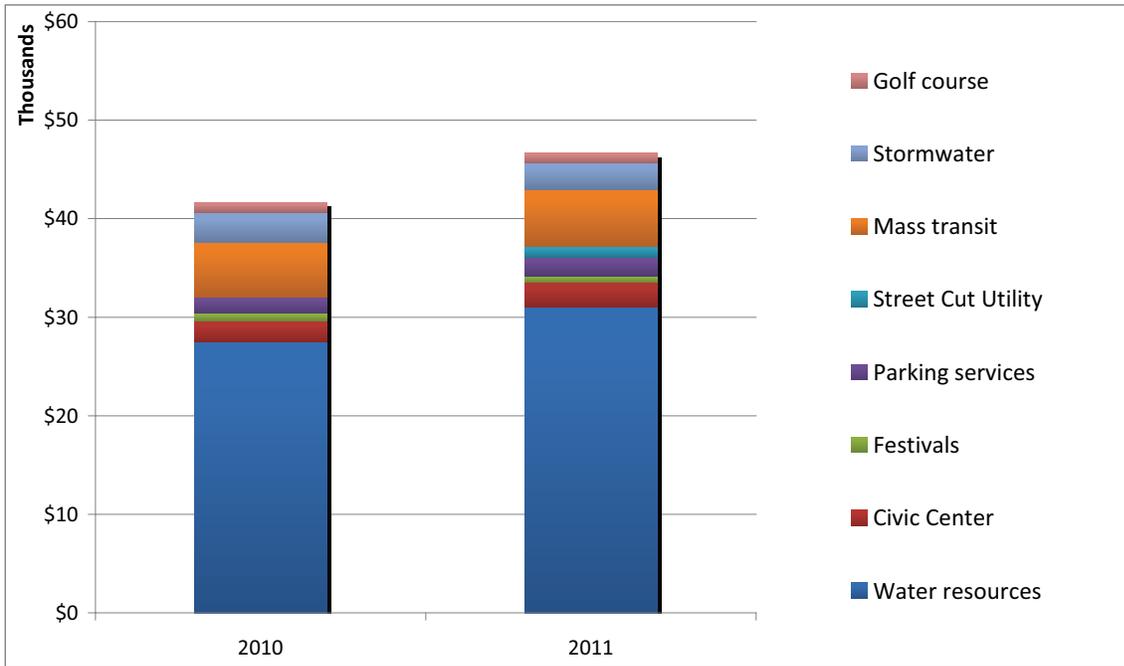
**Expenses of Governmental Activities**  
 Figure 5



**Government-wide Analysis**  
**Revenue from Business-type Activities**  
 Figure 6



**Expenses of Business-type Activities**  
 Figure 7



**Business-type activities.** Net assets in the business-type activities increased by approximately \$6.9 million for FY2011 with \$1.8 million occurring in the Water Resources Fund and the balance of \$5.1 million occurring in the non-major enterprise funds. Key elements of this increase are as follows:

- Charges for services increased approximately \$3.6 million from FY2010 to FY2011 with \$2.3 million of the increase occurring in Water Resources and another \$1.1 million occurring in the Civic Center operations. The increase in Water Resources represented a 7.4% increase on sales of approximately \$33.6 million. The majority of the year over year increase in water sales revenues is attributable to rate increases imposed in FY2011. Civic Center charges for services increased approximately \$1.1 million over the previous year with \$580,000 of the amount representing delayed payments from the agency fund box office account.
- Capital grants and contributions increased by \$2.7 million, year over year. The majority of the increase related federal and state participation in the purchase of hybrid buses for the mass transit operations.
- Expenses in the business-type activities increased from FY2010's \$41.7 million to FY2011's \$46.7 million; an increase of \$5 million or 12%. The majority of the increase occurred in Water Resources (\$3.5 million). A new fund, the Street Cut Utility Fund, accounted for another \$1.1 million of the year over year change. Within Water Resources, the operating expense category increased by \$3.1 million when compared to FY2010. The majority of the increase is attributable to expenses associated with the automated meter reading project, which is not being capitalized.
- Net transfers into the business-type activities totaled \$2.3 million, an increase of \$2.2 million over the prior period. The majority of the increase related to the Festival Fund transfer to eliminate the deficit net asset position.

### 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, 2011, totals \$375,360,320 (net of accumulated depreciation). These assets include land, buildings, improvements other than buildings, infrastructure, such as streets, sidewalks, and water lines, machinery and equipment, intangibles (right of way, easements and software) and construction in progress.

Major capital expenditures in 2011 included:

- Commencement of construction of the 51 Biltmore Parking Garage (at completion, a \$14.1 million project)
- Purchase of replacement vehicles for police
- Continuation of construction for Livingston Street Recreation Center
- Improvements to the City's streets and sidewalks, in addition to newly constructed sidewalks
- Purchase of five hybrid buses
- Continuation of construction for the Long Shoals water line distribution project
- Commencement of renovations of the Civic Center in conjunction with the hosting of the Southern Conference Men's and Women's Basketball Championships

Additional information regarding the City's capital assets can be found in Note 4 on Pages 45 - 47 of this report.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	\$ 31,814	\$ 32,497	\$ 10,343	\$ 15,772	\$ 42,157	\$ 48,269
Buildings and improvements	32,719	32,004	45,923	46,905	78,642	78,909
Improvements other than buildings	-	1,503	-	-	-	1,503
Machinery and equipment	12,637	12,063	12,102	17,190	24,739	29,253
Infrastructure	91,879	86,892	104,035	120,458	195,914	207,350
Construction in process	8,045	3,530	25,398	3,129	33,443	6,659
Intangibles	1,624	3,269	-	148	1,624	3,417
	<u>\$ 178,718</u>	<u>\$ 171,758</u>	<u>\$ 197,801</u>	<u>\$ 203,602</u>	<u>\$ 376,519</u>	<u>\$ 375,360</u>

**Long-term Debt.** As of June 30, 2011, the City of Asheville had total debt outstanding of \$96,869,050. Of this, \$1,290,000 is backed by the full faith and credit of the City. The remainder of the City's debt in the amount of \$95,579,050 represents bonds secured solely by specified revenue sources (revenue bonds) or contracts collateralized by the financed project (installment financing contracts). The City entered into an installment financing in 2011 in the amount of \$1.1 million to provide partial funding for the new Livingston Street Recreation Center; two loans from NC Department of Environment and Natural Resources in the amounts of \$198,194 and \$129,382 and an installment financing contract in an amount not to exceed \$14,100,000 (amount drawn at June 30, 2011 was \$6,175,133) for the acquisition and construction of a new parking facility to be located at 51 Biltmore Avenue facility.

The City of Asheville's total net debt remained largely unchanged at June 30, 2011, when compared to 2010 year end. This is the result of annual payments made in accordance with its regularly scheduled maturity dates on the existing debt and the effect of the current year's additional debt. The City has no bonds authorized but unissued at June 30, 2011.

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 \$870,880,000, 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 48 - 55 of this report.

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

**Figure 9**

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
General obligation bonds	\$ 1,652	\$ 1,230	\$ 998	\$ 60	\$ 2,650	\$ 1,290
Revenue bonds	-	-	73,570	71,005	73,570	71,005
Installment financing contracts	18,291	16,210	43	6,175	18,334	22,385
Other long-term indebtedness	1,012	961	1,050	1,228	2,062	2,189
Total bonds	\$ 20,955	\$ 18,401	\$ 75,661	\$ 78,468	\$ 96,616	\$ 96,869

### General Fund Budgetary Highlights

During fiscal 2011, there was a \$746,541 net decrease in appropriations between the original and final amended General Fund budget. The largest components of the budget change relating to increases in expenditure budgets was for prior year's encumbrances in the amount of \$1.8 million and a transfer to the Festivals Fund to eliminate a deficit net assets position. The largest components of the budget change that contributed to decreasing the original budget related to a reduction in transfers and charges for services (contributions from employees \$3.5 million) for the Internal Service Fund and the reclassification of long term debt for a public safety apparatus to the General Capital Project Fund.

Actual General Fund revenues fell below final budget estimates by approximately \$2.7 million with the two largest components of the unfavorable budget variance attributable to charges for services (\$1.7 million or 22% under final budget) and investment earnings (\$904,000 under final budget). The unfavorable budget variance in connection with charges for services reflects the reclassification of \$1.1 million in fuel sales reimbursements from sales to external not-for-profit and governmental agencies to general government expenditures where the expenses associated with the purchase of fuel is reflected. The unfavorable variance in investment income is the result of timing in the budget preparation calendar. The FY2011 budget was prepared prior to the completion of the FY2010 fiscal year. Ultimately, the FY2010 financial statements reflected less than \$100,000 in investment income. General Fund revenues for FY2011 totaled \$85.2 million compared to FY2010's revenues of \$83.7 million, an increase of \$1.5 million or 1.7%.

General Fund expenditures were under budget by \$4.7 million; offsetting the \$2.7 million unfavorable revenue performance. Favorable expenditure budget variances occurred in every category of expenditure reflecting cost control measures designed to offset the continuing affects of the economy on General Fund revenues. The largest favorable variance occurred in general government, with \$1.1 million of the \$2.5 million variance attributable to the fuel sales reclassification mentioned previously. General Fund expenditures for FY2011 totaled \$83.3 million compared to FY2010's expenditures of \$83.1 million, an increase of \$0.2 million or 0.3%.

Actual revenues exceeded expenditures by \$1,870,743 in FY2011. The comparable figure in FY2010 was \$676,082.

Total other financing sources and uses for the period ended June 30, 2011 was \$4.1 million, which is comprised mainly of net transfers out in the amount of \$4.2 million (which includes the \$1,718,949 for the Festivals Fund transfer).

Other financing sources and uses contains the appropriated fund balance category; with a final budget of \$4.7 million. The original budget adopted by City Council did not contain an appropriation of fund balance. The largest portion of the \$4.7 million appropriation relates to prior year's encumbrances and the supplemental Festival Fund transfer to eliminate the deficit net asset position in that fund. While the financial plan contemplated the use of approximately \$4.7 million, the actual financial performance in the General Fund reflected the use of \$2.2 million in fund balance.

### **Economic Factors**

- As of August 2011, Buncombe County's unemployment rate stood at 8.4%, down from 9.7% in February 2010. Local unemployment rates are below both the statewide rate (10.4%) and the national rate (9.1%).
- Population of 83,746 has grown 21.1 % from 2000 to 2010.
- Although retail sales activity has not rebounded to pre-recession levels, retail sales activity did experience 7.43% in year-over-year growth in 2011.
- 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 2012 fiscal year.

### **Budget Highlights for the Fiscal Year Ending June 30, 2012.**

The City's adopted General Fund budget for FY 2012 totaled \$87,645,955, which represents a 0.5% decrease compared to the FY 2011 budget. The FY 2012 General Fund budget does not contain a fund balance appropriation to fund projected expenditures for the new fiscal year. The FY 2012 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, Personnel costs were reduced by eliminating or freezing 15 General Fund positions, which will save approximately \$800,000. The General Fund personnel budget included a \$215,000 increase in fringe benefit expenses due to the State-mandated increase in the City's contribution to the state retirement system. In order to balance the FY 2012 adopted budget, General Fund operating costs are reduced by \$552,000 or 2.6%. This reduction was achieved by trimming various line items, including contracted services, supplies, and materials. Police and Fire expenditures continue to be the largest component of the City's General Fund budget, comprising 43% of the total FY2012 General Fund budget. The General Fund budget also includes \$8.3 million in funding for debt service and pay-as-you-go capital improvements. In FY 2011, the City made the final payment on the Certificates of Participation (COPs) Series 1997B and also made the final payment on the 2006 series installment financing. In paying off these two debt obligations, the City reduced its annual debt service payments by over \$1.1 million. In FY 2012, the City will use this debt capacity to issue \$12.1 million in new debt to fund critical capital

improvements, including exterior repairs to City Hall, construction of new sidewalks and greenways, and the replacement of vehicles.

**Business-type Activities.** The FY 2012 budget for the Water Resources Fund included increases to the commercial and multi-family volumetric rates and the wholesale rate. There were no changes to the residential rate in FY 2012. The overall Water Resources Fund budget for FY 2012 remained essentially flat compared to FY 2011. There was a significant decrease of approximately \$1.5 million in the Fund's debt service obligations in FY 2012. \$1.0 million of this savings was redirected to capital. The remaining savings in debt service was used to cover increases in operating costs. Budgeted capital expenditures for FY 2012 included \$6.2 million for water capital improvement projects, \$342,000 for rolling stock replacement, and \$120,000 for small capital equipment. The FY 2012 Water Resources budget also included a \$660,224 Sullivan Act transfer (2% of Water Fund revenues) to the General Capital Projects Fund.

### **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.



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# 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, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
<b>ASSETS</b>				
Cash and investments	\$ 37,981,148	\$ 48,112,423	\$ 86,093,571	\$ 1,649,029
Receivables (net of allowance for uncollectibles):				
Property taxes	71,519	-	71,519	-
Due from other governments	4,232,591	169,432	4,402,023	-
Accounts receivable	440,242	4,631,759	5,072,001	3,139
Other receivables	101,669	-	101,669	-
Internal balances	451,116	(451,116)	-	-
Inventories and prepaids	465,402	850,736	1,316,138	1,686,469
Other assets	397,195	-	397,195	-
Notes receivable	9,605,656	-	9,605,656	-
Capital assets, net:				
Assets not being depreciated	38,783,184	19,049,177	57,832,361	3,027,715
Assets being depreciated, net	132,974,549	184,553,410	317,527,959	4,378,633
Unamortized debt issuance cost	-	1,035,507	1,035,507	-
Total assets	<u>225,504,271</u>	<u>257,951,328</u>	<u>483,455,599</u>	<u>10,744,985</u>
<b>LIABILITIES</b>				
Accounts payable	3,014,750	3,049,811	6,064,561	1,337,395
Due to other governments	-	-	-	210,361
Other accrued liabilities	2,276,098	344,296	2,620,394	324,630
Customer deposits	27,350	625,468	652,818	-
Accrued interest payable	82,601	1,398,815	1,481,416	-
Unearned revenue	1,365,335	1,067	1,366,402	-
Estimated claims payable:				
Due within one year	607,577	-	607,577	-
Due in more than one year	3,841,868	-	3,841,868	-
Non-current liabilities:				
Due within one year	5,868,044	3,519,479	9,387,523	99,892
Due in more than one year	20,864,703	78,070,714	98,935,417	2,461,700
Total liabilities	<u>37,948,326</u>	<u>87,009,650</u>	<u>124,957,976</u>	<u>4,433,978</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	154,318,065	125,134,395	279,452,460	4,837,416
Restricted for:				
Stabilization by State Statute	9,137,549	-	9,137,549	-
Community development	3,849,065	-	3,849,065	-
Perpetual maintenance	324,081	-	324,081	-
Other functions	47,066	-	47,066	-
Working capital	-	-	-	583,694
Unrestricted	19,880,119	45,807,283	65,687,402	889,897
Total net assets	<u>\$ 187,555,945</u>	<u>\$ 170,941,678</u>	<u>\$ 358,497,623</u>	<u>\$ 6,311,007</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, 2011**

<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	\$ 18,381,054	\$ 7,998,694	\$ 666,893	\$ 2,518,150
Public safety	44,323,044	3,750,072	216,612	424,685
Public works	10,110,765	1,228,154	145,295	1,618,599
Community development	6,492,539	614,332	1,819,944	2,740,330
Transportation	14,232,761	99,220	2,269,662	14,146
Culture and recreation	10,933,126	1,207,408	303,431	1,300,328
Interest on long-term debt	861,138	-	-	-
Total governmental activities	<u>105,334,427</u>	<u>14,897,880</u>	<u>5,421,837</u>	<u>8,616,238</u>
Business-type activities:				
Water resources	31,045,348	33,617,434	32,780	439,993
Parking services	1,920,008	2,928,446	-	-
Street Cut Utility	1,072,694	40,000	-	-
Stormwater	2,771,349	3,131,236	-	129,382
Civic Center	2,509,938	2,593,504	-	334,450
Mass Transit	5,750,448	1,252,744	2,950,142	2,406,484
Golf course	978,979	742,182	-	-
Festivals	653,883	491,451	-	-
Total business-type activities	<u>46,702,647</u>	<u>44,796,997</u>	<u>2,982,922</u>	<u>3,310,309</u>
Total primary government	<u>\$ 152,037,074</u>	<u>\$ 59,694,877</u>	<u>\$ 8,404,759</u>	<u>\$ 11,926,547</u>
Component unit:				
ABC Board	<u>\$ 15,026,346</u>	<u>\$ 15,219,414</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 (as restated)				
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>Component Unit City of Asheville ABC Board</b>
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	
\$ (7,197,317)	\$ -	\$ (7,197,317)	\$ -
(39,931,675)	-	(39,931,675)	-
(7,118,717)	-	(7,118,717)	-
(1,317,933)	-	(1,317,933)	-
(11,849,733)	-	(11,849,733)	-
(8,121,959)	-	(8,121,959)	-
(861,138)	-	(861,138)	-
<u>(76,398,472)</u>	<u>-</u>	<u>(76,398,472)</u>	<u>-</u>
-	3,044,859	3,044,859	-
-	1,008,438	1,008,438	-
-	(1,032,694)	(1,032,694)	-
-	489,269	489,269	-
-	418,016	418,016	-
-	858,922	858,922	-
-	(236,797)	(236,797)	-
-	(162,432)	(162,432)	-
<u>-</u>	<u>4,387,581</u>	<u>4,387,581</u>	<u>-</u>
<u>(76,398,472)</u>	<u>4,387,581</u>	<u>(72,010,891)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>193,068</u>
45,979,429	-	45,979,429	-
14,717,549	-	14,717,549	-
955,596	-	955,596	-
8,510,585	-	8,510,585	-
154,536	171,394	325,930	1,553
430,175	28,525	458,700	887
(2,332,558)	2,332,558	-	-
<u>68,415,312</u>	<u>2,532,477</u>	<u>70,947,789</u>	<u>2,440</u>
(7,983,160)	6,920,058	(1,063,102)	195,508
<u>195,539,105</u>	<u>164,021,620</u>	<u>359,560,725</u>	<u>6,115,499</u>
<u>\$ 187,555,945</u>	<u>\$ 170,941,678</u>	<u>\$ 358,497,623</u>	<u>\$ 6,311,007</u>

**CITY OF ASHEVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 19,625,595	\$ 8,901,226	\$ 28,526,821
Receivables (net of allowance for uncollectibles):			
Property taxes	71,519	-	71,519
Due from other governments	3,898,921	333,670	4,232,591
Accounts receivable	132,384	23,000	155,384
Other receivables	101,669	-	101,669
Inventories and prepaids	465,402	-	465,402
Due from other funds	456,916	-	456,916
Notes receivable	5,895,598	3,710,058	9,605,656
	<u>\$ 30,648,004</u>	<u>\$ 12,967,954</u>	<u>\$ 43,615,958</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,557,084	\$ 806,632	\$ 2,363,716
Other accrued liabilities	2,220,932	11,320	2,232,252
Due to other funds	-	5,800	5,800
Deposits	27,350	-	27,350
Unearned revenue	1,239,707	125,628	1,365,335
Deferred revenue	5,967,117	3,710,058	9,677,175
Total liabilities	<u>11,012,190</u>	<u>4,659,438</u>	<u>15,671,628</u>
Fund balances:			
Non-spendable:			
Inventories and prepaids	465,402	-	465,402
Perpetual maintenance	-	324,081	324,081
Restricted:			
Stabilization by State Statute	5,995,351	3,142,198	9,137,549
Grant programs	-	836,073	836,073
Committed	-	4,006,164	4,006,164
Assigned	72,892	-	72,892
Unassigned	13,102,169	-	13,102,169
	<u>19,635,814</u>	<u>8,308,516</u>	<u>27,944,330</u>
Total fund balances	<u>19,635,814</u>	<u>8,308,516</u>	<u>27,944,330</u>
Total liabilities and fund balances	<u>\$ 30,648,004</u>	<u>\$ 12,967,954</u>	<u>\$ 43,615,958</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, 2011**

Total fund balances for governmental funds (Exhibit C)	\$ 27,944,330
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.	171,757,733
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Property taxes receivable	71,519
Notes receivable	9,605,656
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	(1,229,517)
Installment financing contracts	(16,210,151)
Other long-term indebtedness	(961,190)
Compensated absences payable	(4,564,416)
Net pension obligation	(1,201,944)
Net OPEB obligation	(2,565,529)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:	
Interest payable	(82,601)
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>4,594,860</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 187,555,945</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, 2011**

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes:			
Ad valorem taxes	\$ 46,223,101	\$ -	\$ 46,223,101
Other taxes	15,372,430	-	15,372,430
Intergovernmental	11,218,617	6,418,076	17,636,693
Licenses and permits	5,078,258	145,529	5,223,787
Charges for services	6,007,299	170,026	6,177,325
Investment earnings	109,528	6,824	116,352
Miscellaneous	1,196,203	1,207,505	2,403,708
Total revenues	<u>85,205,436</u>	<u>7,947,960</u>	<u>93,153,396</u>
<b>EXPENDITURES</b>			
Current:			
General government	12,690,692	1,618,641	14,309,333
Public safety	41,560,096	1,146,277	42,706,373
Public works	7,817,667	2,162,571	9,980,238
Community development	3,004,618	3,452,404	6,457,022
Transportation	5,084,085	1,180,801	6,264,886
Culture and recreation	8,746,740	2,559,113	11,305,853
Debt service:			
Principal	3,623,849	30,000	3,653,849
Interest and other charges	806,946	34,850	841,796
Total expenditures	<u>83,334,693</u>	<u>12,184,657</u>	<u>95,519,350</u>
Revenues over (under) expenditures	<u>1,870,743</u>	<u>(4,236,697)</u>	<u>(2,365,954)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	735,862	2,915,037	3,650,899
Transfers to other funds	(4,964,470)	(1,018,987)	(5,983,457)
Long-term debt issued	-	1,100,000	1,100,000
Proceeds from sale of capital assets	64,051	-	64,051
Total other financing sources (uses)	<u>(4,164,557)</u>	<u>2,996,050</u>	<u>(1,168,507)</u>
Net change in fund balances	(2,293,814)	(1,240,647)	(3,534,461)
Fund balances - beginning (as restated)	<u>21,929,628</u>	<u>9,549,163</u>	<u>31,478,791</u>
Fund balances - ending	<u>\$ 19,635,814</u>	<u>\$ 8,308,516</u>	<u>\$ 27,944,330</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, 2011**

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

Net change in fund balances--total governmental funds (Exhibit E)	\$ (3,534,461)
Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(14,895,385)
Capital asset additions are a use of current financial resources and therefore, are not reported as expenditures in the governmental fund statements.	5,739,630
Contribution of capital assets is not a current financial resource and therefore, is not reported in the governmental fund statements.	2,542,729
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.	(19,342)
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	(243,672)
Notes receivable principal	750,024
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	3,653,849
Issuance of long-term debt	(1,100,000)
Adjustments to other long-term obligations that do not require current financial resources and therefore, are not reported as expenditures in the governmental fund statements:	
Compensated absences payable	(4,544)
Net pension obligation	(342,689)
Net OPEB obligation	(562,287)
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.	<u>32,988</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ (7,983,160)</u></u>

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

**CITY OF ASHEVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>REVENUES</b>				
Taxes:				
Ad valorem taxes	\$ 46,055,271	\$ 46,220,370	\$ 46,223,101	\$ 2,731
Other taxes	15,509,431	15,509,431	15,372,430	(137,001)
Intergovernmental	11,169,352	11,183,152	11,218,617	35,465
Licenses and permits	4,927,537	4,929,195	5,078,258	149,063
Charges for services	11,178,444	7,734,726	6,007,299	(1,727,427)
Investment earnings	1,014,000	1,014,000	109,528	(904,472)
Miscellaneous	1,119,193	1,274,593	1,196,203	(78,390)
Total revenues	<u>90,973,228</u>	<u>87,865,467</u>	<u>85,205,436</u>	<u>(2,660,031)</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,528,494	15,148,294	12,690,692	2,457,602
Public safety	42,102,245	41,976,214	41,560,096	416,118
Public works	7,668,420	7,909,437	7,817,667	91,770
Community development	2,734,678	3,266,642	3,004,618	262,024
Transportation	5,352,649	5,364,091	5,084,085	280,006
Culture and recreation	9,097,078	9,344,139	8,746,740	597,399
Debt service:				
Principal	5,434,922	4,092,131	3,623,849	468,282
Interest and other charges	-	915,079	806,946	108,133
Total expenditures	<u>85,918,486</u>	<u>88,016,027</u>	<u>83,334,693</u>	<u>4,681,334</u>
Revenues over (under) expenditures	<u>5,054,742</u>	<u>(150,560)</u>	<u>1,870,743</u>	<u>2,021,303</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	-	4,747,231	-	(4,747,231)
Transfers from other funds	370,000	677,071	735,862	58,791
Transfers to other funds	(6,677,742)	(5,326,742)	(4,964,470)	362,272
Long-term debt issued	1,200,000	-	-	-
Proceeds from sale of capital assets	53,000	53,000	64,051	11,051
Total other financing sources (uses)	<u>(5,054,742)</u>	<u>150,560</u>	<u>(4,164,557)</u>	<u>(4,315,117)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(2,293,814)</u>	<u>\$ (2,293,814)</u>
Fund balance - beginning (as restated)			<u>21,929,628</u>	
Fund balance - ending			<u>\$ 19,635,814</u>	

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

**CITY OF ASHEVILLE**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Water Resources</u>	<u>Non-major Enterprise Funds</u>	<u>Totals</u>	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 38,900,617	\$ 9,211,806	\$ 48,112,423	\$ 9,454,327
Accounts receivable (net of allowance for uncollectibles)	3,630,986	1,000,773	4,631,759	284,858
Due from other governments	-	169,432	169,432	-
Inventories	694,187	156,549	850,736	-
Total current assets	<u>43,225,790</u>	<u>10,538,560</u>	<u>53,764,350</u>	<u>9,739,185</u>
Capital assets:				
Assets not being depreciated	4,559,371	14,489,806	19,049,177	-
Assets being depreciated, net	168,991,574	15,561,836	184,553,410	-
Net capital assets	<u>173,550,945</u>	<u>30,051,642</u>	<u>203,602,587</u>	<u>-</u>
Other assets:				
Unamortized debt issuance cost	864,670	170,837	1,035,507	-
Total assets	<u>217,641,405</u>	<u>40,761,039</u>	<u>258,402,444</u>	<u>9,739,185</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,481,404	1,568,407	3,049,811	651,034
Estimated claims payable	-	-	-	607,577
Customer deposits	624,968	500	625,468	-
Interest payable	1,391,601	7,214	1,398,815	-
Other accrued liabilities	288,714	55,582	344,296	43,846
Due to other funds	-	451,116	451,116	-
Unearned revenue	-	1,067	1,067	-
Current portion of long-term debt	3,320,370	199,109	3,519,479	-
Total current liabilities	<u>7,107,057</u>	<u>2,282,995</u>	<u>9,390,052</u>	<u>1,302,457</u>
Non-current liabilities:				
Estimated claims payable	-	-	-	3,841,868
Long-term liabilities, less current portion	71,368,948	6,701,766	78,070,714	-
Total liabilities	<u>78,476,005</u>	<u>8,984,761</u>	<u>87,460,766</u>	<u>5,144,325</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	101,387,268	23,747,127	125,134,395	-
Unrestricted	37,778,132	8,029,151	45,807,283	4,594,860
Total net assets	<u>\$ 139,165,400</u>	<u>\$ 31,776,278</u>	<u>\$ 170,941,678</u>	<u>\$ 4,594,860</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, 2011**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water Resources</b>	<b>Non-major Enterprise Funds</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 33,483,759	\$ 7,387,497	\$ 40,871,256	\$ 15,673,679
Rents	-	988,823	988,823	-
Concessions	-	1,219,646	1,219,646	-
Other operating revenue	133,675	1,583,597	1,717,272	506,842
Total operating revenues	<u>33,617,434</u>	<u>11,179,563</u>	<u>44,796,997</u>	<u>16,180,521</u>
<b>OPERATING EXPENSES</b>				
Administration	728,254	1,923,097	2,651,351	1,238,541
Operations	15,788,724	12,006,847	27,795,571	14,947,176
Other operating expenses	4,134,634	331,535	4,466,169	-
Depreciation	7,206,761	1,324,607	8,531,368	-
Total operating expenses	<u>27,858,373</u>	<u>15,586,086</u>	<u>43,444,459</u>	<u>16,185,717</u>
Operating income (loss)	<u>5,759,061</u>	<u>(4,406,523)</u>	<u>1,352,538</u>	<u>(5,196)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	32,780	2,950,142	2,982,922	-
Interest earned	142,789	28,605	171,394	38,184
Interest expense	(3,186,975)	(71,213)	(3,258,188)	-
Gain on disposal of capital assets	15,308	13,217	28,525	-
Total non-operating revenues (expenses)	<u>(2,996,098)</u>	<u>2,920,751</u>	<u>(75,347)</u>	<u>38,184</u>
Income (loss) before transfers and capital grants and contributions	2,762,963	(1,485,772)	1,277,191	32,988
Transfers:				
Transfers from other funds	-	4,288,096	4,288,096	-
Transfers to other funds	(1,425,299)	(530,239)	(1,955,538)	-
Capital grants and contributions	439,993	2,870,316	3,310,309	-
Changes in net assets	<u>1,777,657</u>	<u>5,142,401</u>	<u>6,920,058</u>	<u>32,988</u>
Total net assets - beginning (as restated)	<u>137,387,743</u>	<u>26,633,877</u>	<u>164,021,620</u>	<u>4,561,872</u>
Total net assets - ending	<u>\$ 139,165,400</u>	<u>\$ 31,776,278</u>	<u>\$ 170,941,678</u>	<u>\$ 4,594,860</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, 2011**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water Resources</b>	<b>Non-major Enterprise Funds</b>	<b>Totals</b>	
Cash flows from operating activities:				
Cash received from customers	\$ 33,153,564	\$ 10,954,923	\$ 44,108,487	\$ 15,480,945
Cash paid for goods and services	(12,804,293)	(8,888,389)	(21,692,682)	(16,102,070)
Cash paid to employees	(8,114,851)	(5,363,371)	(13,478,222)	506,842
Net cash provided by (used for) operating activities	<u>12,234,420</u>	<u>(3,296,837)</u>	<u>8,937,583</u>	<u>(114,283)</u>
Cash flows from non-capital financing activities:				
Receipts from operating grants	32,780	4,349,271	4,382,051	-
Transfers from other funds	-	4,288,096	4,288,096	-
Transfers to other funds	(1,425,299)	(530,239)	(1,955,538)	-
Advances received from other funds	-	172,582	172,582	5,637,425
Advances paid to other funds	-	(1,995,573)	(1,995,573)	(5,637,425)
Net cash provided by (used for) non- capital financing activities	<u>(1,392,519)</u>	<u>6,284,137</u>	<u>4,891,618</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	198,194	2,870,316	3,068,510	-
Proceeds from disposal of capital assets	20,376	16,000	36,376	-
Acquisition and construction of capital assets	(3,690,906)	(9,573,640)	(13,264,546)	-
Proceeds from debt issued	198,194	6,304,515	6,502,709	-
Principal paid on debt	(3,652,520)	(43,000)	(3,695,520)	-
Interest other charges paid on debt	(3,464,564)	(237,018)	(3,701,582)	-
Net cash used for capital and related financing activities	<u>(10,391,226)</u>	<u>(662,827)</u>	<u>(11,054,053)</u>	<u>-</u>
Cash flows from investing activities:				
Proceeds from sale of investments	560,517	-	560,517	-
Interest earned	142,789	28,605	171,394	38,184
Net cash provided by investing activities	<u>703,306</u>	<u>28,605</u>	<u>731,911</u>	<u>38,184</u>
Net increase (decrease) in cash and cash equivalents	1,153,981	2,353,078	3,507,059	(76,099)
Cash and cash equivalents:				
Beginning of year, July 1	<u>37,746,636</u>	<u>6,858,728</u>	<u>44,605,364</u>	<u>9,530,426</u>
End of year, June 30	<u>\$ 38,900,617</u>	<u>\$ 9,211,806</u>	<u>\$ 48,112,423</u>	<u>\$ 9,454,327</u>

(continued)

**CITY OF ASHEVILLE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Water Resources</u>	<u>Non-major Enterprise Funds</u>	<u>Totals</u>	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 5,759,061	\$ (4,406,523)	\$ 1,352,538	\$ (5,196)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	7,206,761	1,324,607	8,531,368	-
Changes in assets and liabilities:				
Increase (decrease) in accounts receivable	2,238,081	(61,803)	2,176,278	(192,734)
Increase in inventories	(13,723)	(37,336)	(51,059)	-
Decrease (increase) in prepaids	-	3,912	3,912	-
Increase (decrease) in accounts payable	(502,735)	(171,950)	(674,685)	625,240
Increase in due to other governments	(2,730,591)	-	(2,730,591)	-
Decrease in other accrued expenses	14,367	2,708	17,075	43,846
Decrease in unearned revenue	-	(162,837)	(162,837)	-
Increase in customer deposits	28,640	-	28,640	-
Increase in estimated claims payable	-	-	-	(585,439)
Increase in compensated absences	157,082	160,377	317,459	-
Increase (decrease) in OPEB obligation	77,477	52,008	129,485	-
Net cash provided by (used for) operating activities	<u>\$ 12,234,420</u>	<u>\$ (3,296,837)</u>	<u>\$ 8,937,583</u>	<u>\$ (114,283)</u>
Non-cash investing, capital, and financing activities:				
Donated water lines	<u>\$ 241,799</u>	<u>\$ -</u>	<u>\$ 241,799</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 FUNDS  
JUNE 30, 2011**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and investments	\$ 399,033
Due from customers	908,810
Total assets	\$ 1,307,843
 <b>LIABILITIES</b>	
Due to others	\$ 45,616
Dues to other governments	1,262,227
Total liabilities	\$ 1,307,843

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



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**CITY OF ASHEVILLE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

1. **Summary of Significant Accounting Policies**

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

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

Included within the reporting entity are:

- **Asheville Board of Alcoholic Control** (the “ABC Board”) - The Asheville Board of Alcoholic Control was organized under the provisions of House Bill No. 1124 of the North Carolina General Assembly and implemented by a citywide election held November 14, 1947. The local ABC Board may borrow money in accordance with North Carolina General Statute 18B-702(r) and the City's governing body, who appoint ABC Board members, shall in no way be held responsible for the debts of the ABC Board. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the City, which represents a financial benefit to the City. Therefore, the ABC Board is reported as a discretely presented component unit. Complete financial statements for the ABC Board may be obtained from the Chief Financial Officer, Asheville Board of Alcoholic Control, Post Office Box 8834, Asheville, N.C. 28814.
- **Asheville Public Financing Corporation** (the “APFC”) - The Asheville Public Financing Corporation is a non-profit corporation chartered in 1991 with the specific purpose of assisting the City of Asheville in various types of financing arrangements. The Corporation is governed by a board of directors whose three members serve for one year or until successors are elected. One of the three members is appointed by the

city manager. The board of directors elects the remaining directors. The Corporation has no assets, liabilities, revenues or expenses. All rights, title and interest to all financing contracts with the City have been assigned to various bank trustees. All financing arrangements with the City have been disclosed in the accompanying notes to basic financial statements. The assets and related long-term lease obligations are reported in the related governmental and business-type funds in the City's financial statements.

- **Asheville Claims Corporation** (the "ACC") - The Asheville Claims Corporation is a non-profit corporation chartered in 1993. Under the provisions of a claims administration contract between the ACC and the City of Asheville dated January 23, 2006, the ACC 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 those 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 & Basis of Accounting** - In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, while fiduciary fund (agency fund) financial statements are reported using accrual basis accounting but has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue 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.

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

*Governmental Fund Financial Statements.* Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. 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.

The City considers all revenues available if they are collected within 60 days of the end of the current fiscal period, except for property taxes. Ad valorem taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Buncombe County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities in the County, including the City of Asheville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Buncombe County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues collected and held by the state at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, 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 and report all financial resources not accounted for and reported in other funds. The primary revenue sources are ad valorem taxes, various other taxes and licenses and state-shared revenues. The primary expenditures are for public safety, streets and highways, sanitation, recycling, parks and recreation, general government services, risk management and benefits, information technology and debt service for the payment of general long-term principal, interest, and related costs.

The City reports the following non-major governmental funds:

- **Special Revenue Funds** - Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The City has the following Special Revenue Funds: Grant Programs, Community Development, Section 108 Rehabilitation and Affordable Home Ownership.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition and/or construction of capital facilities and other capital assets (other than those financed by proprietary funds).
- **Perpetual Care Permanent Fund** - This fund is used to account for perpetual care of the City's Riverside Cemetery.

The City reports the following major proprietary fund:

- **Water Resources** - The Water Resources Fund is an enterprise fund used to account for operations and maintenance of the City's water system that includes operation of three water treatment plants as well as the debt service for the payment of utility long-term debt principal, interest, and related costs. This fund also covers acquisition

and/or construction of major utility capital facilities and infrastructure, which are accounted for in the Water Capital Projects Fund, which is combined with the Water Resources Fund (the operating fund) for financial statement purposes.

The City reports the following non-major enterprise funds, some of which are combined with their own individual capital project funds for financial statement purposes: Parking Services, Street Cut Utility, Stormwater, Civic Center, Mass Transit, Golf Course, and Festivals,

Additionally the City reports the following fund types:

- **Internal Service Funds** - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis. The City has four internal service funds, the General Insurance Fund, the Health Fund (which includes dental and life benefits), Workers' Compensation Fund and the Property and Casualty Fund. The General Insurance Fund accounts for other insurance related items not specifically accounted for in the other three internal service funds. The Health Fund accounts for the accumulation and allocation of costs associated with insurance for employee and family medical and dental claims. The Workers' Compensation Fund accounts for the costs associated with workers' compensation claims. The Property and Casualty Fund accounts for the accumulation and allocation of costs associated with property and casualty insurance and claims for the City.
  - **Agency Funds** - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains two agency funds Metropolitan Sewer District Agency Fund, which accounts for the collection of various sewer fees charged to City water customers, and the Civic Center Agency Fund, which accounts for the segregation of the Civic Center box office activities for various promoters.
- C. **Budgetary Data** - The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Water Resources Fund and the other non-major enterprise operating funds. Multi-year budgets are adopted for non-major governmental funds and enterprise capital projects funds. All annual appropriations lapse at the fiscal-year end. As required by state law [N. C. General Statute 159-26(d)], the City maintains encumbrance accounts, which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are restricted and will be charged against next year's budget.

All budgets are prepared using the modified accrual basis of accounting. N.C. General Statute 159-13(a)(3) requires the budget ordinance make appropriations by department, function or project. The City has defined its annual operating funds to be functions; therefore, expenditures may not legally exceed appropriations at the fund level for all annual operating funds. Expenditures may not legally exceed appropriations at the project level for all multi-year project funds. Amendments are required for any revisions that alter the total fund budget and must be approved by the City Council. The City internally manages expenditures on a line item and departmental basis. The Budget department must approve all of these internal budget revisions. During the year numerous budget revisions to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

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

- **Receivables** - According to the North Carolina General Statutes [G.S. 105-347 and G.S. 159-13(a)] , ad valorem taxes, other than motor vehicles, levied on July 1 beginning of the fiscal year, are due September 1, 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, 2010.

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

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

- **Restricted Assets** - Certain cash balances are restricted by purpose and source. Cash balances related to customer deposits are not available for appropriations or expenditures. These balances are segregated on the Statement of Net Assets and classified as restricted. Other cash balances in the major funds are restricted for unspent debt proceeds and unspent grant funding, and are only available for designated projects as described in the individual official statements or grant agreements and as approved by Council.
- **Notes Receivable** - Notes receivable are recorded in governmental funds net of an allowance for uncollectible accounts. The balance of the notes is not considered available and is deferred in the fund financial statements.
- **Capital Assets** - Capital assets reported in the applicable governmental or business-type activities columns in the government-wide financial statements, include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and intangibles. Land is capitalized regardless of any threshold and has an indefinite useful life. Buildings, improvements other than buildings, and infrastructure have a capitalization threshold of \$50,000. To be capitalized, machinery and equipment must have a useful life in excess of two years and an initial, individual cost of \$5,000. There are two sub-categories of intangibles, right of ways/easements, that have an indefinite useful life and must meet a \$5,000 threshold to be capitalized, and software, which has a definite useful life and has a threshold \$100,000. Purchased or constructed assets are recorded at their historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not either increase the assets' productivity or extend the assets' useful life are not capitalized.

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.

Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Land, certain intangible assets and construction in progress are not depreciated. 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>
Buildings	20-50 years
Improvements other than buildings	10-20 years
Machinery and equipment	3 - 15 years
Infrastructure	20-50 years
Software	5 years

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

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

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

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

- **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

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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

- Non-spendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
  - *Inventories and Prepays* - portion of fund balance that is not available for appropriation because it represents the year-end balance of inventories and prepaids, which are not expendable available resources.
  - *Perpetual Maintenance* - portion of fund balance that is required to be retained in perpetuity for maintenance of the City's cemetery.

- Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.
  - *Stabilization by State Statute* - portion of fund balance that is constrained by state statute G.S. 159-8(a) from appropriation.
  - *Grant Programs* - portion of fund balance restricted for various programs reported in Non-major governmental funds.
- Committed Fund Balance - This classification includes amounts that can only be spent for specific purposes that have been approved by the highest level of formal action of the City Council and does not lapse at year-end. Any changes or removal of specific purposes require the same formal action by City Council. The amounts are committed for various capital projects.
- Assigned Fund Balance - This classification includes amounts of fund balance the City of Asheville intends to use for a specific purpose. The amounts represent approved contracts not fully executed at year end. The majority of the amounts are to be used for facility improvements.
- Unassigned Fund Balance - This classification includes amounts of fund balance that are spendable and have not been restricted, committed, or assigned to specific purposes or other funds. Unassigned fund balance does not represent amounts of fund balance that can be appropriated.

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

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

## 2. **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, 2011, the City's deposits had a carrying amount of \$45,715,490 and a bank balance of \$48,940,462. Of the bank balance, \$1,044,544 was covered by collateral held under the Pooling Method and \$47,895,918 was covered by federal depository insurance. The City also had \$32,910 in petty cash at year-end. The carrying amount for the ABC Board was \$1,575,867 and a bank balance of \$1,472,260. Of the bank balance, \$1,222,260 was covered by collateral held under the Pooling Method and \$250,000 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 increase in fair value during 2011 for the City was \$119,023. This amount takes into account all changes in fair value (including purchases, sales and maturities) that occurred during the year. The unrealized gain on investments held at year end was \$20,905.

As of June 30, 2011 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	\$ 7,619,987	\$ 3,084,951	\$ 4,418,357	\$ -	\$ 116,679
U.S. Government agencies	13,583,863	10,382,561	-	2,519,755	681,547
Commercial paper	11,497,071	11,497,071	-	-	-
NCCMT - cash portfolio	3,043,283	3,043,283	-	-	-
Certificate of Deposit	5,000,000	5,000,000	-	-	-
Total	<u>\$ 40,744,204</u>	<u>\$ 33,007,866</u>	<u>\$ 4,418,357</u>	<u>\$ 2,519,755</u>	<u>\$ 798,226</u>

As of June 30, 2011, the ABC Board had investments of \$61,962.

- 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 generally limits securities to a final maturity of 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 United States Government Securities and United States Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank) are rated 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, 2011. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs).

On August 5, 2011, Standard & Poor's downgraded the United States credit rating from AAA to AA+. As a result, Agency bonds (FHLB, FHLMC, FNMA and FFCB) were similarly downgraded by S&P from AAA to AA+ at that time. Moody's Investors Service has reaffirmed the United States sovereign debt rating of Aaa. The City's portfolio holds investments in United States Treasury obligations as well as securities from the four Agencies.

- 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 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, 2011, approximately 9% of the City's total investments are in Federal Home Loan Bank securities, about 12% in Federal National Mortgage Association securities, about 10% in Federal Home Loan Mortgage Corporation securities, and about 3% in Federal Farm Credit Bank securities.

### 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:

	<u>Governmental</u>	<u>Business-type</u>
General Fund:		
Property taxes receivable	\$ 772,000	\$ -
Due from other organizations	2,213,659	-
Accounts receivable	143,043	-
Loans receivable	169,320	-
Water Resources Fund:		
Customers	-	310,068
Non-major enterprise funds:		
Customers	-	597,493
	<u>\$ 3,298,022</u>	<u>\$ 907,561</u>

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

### 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balances (restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b><u>Governmental Activities</u></b>					
Capital assets, non-depreciable:					
Land	\$ 31,814,213	\$ 682,503	\$ -	\$ -	\$ 32,496,716
Intangibles	1,624,283	1,131,832	-	-	2,756,115
Construction in progress	8,044,575	1,526,174	(5,693,029)	(347,367)	3,530,353
Total capital assets, non-depreciable	<u>41,483,071</u>	<u>3,340,509</u>	<u>(5,693,029)</u>	<u>(347,367)</u>	<u>38,783,184</u>
Capital assets, depreciable:					
Building and improvements	54,615,824	1,231,723	-	-	55,847,547
Improvements other than buildings	-	1,595,217	-	-	1,595,217
Machinery and equipment	37,847,085	2,202,772	(1,335,882)	13,852	38,727,827
Infrastructure	218,419,568	5,035,392	-	(13,852)	223,441,108
Software	-	569,775	-	-	569,775
Total capital assets, depreciable	<u>310,882,477</u>	<u>10,634,879</u>	<u>(1,335,882)</u>	<u>-</u>	<u>320,181,474</u>

(continued)

	<b>Beginning Balances (restated)</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balances</b>
Less accumulated depreciation for:					
Building and improvements	\$ (21,896,845)	\$ (1,947,013)	\$ -	\$ -	\$ (23,843,858)
Improvements other than buildings	-	(92,162)	-	-	(92,162)
Machinery and equipment	(25,209,508)	(2,784,312)	1,335,882	(7,215)	(26,665,153)
Infrastructure	(126,541,069)	(10,014,920)	-	7,215	(136,548,774)
Software	-	(56,978)	-	-	(56,978)
Total accumulated depreciation	<u>(173,647,422)</u>	<u>(14,895,385)</u>	<u>1,335,882</u>	<u>-</u>	<u>(187,206,925)</u>
Total capital assets being depreciated, net	<u>137,235,055</u>	<u>(4,260,506)</u>	<u>-</u>	<u>-</u>	<u>132,974,549</u>
Governmental activities, capital assets, net	<u>\$ 178,718,126</u>	<u>\$ (919,997)</u>	<u>\$ (5,693,029)</u>	<u>(347,367)</u>	<u>\$ 171,757,733</u>
<b><u>Business-type Activities</u></b>					
Capital assets, non-depreciable:					
Land	\$ 10,343,187	\$ 5,429,039	\$ -	\$ -	\$ 15,772,226
Intangibles	-	148,180	-	-	148,180
Construction in progress	<u>25,397,654</u>	<u>2,796,481</u>	<u>(25,412,731)</u>	<u>347,367</u>	<u>3,128,771</u>
Total capital assets, non-depreciable	<u>35,740,841</u>	<u>8,373,700</u>	<u>(25,412,731)</u>	<u>347,367</u>	<u>19,049,177</u>
Capital assets, depreciable:					
Building and improvements	81,235,671	3,118,516	-	-	84,354,187
Machinery and equipment	28,528,204	7,786,793	(392,298)	-	35,922,699
Infrastructure	<u>152,542,869</u>	<u>20,127,213</u>	<u>(92,960)</u>	<u>-</u>	<u>172,577,122</u>
Total capital assets, depreciable	<u>262,306,744</u>	<u>31,032,522</u>	<u>(485,258)</u>	<u>-</u>	<u>292,854,008</u>
Less accumulated depreciation for:					
Building and improvements	(35,313,060)	(2,135,437)	-	-	(37,448,497)
Machinery and equipment	(16,426,194)	(2,690,965)	384,447	-	(18,732,712)
Infrastructure	<u>(48,507,383)</u>	<u>(3,704,966)</u>	<u>92,960</u>	<u>-</u>	<u>(52,119,389)</u>
Total accumulated depreciation	<u>(100,246,637)</u>	<u>(8,531,368)</u>	<u>477,407</u>	<u>-</u>	<u>(108,300,598)</u>
Total capital assets being depreciated, net	<u>162,060,107</u>	<u>22,501,154</u>	<u>(7,851)</u>	<u>-</u>	<u>184,553,410</u>
Business-type activities capital assets, net	<u>\$ 197,800,948</u>	<u>\$ 30,874,854</u>	<u>\$ (25,420,582)</u>	<u>\$ 347,367</u>	<u>\$ 203,602,587</u>

During the year, the City recorded capital contributions for \$241,799, which represents the value of water lines turned over to the City for operation from completed housing developments. Capital contributions are a non-cash capital related financing activity for the statement of cash flows.

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

Governmental activities:	
General government	\$ 1,044,863
Public safety	1,954,231
Transportation	9,951,743
Economic and physical development	8,461
Public works	341,780
Culture and recreation	<u>1,594,307</u>
Total depreciation expense - governmental activities	<u>\$ 14,895,385</u>
Business-type activities:	
Water resources	\$ 7,206,761
Non-major enterprise funds	<u>1,324,607</u>
Total depreciation expense - business-type activities	<u>\$ 8,531,368</u>

The City has numerous active construction projects as of June 30, 2011. These projects include new street and sidewalk construction, as well as, widening and improvements of existing streets and sidewalks, new parks and related facilities, construction of a parking garage, water system improvements and new construction, and other City facilities and equipment. The amount the City was contractually committed to spend for construction at June 30, 2011 was \$761,867 and \$7,225,720 for governmental activities and business-type activities, respectively.

Capitalized interest for Water Resources Fund and Parking Services Fund for the year ended June 30, 2011 were \$200,292 and \$4,358, respectively.

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

The composition of interfund balances as of June 30, 2011 is as follows:

	<b><u>Due to Other Funds</u></b>
Non-major governmental funds:	
Affordable Home Ownership Revenue Fund	\$ 5,800
Non-major enterprise funds:	
Golf Course Fund	<u>451,116</u>
General Fund - due from other funds	<u>\$ 456,916</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.

	<b>Transfers From Other Funds</b>			<b>Transfers to Other Funds</b>
	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Non-Major Enterprise Funds</b>	
General Fund	\$ -	\$ 2,353,325	\$ 2,611,145	\$ 4,964,470
Non-major governmental funds	735,862	220,712	62,413	1,018,987
Water Resources Fund	-	341,000	1,084,299	1,425,299
Non-major enterprise funds	-	-	530,239	530,239
	<u>\$ 735,862</u>	<u>\$ 2,915,037</u>	<u>\$ 4,288,096</u>	<u>\$ 7,938,995</u>
Transfers from other funds	<u>\$ 735,862</u>	<u>\$ 2,915,037</u>	<u>\$ 4,288,096</u>	<u>\$ 7,938,995</u>

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

During the year, the General Fund made a one-time transfer of \$1,718,949 to the Festivals Fund (a non-major enterprise fund) to eliminate the deficit net assets of that fund.

## 6. Long-term Obligations

### A. General Obligation Bonds, Certificates of Participation, Revenue Bonds and Installment Financing Contracts

- 1) The City has issued general obligation bonds, revenue bonds, certificates of participation (COPs) bonds and installment financing contracts to provide funds for the acquisition and construction of major capital facilities and capital equipment related to both general and proprietary activities. All general obligation bonds are backed by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due. The revenue bonds are secured by the pledge of the net revenues derived from the acquired or constructed assets of the water system. The COPs bonds and installment financing contracts are collateralized by the assets being financed and are not secured by the taxing power of the City. The revenue and COPs bonds require the City to follow customary covenants including providing insurance certificates, budget data and financial information on an annual basis. Other long-term indebtedness is further described in Note 6.F. Long-term obligations at June 30, 2011 are comprised of the following individual issues:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Principal Balance June 30, 2011</u>	<u>Principal and Unamortized Balances at June 30, 2011</u>	<u>Governmental Type</u>	<u>Business Type</u>
1. General Obligation Bonds:								
1993 street, sidewalk and storm drainage:								
Series A	07/01/1993	02/01/2013	5.20% - 5.25%	\$ 1,300,000	\$ 170,000	\$ 170,000	\$ 170,000	\$ -
Series B	07/01/1993	02/01/2013	5.20% - 5.25%	500,000	65,000	65,000	65,000	-
1999 refunding bonds	02/09/1999	06/01/2012	4.20%	17,170,000	85,000	88,210	24,517	60,483
2000 sewer lines and firefighting equipment	12/01/2000	12/01/2020	4.90% - 5.0%	1,970,000	970,000	970,000	970,000	-
					<u>1,290,000</u>	<u>1,293,210</u>	<u>1,229,517</u>	<u>60,483</u>
2. Installment Financing Contracts:								
1997 COPs, municipal building, Series A	11/01/1997	06/01/2018	5.10% - 5.125%	14,045,000	6,500,000	6,500,000	6,500,000	-
1997 COPs, taxable, Series C	11/01/1997	06/01/2018	Variable <sup>(1)</sup>	5,515,000	1,450,000	1,450,000	1,450,000	-
2002 installment financing (fire trucks)	12/03/2002	11/15/2012	3.06%	1,546,308	231,946	231,946	231,946	-
2006 installment financing (fire station, fire trucks and stormwater truck)	06/28/2006	06/28/2021	3.84% - 3.92%	8,245,300	3,851,533	3,851,533	3,851,533	-
2008 installment financing (fire and sanitation trucks and information technology)	06/25/2008	06/01/2013	2.49%	5,000,000	2,073,339	2,073,339	2,073,339	-
2010 installment financing (fire trucks)	05/01/2010	05/01/2015	3.58%	1,300,000	1,040,000	1,040,000	1,040,000	-
2010 installment financing (parks and recreation)	07/12/2010	07/12/2025	4.55%	1,100,000	1,063,333	1,063,333	1,063,333	-
2011 installment financing (parking garage) <sup>(3)</sup>	02/17/2011	02/17/2013	Variable <sup>(2)</sup>	14,100,000	6,175,133	6,175,133	-	6,175,133
					<u>22,385,284</u>	<u>22,385,284</u>	<u>16,210,151</u>	<u>6,175,133</u>
3. Revenue bonds:								
2005 water system refunding revenue bonds	12/06/2005	08/01/2025	4.0% - 5.0%	41,800,000	34,550,000	35,783,101	-	34,550,000
2007 water system revenue bonds	11/14/2007	08/01/2032	4.0% - 5.0%	39,025,000	36,455,000	36,815,569	-	36,455,000
					<u>71,005,000</u>	<u>72,598,670</u>	<u>-</u>	<u>71,005,000</u>
4. Other long-term indebtedness:								
1996 NC DENR, Water Quality Revolving Fund	11/01/1996	05/01/2017	3.43%	3,000,000	900,000	900,000	-	900,000
2001 Metropolitan Sewerage District	04/22/1985	06/30/2024	5.00%	615,000	311,190	311,190	311,190	-
2003 Section 108 loan	08/07/2003	08/01/2022	4.4% - 5.64%	800,000	650,000	650,000	650,000	-
2011 NC DENR, Drinking Water Revolving loan	06/22/2011	05/01/2031	0%	198,194	198,194	198,194	-	198,194
2011 NC DENR, Water Pollution Control Revolving Fund loan	06/17/2011	05/01/2031	0%	129,382	129,382	129,382	-	129,382
					<u>2,188,766</u>	<u>2,188,766</u>	<u>961,190</u>	<u>1,227,576</u>
Total general obligation bonds, certificates of participation, revenue bonds and other long-term obligations					<u>\$ 96,869,050</u>	<u>\$ 98,465,930</u>	<u>\$ 18,400,858</u>	<u>\$ 78,468,192</u>

<sup>(1)</sup>Interest is variable at LIBOR rate plus 59 basis points to a contractual maximum of 6.64%.

<sup>(2)</sup>Interest is variable. See Note 6.C.7 for details.

<sup>(3)</sup>Amount represents line of credit commitment. See Note 6.C.7 for details.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 1,229,517	\$ 60,483	\$ 1,290,000
Installment financing contracts	16,210,151	6,175,133	22,385,284
Revenue bonds	-	71,005,000	71,005,000
Other long-term indebtedness	961,190	1,227,576	2,188,766
	<u>\$ 18,400,858</u>	<u>\$ 78,468,192</u>	<u>\$ 96,869,050</u>

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

	<b>Unamortized Premium (Discount)</b>
General obligation bonds:	
1999 refunding bonds	\$ 3,210
Revenue bonds:	
2005 water system revenue refunding bonds	1,233,101
2007 water system revenue bonds	360,569
	<hr/>
	\$ 1,596,880

**B. Future Maturities of Long-Term Obligations**

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

	General Obligation Bonds		Certificates of Participation and Installment Financing*		Other Long-term Obligations (See Note 6.F)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Governmental Activities:</b>								
2012	\$ 269,517	\$ 59,145	\$ 2,841,961	\$ 831,270	\$ 56,730	\$ 49,011	\$ 3,168,208	\$ 939,426
2013	190,000	45,675	2,840,297	722,559	57,550	46,331	3,087,847	814,565
2014	100,000	36,000	1,768,486	620,759	63,780	43,423	1,932,266	700,182
2015	100,000	31,000	1,823,486	536,628	65,010	40,282	1,988,496	607,910
2016	100,000	26,000	1,618,486	451,854	71,240	36,904	1,789,726	514,758
2017 - 2021	470,000	55,750	4,987,435	811,343	431,200	121,945	5,888,635	989,038
2022 - 2026	-	-	330,000	37,538	215,680	14,030	545,680	51,568
	<u>\$ 1,229,517</u>	<u>\$ 253,570</u>	<u>\$ 16,210,151</u>	<u>\$ 4,011,951</u>	<u>\$ 961,190</u>	<u>\$ 351,926</u>	<u>\$ 18,400,858</u>	<u>\$ 4,617,447</u>

	General Obligation Bonds		Revenue Bonds		Certificates of Participation and Installment Financing**		Other Long-term Obligations (See Note 6.F)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Business-type Activities:</b>										
2012	\$ 60,483	\$ 2,540	\$ 2,665,000	\$ 3,273,687	\$ -	\$ 926,270	\$ 166,379	\$ 30,870	\$ 2,891,862	\$ 4,233,367
2013	-	-	2,770,000	3,162,856	6,175,133	578,919	166,379	25,725	9,111,512	3,767,500
2014	-	-	2,885,000	3,047,625	-	-	166,379	20,580	3,051,379	3,068,205
2015	-	-	3,005,000	2,920,575	-	-	166,379	15,435	3,171,379	2,936,010
2016	-	-	3,145,000	2,778,625	-	-	166,379	10,290	3,311,379	2,788,915
2017 - 2021	-	-	18,060,000	11,513,944	-	-	231,895	5,145	18,291,895	11,519,089
2022 - 2026	-	-	22,795,000	6,712,431	-	-	81,895	-	22,876,895	6,712,431
2027 - 2031	-	-	10,635,000	2,618,638	-	-	81,891	-	10,716,891	2,618,638
2032 - 2033	-	-	5,045,000	255,375	-	-	-	-	5,045,000	255,375
	<u>\$ 60,483</u>	<u>\$ 2,540</u>	<u>\$ 71,005,000</u>	<u>\$ 36,283,756</u>	<u>\$ 6,175,133</u>	<u>\$ 1,505,189</u>	<u>\$ 1,227,576</u>	<u>\$ 108,045</u>	<u>\$ 78,468,192</u>	<u>\$ 37,899,530</u>

\*1997 COPs, Series C interest component is computed at contractual maximum rate of 6.64%

\*\*2011 installment financing contract interest component is computed at contractual maximum rate of 15%

**C. Installment Financing Contracts**

1) In 1997, the City 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 bonds and certain lease contracts. The outstanding contracts at June 30, 2011 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, 2011</u>
1997 COPs, Municipal Building,, Series A	5.10 - 5.125%	11/01/1997	06/01/2018	\$ 14,045,000	\$ 6,500,000
1997 COPs, taxable, Series C	Variable*	11/13/1997	06/01/2018	5,515,000	1,450,000
Total COPs bonds outstanding at June 30, 2011					<u>\$ 7,950,000</u>

\*Interest is variable at LIBOR rate plus 59 basis points with a contractual maximum of 6.64%.

- 2) In December 2002, the City entered into an Installment Financing Contract with Wachovia Bank to provide financing for an aerial fire truck and two regular fire trucks. The loan was for \$1,546,308 and is payable over ten years with semi-annual payments of principal and interest at an interest rate of 3.06%.
- 3) In June 2006, the City entered into an Installment Financing Contract with Bank of America to provide funding for the construction and equipping of two fire stations located in the City at 1903 Old Haywood Road and 7 Rocky Ridge Road, respectively, as well as for the acquisition of eight vehicles. The loan was in the amount of \$8,245,300 and is payable over fifteen years with annual principal payments and semi-annual interest payments at an interest rate of 3.84% - 3.92%.
- 4) In June 2008, the City entered into an Installment Financing Contract with Regions Bank to provide funding for two fire trucks, a sanitation truck and new financial reporting system software. The \$5,000,000 loan is payable over five years with semi-annual payments of principal and interest at an interest rate of 2.49%.
- 5) In May 2010, the City entered into an Installment Financing Contract with RBC Bank to finance the purchase of two fire trucks. The \$1,300,000 loan is payable over five years with semi-annual payments of principal and interest at an interest rate of 3.58%.
- 6) In July 2010, the City entered into an Installment Financing Contract with BB&T to provide partial funding for the construction of a new Recreation Facility at Livingston Street. The \$1,100,000 loan is payable over fifteen years with semi-annual payments of principal at an interest rate of 4.55%.
- 7) 51 Biltmore Avenue Parking Facility - The City executed an installment financing contract (the "Contract") on February 17, 2011, with Bank of America, N.A. (the "Bank") in an amount not to exceed \$14,100,00 for the acquisition and construction of a new parking facility to be located at 51 Biltmore Avenue in the City (the "Project"). Under the terms of the Contract, the Bank advances moneys from time-to-time to the City, and the City, subject to its right of non-appropriation, repays the principal component of the advance with interest in installments. A portion of the principal

advanced to the City bears interest on a tax-exempt and taxable basis. The tax-exempt portion of the Contract bears interest at the rate of 62.5% of 30-day LIBOR plus 0.75% (capped at 15%) while the taxable portion of the Contract bears interest at the rate of 30-day LIBOR plus 0.79% (capped at 15%). The City pays an unused fee on the principal portion of the Contract that is not drawn at the rate of 25 basis points. The Contract has a term of two years; provided, however, that the Contract also provides that if the City is unable to repay the principal amount due at the termination of the Contract, the installment payments convert to a three year term loan, the rate for the tax-exempt portion of which will be 62.5% of 30-day LIBOR plus 3.75% (capped at 22%) and the rate for the taxable portion of which will be 30-day LIBOR plus 3.79% (capped at 22%).

#### **D. General Obligations Bonds**

The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities related to both general and proprietary activities. All general obligation bonds are backed by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due.

#### **E. Revenue Bonds**

In 2005, the City advance refunded \$42,960,000 in Water Revenue Bonds, Series 1996 and 2001, by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liabilities for the defeased bonds are included in the City's financial statements. In August 2006, a payment of \$30,801,533 effectively retired the Series 1996 debt. As of June 30, 2011, the outstanding balance of the defeased 2001 issue was \$10,077,128. On August 1, 2011, these bonds were called and paid in full.

The City has pledged future water customer revenues, net of specified operating expenses, to repay the \$41,800,000 in Series 2005 Revenue Bonds. The bonds are payable solely from water customer new revenue and are payable through 2026. At June 30, 2011, the total principal and interest remaining to be paid on the bonds is \$48,963,743.

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, 2011, the total principal and interest remaining to be paid on the bonds is \$58,325,012.

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, 2011. 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, 2011 is as follows:

Revenues	\$ 33,617,434
Current expenses	<u>20,651,612</u>
Net revenues available for debt service	<u>\$ 12,965,822</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 5,939,337
Add: 20% of senior debt service	1,187,867
Subordinate debt service:	
Debt service, principal and interest paid	<u>1,169,726</u>
Total debt service (plus 20%)	<u>\$ 8,296,930</u>
Rate coverage test	1.56

#### F. Other Long-Term Indebtedness

- 1) 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 \$311,190 payable annually through June 30, 2024.
- 2) In 2003, the City borrowed \$800,000 as a Section 108 Loan. This is a loan guarantee provision of the Community Development Block Grant ('CDBG') Program through the US Department of Housing and Urban Development. These loan proceeds were used to fund the City's CDBG Program for economic development for Eagle Market Street, a historically minority business district in the central business area. The loan is payable over nineteen years with annual principal payments and semi-annual interest payments. At June 30, 2011, the City has an outstanding balance of \$650,000.
- 3) In 1996, the City received a \$3,000,000 loan from the NC Department of Environment and Natural Resources ('NCDENR') for capital construction to the water system. The loan bears interest at 3.43 percent and is payable in equal annual amounts of \$150,000 over the next 20 years. At June 30, 2011, the outstanding balance is \$900,000.

- 4) In 2011, the City received a loan of \$198,194 from the NCDENR for improvements to the North Fork Water Treatment Plant. The loan bears interest at zero percent and is payable over twenty years. At June 30, 2011, the outstanding balance is \$198,194.
- 5) In 2011, the City received a loan of \$129,382 from the NCDENR to partially fund the Dingle Creek Watershed Pollutant Reduction Project. The loan bears interest at zero percent and is payable over twenty years. At June 30, 2011 the outstanding balance is \$129,382.

### G. Changes in Long Term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balances (restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 1,651,997	\$ -	\$ 422,480	\$ 1,229,517	\$ 269,517
Installment financing contracts	18,291,021	1,100,000	3,180,870	16,210,151	2,841,961
Other long-term indebtedness	1,011,690	-	50,500	961,190	56,730
Compensated absences payable	4,393,204	2,773,178	2,601,966	4,564,416	2,699,836
Net pension obligation	1,025,920	176,024	-	1,201,944	-
Net OPEB obligation	2,003,242	562,287	-	2,565,529	-
Total governmental activities	<u>\$ 28,377,074</u>	<u>\$ 4,611,489</u>	<u>\$ 6,255,816</u>	<u>\$ 26,732,747</u>	<u>\$ 5,868,044</u>

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

<u>Business-type Activities</u>	<u>Beginning Balances (restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 998,003	\$ -	\$ 937,520	\$ 60,483	\$ 60,483
Revenue bonds	73,570,000	-	2,565,000	71,005,000	2,665,000
Installment financing contracts	43,000	6,175,133	43,000	6,175,133	-
Other long-term indebtedness	1,050,000	327,576	150,000	1,227,576	166,379
Compensated absences payable	747,327	961,935	644,478	1,064,784	525,430
Unamortized bond proceeds	1,699,069	-	102,189	1,596,880	102,187
Net OPEB obligation	330,852	129,485	-	460,337	-
Total business-type activities	<u>\$ 78,438,251</u>	<u>\$ 7,594,129</u>	<u>\$ 4,442,187</u>	<u>\$ 81,590,193</u>	<u>\$ 3,519,479</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, 2011, such statutory limit for the City was approximately \$872,170,000 providing a legal debt margin of approximately \$870,880,000.

### 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 \$100,176 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 3933 Sweeten Creek Road and bears interest at 3.96%.

Future maturities of the debt are as follows:

2012	\$ 99,892
2013	103,887
2014	108,042
2015	112,363
2016	116,856
Thereafter	<u>2,020,552</u>
	<u>\$ 2,561,592</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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets, net of depreciation	\$ 171,757,733	\$ 203,602,587
Less: Capital asset-related debt	<u>(17,439,668)</u>	<u>(78,468,192)</u>
Invested in capital assets, net of related debt	<u>\$ 154,318,065</u>	<u>\$ 125,134,395</u>

- B. **Restatement** - Beginning net assets for Governmental Activities and Business-type Activities have been restated as of July 1, 2010. The net effect of this restatement is summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
		<u>Water Resources</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Beginning net assets, as previously reported	\$ 200,728,301	\$ 137,689,098	\$ 28,429,952	\$ 166,119,050
Adjustments:				
Unfunded OPEB obligation	745,476	70,335	(110,043)	(39,708)
Construction in progress	<u>(5,934,672)</u>	<u>(371,690)</u>	<u>(1,686,032)</u>	<u>(2,057,722)</u>
	<u>(5,189,196)</u>	<u>(301,355)</u>	<u>(1,796,075)</u>	<u>(2,097,430)</u>
Beginning net assets, as restated	<u>\$ 195,539,105</u>	<u>\$ 137,387,743</u>	<u>\$ 26,633,877</u>	<u>\$ 164,021,620</u>

During the year, the City determined that amounts previously reported as construction in progress will not be capitalized when the projects are completed. The net effect on the change in net assets for the year ended June 30, 2010 would have been:

	<u>Net Assets</u>	<u>Construction in Progress</u>
Governmental activities	\$ (3,071,625)	\$ (3,071,625)
Business-type activities:		
Water resources	\$ (674,964)	\$ (674,964)
Non-major enterprise	(290,605)	(290,605)
	<u>\$ (965,569)</u>	<u>\$ (965,569)</u>

During the year, the City determined that the amounts previously reported to its actuary for the City's share of its OPEB obligation were understated thereby overstating the net unfunded OPEB obligation. The net effect on the change in net assets for the year ended June 30, 2010 would have been:

	<u>Net Assets</u>	<u>Unfunded OPEB Obligation</u>
Governmental activities	\$ 597,527	\$ (597,527)
Business-type activities:		
Water resources	\$ 68,163	\$ (68,163)
Non-major enterprise	(41,049)	41,049
	<u>\$ 27,114</u>	<u>\$ (27,114)</u>

During the year, the City adopted GASB Statement No. 54. As a result of implementation, various projects and programs have been moved to different governmental funds. Beginning fund balance in those funds has been restated as follows:

- Housing partnership program has been moved from the Housing Partnership Fund to the General Fund in the net amount of \$616,847 decreasing Housing Partnership Fund beginning fund balance and increasing General Fund beginning fund balance.
- Various projects have been transferred between the Grant Programs Fund and General Capital Projects Fund in the net amount of \$288,269 decreasing Grant Programs Fund beginning fund Balance and increasing General Capital Projects Fund beginning fund balance.

The above changes had no effect on governmental activities.

- C. **Reclassification** - During the year, the City elected to change the reporting presentation of the governmental activities' unfunded OPEB obligation. It no longer records the governmental obligation in the internal service fund. The change had no effect on net assets.
- D. **Fund Balance - General Fund** - The following schedule provides management and citizens with information on the portion of fund balance that is available for appropriation in the General Fund:

Total fund balance - General Fund	\$ 19,635,814
Less:	
Inventories and prepaids	465,402
Stabilization by State Statute	<u>5,995,351</u>
Available for appropriation	13,175,061
Less:	
Assigned	72,892
Fund balance policy	<u>13,102,169</u>
Remaining fund balance	<u><u>\$ -</u></u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. As of year-end, the City's outstanding encumbrances were \$1,405,461 and \$3,119,198 in the General Fund and non-major governmental funds, respectively.

## 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 City's internal service funds.

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

The City purchases excess liability insurance with limits of \$15,000,000 across all liability lines - general, public officials, law enforcement, employment practices and automobile. The City also purchases insurance for real and personal property assets, including dams, in the amount of \$233,000,000. 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 \$450,000 per event for workers' compensation claims. Excess insurance with statutory limits is maintained for any claims exceeding the \$450,000 self-insured retention. An aggregate stop-loss limit in the amount of \$3,000,000 applies to total workers compensation losses in excess of \$3,382,436 over a two-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 during this reporting period. The health program annually has several cases that exceed specific stop-loss and therefore recovers excess losses. In fiscal year 2010 and 2011, three and four cases, respectively, exceeded the \$150,000 self-insured retention level. One case exceeded a lasered level of \$300,000. Recoveries for claims paid over the specific stop-loss or lasered level 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>2011</u>	<u>2010</u>
Beginning balance	\$ 5,034,884	\$ 4,704,219
Plus incurred claims and changes in IBNR	13,159,341	13,468,076
Less claim payments	<u>(13,744,780)</u>	<u>(13,137,411)</u>
Ending balance	<u>\$ 4,449,445</u>	<u>\$ 5,034,884</u>

In accordance with G.S. 159-29, the City's employees that have or gain access to \$100 or more at any given time of the City's funds are covered by a blanket crime policy/employee dishonesty bond for \$150,000. In addition, the bond provides \$50,000 in forgery coverage and \$25,000 in robbery coverage. The Chief Financial Officer, accounting service managers, and the Superintendent of Customer Service are individually bonded for \$250,000 each.

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

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 6.35 percent and 6.41 percent, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement is 6.44 percent and 6.41 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, 2011, 2010, and 2009 were \$3,123,710, \$2,403,609 and \$2,421,377, respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$111,399, \$84,207 and \$80,639, 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 Separation Allowance Plan.

All full-time law enforcement officers of the City and the ABC Board are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	29	-
Active plan members	204	3
	<hr/>	<hr/>
Total	233	3
	<hr/>	<hr/>

*Summary of Significant Accounting Policies*

- **Basis of Accounting.** The City and the ABC Board have chosen to fund the Separation Allowance on a pay as you go basis. For the City, pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. The financial statements of the ABC Board are prepared using the accrual basis of accounting. Benefits are recognized as expenses when due and payable in accordance with the terms of the plan. Administrative expenses are recognized as incurred.
- **Method Used to Value Investments.** No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

*Contributions.* The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City and ABC Board's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made 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, 2010 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 4.25 to 7.85 percent per year and (c) level percent of pay closed amortization method with amortization period of 20 years remaining. Both (a) and (b) included an inflation component of 3 percent. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 529,664
Interest on net pension obligation	51,296
Adjustment to annual required contribution	(54,924)
Annual pension cost	<u>526,036</u>
Salary related accrual	85,933
Contributions made	(435,945)
Increase in net pension obligation	<u>176,024</u>
Net pension obligation beginning of year	<u>1,025,920</u>
Net pension obligation end of year	<u><u>\$ 1,201,944</u></u>

Three-Year Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	404,035	84.02%	1,006,249
6/30/2010	443,857	95.57%	1,025,920
6/30/2011	526,036	82.87%	1,201,944

*Funded Status and Funding Progress.* As of December 31, 2010, the most recent actuarial valuation date, the plan was not fully funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$4,845,081. The

covered payroll (annual payroll of active employees covered by the plan) was \$9,349,412, and the ratio of the UAAL to the covered payroll was 51.82 percent.

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

### C. **Supplemental Retirement Income Plan**

*401(k) Retirement Plan.* The City and the ABC Board contribute to the Supplemental Retirement Income Plan (Plan), a section 401(k) defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City and the ABC Board. City Council has agreed to extend this benefit to all regular full-time and regular part-time non-law enforcement employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefits provisions to the North Carolina Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual financial Report (CAFR) for the State of North Carolina. The state's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

- *Funding Policy:* Article 12E of G.S. Chapter 143 requires the City and the ABC Board to contribute each month an amount equal to five percent of each officer's base salary and all amounts collected are vested immediately. In addition to the required contribution for law enforcement officers, the City makes a monthly contribution equal to five percent of non-police employees' base salary. Also, law enforcement officers and non-police employees of the City may make voluntary contributions to the Plan.

The City contribution for law enforcement officers for the year ended June 30, 2011 was \$473,882 and the officers' voluntary contributions were approximately \$194,292. The City's contribution for non-police personnel was \$1,976,573 with the voluntary contributions of approximately \$990,360. The ABC Board's required contribution was \$6,928.

### 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 post-employment healthcare benefits to employees retiring from the City with at least five

years of creditable service that are eligible to receive a benefit from the North Carolina Local Governmental Employees Retirement System and do not have other insurance available. The benefits provided by the City include healthcare, prescription drugs and vision benefits. The cost of the program is shared between plan members and the City, which pays about 90% of the cost of coverage 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 \$28,950 and \$21,047 for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011, none of this cost was contributed, which resulted in a net OPEB obligation of \$28,950 and \$21,047, respectively.

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
Total	<u>907</u>	<u>446</u>

*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 about 90% 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 100% of the estimated cost. Spouses and dependents are eligible to participate in the City Retiree health care plan but the retiree must pay 100% of the estimated cost for dependent coverage.

The current ARC rate is 5.97% of annual covered payroll. For the current year, the City contributed \$2,316,990 or 4.6% 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 \$259,388 of contributions made by retirees.

*Summary of Significant Accounting Policies.* Post-employment expenditures are made from the Health 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 become 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	93,364
Adjustment to annual required contribution	(80,549)
Annual OPEB cost	<u>3,008,762</u>
Contributions made	<u>(2,316,990)</u>
Increase in net OPEB obligation	691,772
Net OPEB obligation beginning of year	<u>2,334,094</u>
Net OPEB obligation end of year	<u><u>\$ 3,025,866</u></u>

The City's net OPEB obligation is comprised of \$2,565,529 and \$460,337 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 2009-2011 are as follows:

<u>For Year Ended June</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 2,839,721	45.80%	\$ 1,539,044
6/30/2010	3,004,842	73.74%	2,334,094
6/30/2011	3,008,762	77.34%	3,025,866

*Funded Status and Funding Progress.* As of December 31, 2009, the most recent actuarial valuation date, the plan was not fully funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$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:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
General Fund:		
Property taxes receivable	\$ 71,519	\$ -
Notes receivable	5,895,598	-
Prepaid property taxes	-	132,758
Prepaid privilege licenses	-	949,615
Other	-	13,687
Festivals	-	143,647
Non-major governmental funds:		
Notes receivable	3,710,058	-
Grants	-	125,628
	<hr/>	<hr/>
Total governmental	<u>\$ 9,677,175</u>	<u>\$ 1,365,335</u>
Non-major enterprise funds:		
Gift certificates		<u>\$ 1,067</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 City's financial position.

## 12. **Subsequent Events**

On July 26, 2011, the City Council adopted a Resolution declaring the intent of the City to reimburse itself for capital expenditures in amount not to exceed \$18,000,000 from the proceeds of an installment financing contract to be executed and delivered in Fiscal Year 2012.

As a result of an emergency response to a fire on July 28, 2011, the City expects to retain \$450,000 in workers' compensation claims expenses through its self-insurance program in Fiscal Year 2012. Any claims expenses beyond \$450,000 will be covered by excess insurance.

On August 9, 2011, the City Council authorized an economic development incentive grant via inter-local government agreement with Buncombe County in an amount not to exceed \$2,200,000 over five years. The first payment of \$472,000 is expected to be made no later than March 2013 with annual payments made thereafter. The City anticipates that additional property tax revenues from the economic development project will be available to fund the payments.

On August 23, 2011, the City Council authorized the award of a construction contract in the amount of \$ 4,077,921 for renovations to the Asheville Civic Center with funding authorized in the Civic Center Capital Projects Fund. A portion of the construction contract will be financed from the proceeds of an installment financing contract to be executed and delivered in Fiscal Year 2012.

On September 13, 2011, the City Council authorized the City Manager to enter into an installment financing contract in the amount of \$350,000 for the purchase of computers and related equipment with funding authorized in the General Capital Projects Fund.

On August 5, 2011, Standard & Poor's downgraded the United States credit rating from AAA to AA+. As a result, Agency bonds (FHLB, FHLMC, FNMA and FFCB) were similarly downgraded by S&P from AAA to AA+ at that time. Moody's Investors Service has reaffirmed the United States sovereign debt rating of Aaa. The City's portfolio holds investments in U.S. Treasury obligations as well as securities from the four Agencies. See Note 2 for further detail.

# 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 post-employment benefits
- Schedule of Employer Required Contributions for other post-employment benefits



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**CITY OF ASHEVILLE**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**JUNE 30, 2011**

<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>
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
2010	-	4,845,081	-	4,845,081	9,349,412	51.82

**CITY OF ASHEVILLE**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS**  
**JUNE 30, 2011**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
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
2011	529,664	435,945	82.31

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	None

**CITY OF ASHEVILLE  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2011**

<b>Calendar Year</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued 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, 2011**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage Contributed</u>
2009	\$ 2,839,721	\$ 1,300,677	45.80 %
2010	2,995,947	2,209,348	73.74
2011	2,995,947	2,316,990	77.34

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

# 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.
- **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.
- **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 and report financial resources that are restricted, committed, or assigned to be used for the acquisition and/or construction of major capital facilities and other capital assets 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, 2011**

	<b>Special Revenue</b>			
	<b>Grant Programs</b>	<b>Community Development</b>	<b>Section 108 Rehabilitation</b>	<b>Affordable Home Ownership</b>
<b>ASSETS</b>				
Cash and investments	\$ 77,396	\$ 19,300	\$ 789,039	\$ -
Receivables:				
Due from other governments	215,364	109,929	-	8,377
Accounts receivable	-	-	-	-
Notes receivable	-	1,723,328	1,148,429	838,301
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 292,760</u>	<u>\$ 1,852,557</u>	<u>\$ 1,937,468</u>	<u>\$ 846,678</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 241,571	\$ 1,369	\$ 32	\$ 847
Other accrued liabilities	4,123	2,232	-	1,730
Due to other funds	-	-	-	5,800
Unearned revenue	-	125,628	-	-
Deferred revenue	-	1,723,328	1,148,429	838,301
Total liabilities	<u>245,694</u>	<u>1,852,557</u>	<u>1,148,461</u>	<u>846,678</u>
<b>FUND BALANCES</b>				
Non-spendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State Statute	-	-	-	-
Grant programs	47,066	-	789,007	-
Committed	-	-	-	-
Total fund balances	<u>47,066</u>	<u>-</u>	<u>789,007</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 292,760</u>	<u>\$ 1,852,557</u>	<u>\$ 1,937,468</u>	<u>\$ 846,678</u>

<b>General Capital Projects Fund</b>	<b>Permanent Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ 7,691,410	\$ 324,081	\$ 8,901,226
-	-	333,670
23,000	-	23,000
-	-	3,710,058
<u>\$ 7,714,410</u>	<u>\$ 324,081</u>	<u>\$ 12,967,954</u>
\$ 562,813	\$ -	\$ 806,632
3,235	-	11,320
-	-	5,800
-	-	125,628
-	-	3,710,058
<u>566,048</u>	<u>-</u>	<u>4,659,438</u>
-	324,081	324,081
3,142,198	-	3,142,198
-	-	836,073
4,006,164	-	4,006,164
<u>7,148,362</u>	<u>324,081</u>	<u>8,308,516</u>
<u>\$ 7,714,410</u>	<u>\$ 324,081</u>	<u>\$ 12,967,954</u>

**CITY OF ASHEVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Special Revenue</b>			
	<b>Grant Programs</b>	<b>Community Development</b>	<b>Section 108 Rehabilitation</b>	<b>Affordable Home Ownership</b>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 2,341,019	\$ 1,414,287	\$ -	\$ 1,326,550
Licenses and permits	-	-	-	-
Charges for services	49,858	-	-	-
Investment earnings	627	-	-	-
Miscellaneous	95,265	163,388	68,247	11,403
Total revenues	<u>2,486,769</u>	<u>1,577,675</u>	<u>68,247</u>	<u>1,337,953</u>
<b>EXPENDITURES</b>				
Current:				
General government	826,211	-	-	-
Public safety	399,655	-	-	-
Public works	376,890	-	-	-
Community development	615,294	1,502,001	482	1,334,627
Transportation	246,664	-	-	-
Culture and recreation	121,307	-	-	-
Debt service:				
Principal	-	-	30,000	-
Interest and other charges	-	-	34,850	-
Total expenditures	<u>2,586,021</u>	<u>1,502,001</u>	<u>65,332</u>	<u>1,334,627</u>
Revenues over (under) expenditures	<u>(99,252)</u>	<u>75,674</u>	<u>2,915</u>	<u>3,326</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	61,587	-	-	-
Transfers to other funds	(471,500)	(75,674)	-	-
Long-term debt issued	-	-	-	-
Total other financing sources (uses)	<u>(409,913)</u>	<u>(75,674)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(509,165)	-	2,915	3,326
Fund balances - beginning (as restated)	<u>556,231</u>	<u>-</u>	<u>786,092</u>	<u>(3,326)</u>
Fund balances - ending	<u>\$ 47,066</u>	<u>\$ -</u>	<u>\$ 789,007</u>	<u>\$ -</u>

<b>General Capital Projects Fund</b>	<b>Permanent Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ 1,336,220	\$ -	\$ 6,418,076
145,529	-	145,529
120,168	-	170,026
1,016	5,181	6,824
869,202	-	1,207,505
<u>2,472,135</u>	<u>5,181</u>	<u>7,947,960</u>
792,430	-	1,618,641
746,622	-	1,146,277
1,785,681	-	2,162,571
-	-	3,452,404
934,137	-	1,180,801
2,437,806	-	2,559,113
-	-	30,000
-	-	34,850
<u>6,696,676</u>	<u>-</u>	<u>12,184,657</u>
<u>(4,224,541)</u>	<u>5,181</u>	<u>(4,236,697)</u>
2,853,450	-	2,915,037
(461,563)	(10,250)	(1,018,987)
1,100,000	-	1,100,000
<u>3,491,887</u>	<u>(10,250)</u>	<u>2,996,050</u>
(732,654)	(5,069)	(1,240,647)
<u>7,881,016</u>	<u>329,150</u>	<u>9,549,163</u>
<u>\$ 7,148,362</u>	<u>\$ 324,081</u>	<u>\$ 8,308,516</u>

**CITY OF ASHEVILLE**  
**GRANT PROGRAMS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>REVENUES</b>				
Restricted intergovernmental	\$ 17,825,328	\$ 9,247,329	\$ 2,341,019	\$ 11,588,348
Charges for services	99,708	39,623	49,858	89,481
Investment earnings	62,757	63,397	627	64,024
Private donations	4,794,200	2,273,700	95,265	2,368,965
Total revenues	<u>22,781,993</u>	<u>11,624,049</u>	<u>2,486,769</u>	<u>14,110,818</u>
<b>EXPENDITURES</b>				
General government:				
21st Century Comm Learn Ctr Summer	103,000	21,285	-	21,285
21st Century Comm Learn Ctr Year 1	130,000	96,201	21,437	117,638
21st Century Comm Learn Ctr Year 3	104,000	-	103,236	103,236
CAYLA Program	58,000	57,148	-	57,148
DENR Interactive Recycling Center	12,000	-	9,754	9,754
ARRA LEAP	209,940	-	81,302	81,302
ARRA EECBG Administration Project	118,606	36,732	29,284	66,016
ARRA EECBG Building Inspection & Maint	30,781	29,311	1,469	30,780
ARRA EECBG IT Server Downsizing	99,105	80,108	18,997	99,105
ARRA EECBG Fire Station 6	21,032	-	21,031	21,031
ARRA EECBG Fire Station 8	50,742	-	50,742	50,742
ARRA EECBG City Hall Lighting	128,888	-	128,888	128,888
ARRA EECBG Competitive Grants	267,546	-	267,546	267,546
Total general government	<u>1,333,640</u>	<u>320,785</u>	<u>733,686</u>	<u>1,054,471</u>
Public safety:				
Safe Neighborhoods	20,000	19,262	-	19,262
Fire and Life Safety Education	13,333	9,932	2,820	12,752
Hazmat Grant 2010	51,429	-	-	-
Assistance to Firefighters DHS-FEMA	70,197	37,736	24,136	61,872
HIDTA ONDCP 2011	300,000	-	55	55
TRANSCAER Hazmat Study	500	468	32	500
Weed & Seed Initiative Year 3	150,000	120,140	-	120,140
Weed & Seed Initiative Year 4	142,000	20,122	106,705	126,827
Weed & Seed Initiative Year 5	155,992	-	24,884	24,884
Federal Forfeitures	706,540	495,160	53,959	549,119
State Forfeitures	346,894	204,747	104,111	308,858
Target Grant 2009	1,000	-	1,000	1,000
NCGCC Gang Violence Prevention	20,900	9,314	-	9,314
JAG 2007	72,496	22,942	49,554	72,496
JAG 2009 BYRNE Local Solicitation	90,560	26,044	-	26,044

(continued)

**CITY OF ASHEVILLE  
GRANT PROGRAMS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

<b>EXPENDITURES, CONTINUED</b>	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Public safety (continued):				
JAG 2010 Local Solicitation	\$ 89,881	\$ -	\$ 25,492	\$ 25,492
COPS Meth 2008	93,530	-	93,512	93,512
Fire Bell	16,820	16,681	-	16,681
Bullet proof vest	6,453	-	5,920	5,920
Total public safety	<u>2,348,525</u>	<u>982,548</u>	<u>492,180</u>	<u>1,474,728</u>
Public works:				
TIP Enhance - Pack Square	8,240,523	8,067,192	54,047	8,121,239
ARRA S Slope bike lanes	196,625	-	19,905	19,905
Senate Bill 7 - Flood Damage	4,575,000	2,543,645	264,275	2,807,920
Emma Infrastructure	537,500	-	-	-
ARRA Coxe Ave bike Lane	309,760	169,310	46,687	215,997
ARRA Downtwn Streetscape	121,000	75,447	-	75,447
ARRA Kimberly Ave Resurfacing	617,094	471,233	(10,196)	461,037
N. Louisiana Phase 1	27,492	20,468	2,172	22,640
ARRA NCDHHS Summer Intern	1,500	170	-	170
Total public works	<u>14,626,494</u>	<u>11,347,465</u>	<u>376,890</u>	<u>11,724,355</u>
Community Development:				
ARRA CDBG	209,294	159,833	43,500	203,333
ARRA Homeless Prevent Rapid Response	509,460	105,550	237,666	343,216
TIGER II East of the Riverway	1,020,000	-	168	168
City Hall Bell	26,400	18,505	590	19,095
MPO Grant	213,000	212,309	-	212,309
Architectural Study	36,900	26,783	-	26,783
Downtown Asheville National Register	7,700	-	6,200	6,200
River Dist Brownefields	400,000	107,403	252,617	360,020
RENCI - Grove Arcade Lease	124,708	54,661	34,902	89,563
FHA Prog 10-11	100,000	-	39,651	39,651
Total community development	<u>2,647,462</u>	<u>685,044</u>	<u>615,294</u>	<u>1,300,338</u>
Transportation:				
TIP - Dykeman Riverway	600,000	14,146	246,664	260,810
TDM Plan Creation	100,000	-	-	-
Total transportation	<u>700,000</u>	<u>14,146</u>	<u>246,664</u>	<u>260,810</u>

(continued)

**CITY OF ASHEVILLE  
GRANT PROGRAMS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
Culture and Recreation:				
FIT Community Grant	\$ 60,000	\$ 46,514	\$ 9,314	\$ 55,828
Asheville Parks and Greenway Foundation	29,708	7,046	1,615	8,661
Harvest House 2011	15,230	-	13,965	13,965
Harvest House 2010	12,706	5,913	3,472	9,385
Harvest House 2008	16,404	15,656	748	16,404
Harvest House 2009	13,090	11,820	658	12,478
Senior Opportunity Center 2011	16,065	-	15,567	15,567
Senior Opportunity Center 2010	12,707	11,090	(2,600)	8,490
Senior Opportunity Center 2009	13,090	13,309	(404)	12,905
Senior Opportunity Center 2008	22,404	16,028	6,376	22,404
Senior Opportunity Center 2006	5,454	5,341	113	5,454
Senior Opportunity Center 2004	5,808	4,938	137	5,075
Cultural Ren Art Program	64,500	61,301	2,037	63,338
WNC Nature Center Special Approp 10	113,056	60,436	50,185	110,621
Friends of the Nature Center	76,660	60,408	15,124	75,532
North Carolina Arts Council 2011	5,000	-	5,000	5,000
Total culture and recreation	<u>481,882</u>	<u>319,800</u>	<u>121,307</u>	<u>441,107</u>
Total expenditures	<u>22,138,003</u>	<u>13,669,788</u>	<u>2,586,021</u>	<u>16,255,809</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	266,044	2,577,314	61,587	2,638,901
Transfers to other funds	(910,034)	24,656	(471,500)	(446,844)
Total other financing sources (uses)	<u>(643,990)</u>	<u>2,601,970</u>	<u>(409,913)</u>	<u>2,192,057</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 556,231</u>	(509,165)	<u>\$ 47,066</u>
Fund balance - beginning (as restated)			<u>556,231</u>	
Fund balance - ending			<u>\$ 47,066</u>	

**CITY OF ASHEVILLE  
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 9,642,125	\$ 7,689,481	\$ 1,414,287	\$ 9,103,768
Miscellaneous	1,976,391	1,413,685	163,388	1,577,073
Total revenues	<u>11,618,516</u>	<u>9,103,166</u>	<u>1,577,675</u>	<u>10,680,841</u>
<b>EXPENDITURES</b>				
Community development:				
CDBG Conversion Project	4,349,058	4,356,366	(21)	4,356,345
Fair Housing Assistance Program - 2008	131,000	86,000	35,008	121,008
ACT-Asheville Go Employ & Training	237,234	109,683	114,012	223,695
ACT-Renaissance Phase I	50,000	23,251	21,949	45,200
ACT-Finance & Ed Counseling	102,430	67,430	35,000	102,430
ACT-Down Payment Assistance CDBG	542,977	418,036	97,113	515,149
ACT-Emergency Repair I	775,000	634,179	140,821	775,000
ACT-Habitat Housing Services	227,500	210,615	-	210,615
ACT-Helpmate Domestic Violence Services	24,000	16,000	8,000	24,000
ACT-Homebase Housing Services	142,500	93,750	48,750	142,500
ACT-Homeless Initiative Coord	80,875	42,895	-	42,895
ACT-Homeless Program	280,897	188,800	92,097	280,897
ACT-Homeless Prevention Program	245,000	215,000	30,000	245,000
ACT-Housing Services	593,000	427,556	155,000	582,556
ACT-Micro-Business	515,000	381,600	133,400	515,000
ACT-Emergency Repair II	354,000	245,265	100,000	345,265
ACT-Program Admin CDBG	1,276,413	979,997	238,180	1,218,177
ACT-Resources Development	86,000	76,000	10,000	86,000
ACT-SPS Redevelopment	31,531	9,315	-	9,315
ACT-Supportive Housing Services	100,000	65,000	35,000	100,000
ACT-McCormick Heights Relocation	59,459	59,458	-	59,458
ACT-Transit Infrastructure Improvements	95,000	86,875	8,125	95,000
ACT-Technical Assist - Weed & Seed	9,988	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-GO Energy Team Weather Assistance	100,000	-	49,062	49,062
ACT-Woodland Court Housing Service	75,000	-	70,614	70,614
ACT-Housing Service Homeless School Age	29,615	-	10,589	10,589
ACT-Workforce Housing Develop Service	50,000	-	34,302	34,302

(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, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>EXPENDITURES, CONTINUED</b>				
Community development (continued):				
ACT-Moog Music Relocation	\$ 50,000	\$ -	\$ -	\$ -
ACT-Adult Day Activity Building	35,000	-	35,000	35,000
ACT-Contingency	47,172	-	-	-
Total expenditures	<u>11,160,284</u>	<u>8,984,004</u>	<u>1,502,001</u>	<u>10,486,005</u>
Revenues over expenditures	<u>458,232</u>	<u>119,162</u>	<u>75,674</u>	<u>194,836</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to other funds	(687,397)	(577,397)	(75,674)	(653,071)
Proceeds from sale of capital assets	229,165	458,235	-	458,235
Total other financing sources (uses)	<u>(458,232)</u>	<u>(119,162)</u>	<u>(75,674)</u>	<u>(194,836)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

**CITY OF ASHEVILLE**  
**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, 2011**

	<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	\$ 2,300,005	\$ -	\$ 2,300,005
Miscellaneous	862,595	879,215	68,247	947,462
Total revenues	<u>3,162,595</u>	<u>3,179,220</u>	<u>68,247</u>	<u>3,247,467</u>
<b>EXPENDITURES</b>				
Community development:				
Loan 1	1,502,575	1,502,479	-	1,502,479
Loan 2	739,183	7,004	482	7,486
Debt service:				
Principal	1,195,908	1,170,908	30,000	1,200,908
Interest and other charges	337,486	319,743	34,850	354,593
Total expenditures	<u>3,775,152</u>	<u>3,000,134</u>	<u>65,332</u>	<u>3,065,466</u>
Revenues over (under) expenditures	(612,557)	179,086	2,915	182,001
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	<u>612,557</u>	<u>607,006</u>	<u>-</u>	<u>607,006</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 786,092</u>	2,915	<u>\$ 789,007</u>
Fund balance - beginning			<u>786,092</u>	
Fund balance - ending			<u>\$ 789,007</u>	

**CITY OF ASHEVILLE**  
**AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 10,829,607	\$ 8,550,283	\$ 1,326,550	\$ 9,876,833
Miscellaneous	353,460	248,020	11,403	259,423
Total revenues	<u>11,183,067</u>	<u>8,798,303</u>	<u>1,337,953</u>	<u>10,136,256</u>
<b>EXPENDITURES</b>				
Community development:				
HOME Conversion Project	3,505,580	3,505,576	-	3,505,576
ACT-MHO Direct Homebuyer HOME	577,453	485,761	40,092	525,853
ACT-Direct Homebuyer HOME	212,868	180,325	32,542	212,867
ACT-Program Administration HOME	838,003	692,360	136,686	829,046
ACT-HC Habitat Shuey Knolls	596,076	460,629	52,880	513,509
ACT-Homebuyer Assistance	129,076	123,506	5,570	129,076
ACT-Member Administration	98,449	53,621	30,700	84,321
ACT-Tenant Based Rental Assistance	426,398	222,083	133,697	355,780
ACT-Three Seed Development	209,276	209,276	-	209,276
ACT-Glen Rock Apartments	549,076	549,076	-	549,076
ACT-American Dream Dwnpymnt Initiative	59,923	59,923	-	59,923
ACT-Self Help Homeownership	326,641	237,513	88,128	325,641
ACT-Affordable Rental Housing	60,000	23,000	37,000	60,000
ACT-Single Family Home Construction	80,000	18,520	10,208	28,728
ACT-Westmore Apartments	225,000	225,000	-	225,000
ACT-CHDO Operating Expenses	271,495	201,108	70,236	271,344
ACT-VOA Skyland Apts	164,077	164,077	-	164,077
ACT-Brotherton Subdivision	114,000	-	33,765	33,765
ACT-Rosman Apartments	115,000	14,950	5,000	19,950
ACT-English Hills Development	136,200	99,000	26,748	125,748
ACT-Habitat Enka Development HOME	103,338	102,338	1,000	103,338
ACT-Our Next Generation SFNC	91,000	91,000	-	91,000
ACT-Site Rehabilitation	47,800	47,800	-	47,800
ACT-Baker Heights	17,500	17,500	-	17,500
ACT-Crowell Parks	499,183	499,183	-	499,183
ACT-Single Family Construction BC	80,000	79,000	1,000	80,000
ACT-Clingman Loft	166,605	165,605	1,000	166,605
ACT-East Riverside Development	264,734	229,595	-	229,595
ACT-Predevelopment Loan HOME	48,076	44,304	-	44,304
ACT-Rural Home Rehabilitation	294,550	-	156,237	156,237
ACT-Woodland Court Subdivision	130,000	-	78,138	78,138
ACT-Mapleton/Ridgecrest	150,000	-	150,000	150,000
ACT-Oak Haven Development	350,000	-	-	-
ACT-Self Help Housing Dev-Black Mtn	70,000	-	69,000	69,000
ACT-Larchmont Development	175,000	-	175,000	175,000
ACT-Unallocated	690	-	-	-
Total expenditures	<u>11,183,067</u>	<u>8,801,629</u>	<u>1,334,627</u>	<u>10,136,256</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ (3,326)</u>	<u>3,326</u>	<u>\$ -</u>
Fund deficit - beginning			(3,326)	
Fund balance - ending			<u>\$ -</u>	

**CITY OF ASHEVILLE  
GENERAL CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Intergovernmental revenue	\$ 9,533,946	\$ 3,015,673	\$ 1,336,220	\$ 4,351,893
Licenses and permits	359,668	150,315	145,529	295,844
Charges for services	259,566	86,420	120,168	206,588
Investment earnings	8,585,464	6,317,951	1,016	6,318,967
Miscellaneous	3,342,847	2,934,036	869,202	3,803,238
Total revenues	<u>22,081,491</u>	<u>12,504,395</u>	<u>2,472,135</u>	<u>14,976,530</u>
<b>EXPENDITURES</b>				
General government:				
Building security enhancement	405,000	71,058	32,112	103,170
One Stop Shop	397,307	371,328	11,445	382,773
Government television equipment	106,000	48,491	35,163	83,654
HTE software replacement	2,000,000	1,294,050	315,845	1,609,895
Develop revenue improvement	485,000	-	49,960	49,960
Radio upgrades	135,000	-	134,507	134,507
Radio replacements	335,000	125,030	14,677	139,707
Tower management	173,600	-	71,666	71,666
National Guard Armory	10,000	-	-	-
ARRA CNG Vehicles - Blue Skies	425,326	-	-	-
ARRA CNG Station - Blue Skies	353,694	-	4,200	4,200
City Hall repairs	450,000	-	134,300	134,300
Interest	572,241	572,239	-	572,239
COPS 97A issuance costs	136,542	31	-	31
Total general government	<u>5,984,710</u>	<u>2,482,227</u>	<u>803,875</u>	<u>3,286,102</u>
Public safety:				
Fire station 6	2,894,808	2,855,598	-	2,855,598
Fire station 11	3,033,492	2,830,182	-	2,830,182
Hazmat grant 2008	205,714	18,914	167,161	186,075
Hazmat grant 2009	135,714	-	114,153	114,153
VIPER interop gateways	250,000	-	-	-
Medical ambulance bus	357,000	-	356,104	356,104
Buffer Zone Protection Program 2008	51,500	-	-	-
NCACCPS emerg mgt wireless telephone equip	550,000	-	73,536	73,536
Aerial ladder truck	1,200,000	-	21,697	21,697
ARRA JAG 2009 Byrne Loc Sol	372,630	107,164	-	107,164
Total public safety	<u>9,050,858</u>	<u>5,811,858</u>	<u>732,651</u>	<u>6,544,509</u>

(continued)

**CITY OF ASHEVILLE  
GENERAL CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>EXPENDITURES, CONTINUED</b>				
Public works:				
TIP Enhance-East Oakview Bridge	\$ 1,363,000	\$ 247,247	\$ 1,399	\$ 248,646
TIP Enhance-Patton Avenue	315,000	3,188	297,871	301,059
Clingman streetscape	1,157,251	248,213	605,565	853,778
SWR-SCA-Sardis Road	1,800,000	126,863	60,542	187,405
Sullivan Act	1,570,041	-	-	-
SWR-SCMP-Long Shoals Road	116,500	4,080	-	4,080
AARA sidewalks	1,784,750	68,310	390,215	458,525
Dogwood Grove	87,440	-	70,646	70,646
Deaverview Ridge	300,000	-	264,692	264,692
Ridge Avenue	110,000	-	-	-
Azalea Road street improvements	1,450,000	-	-	-
Northwood Drive street improvements	225,000	-	34,219	34,219
ARRA Fairview signals	105,600	1,180	56,692	57,872
Sidewalks West	211,000	101,842	-	101,842
Airport Road sewer annex	250,000	-	200	200
Airport Road sewer annex 2	50,000	-	3,640	3,640
Total public works	<u>10,895,582</u>	<u>800,923</u>	<u>1,785,681</u>	<u>2,586,604</u>
Transportation:				
College/Charlotte street signal	30,000	11,196	(1,626)	9,570
Jail annex paving	157,509	130,032	8,554	138,586
Traffic safety projects	170,000	17,583	42,261	59,844
Sidewalks East	252,000	158,466	30,224	188,690
North Louisiana Avenue phase 2	117,000	-	-	-
Burton Street traffic calming	16,850	16,850	-	16,850
General sidewalks 2008	200,000	198,573	883	199,456
General streets 2008	752,300	751,894	-	751,894
General sidewalks 2009	200,000	199,999	-	199,999
General streets 2009	752,300	693,036	6,718	699,754
General sidewalks 2010	200,000	174,765	24,581	199,346
General streets 2010	752,300	661,560	21,472	683,032
General sidewalks 2011	200,000	-	144,350	144,350
General streets 2011	752,300	-	647,480	647,480
South Lexington Avenue	35,000	-	9,240	9,240
JARC traffic signals	99,920	-	-	-
Total transportation	<u>4,687,479</u>	<u>3,013,954</u>	<u>934,137</u>	<u>3,948,091</u>

(continued)

**CITY OF ASHEVILLE  
GENERAL CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>EXPENDITURES, CONTINUED</b>				
Culture and recreation:				
French Broad River Corridor Connector	\$ 278,800	\$ 148,482	\$ -	\$ 148,482
French Broad River-Hominy Crk Grnwy	890,000	766,501	10,478	776,979
Livingston Street Center	2,430,000	734,482	1,542,208	2,276,690
Richmond Hill Park	430,800	380,540	4,133	384,673
Reed Creek Grnwy II	783,000	92,822	66,775	159,597
Reed Creek Grnwy IV	2,500	1,076	-	1,076
Swimming pool maintenance	79,020	67,806	10,949	78,755
Urban Trail maintenance	45,819	24,986	5,008	29,994
Building maintenance	582,500	554,341	18,948	573,289
Public art allocation	46,809	46,237	-	46,237
Reed Creek restoration	32,000	30,850	-	30,850
Walton Street pool	200,000	36,826	46,967	83,793
Azalea Park	5,096,519	4,832,964	-	4,832,964
McCormick Field Tourists lease	226,666	100,910	88,530	189,440
Rec Center roof repairs	150,000	146,626	3,130	149,756
Rec Center improvements 2011	93,195	-	84,147	84,147
Waller land purchase	130,285	-	121,763	121,763
Red Wolf Exhibit improvements	104,000	20,795	21,075	41,870
Veterinary and Isolation Facility	75,000	-	12,521	12,521
Otter Pond - Friends of the Nature Ctr	59,400	15,795	43,584	59,379
Park/facilities improvements 2011	236,761	-	136,707	136,707
Nature Center improvements	100,000	-	96,745	96,745
Public art at Riverbend Park	25,000	-	-	-
Land acquisition	15,430	-	1,000	1,000
Public art at Reed Creek Greenway	20,150	-	20,000	20,000
Public artist of the year	25,000	-	-	-
WNC Nature Center special approp	110,621	-	105,664	105,664
WNC Nature Center playground	60,000	-	-	-
Total culture and recreation	<u>12,329,275</u>	<u>8,002,039</u>	<u>2,440,332</u>	<u>10,442,371</u>
Total expenditures	<u>42,947,904</u>	<u>20,111,001</u>	<u>6,696,676</u>	<u>26,807,677</u>
Revenues under expenditures	<u>(20,866,413)</u>	<u>(7,606,606)</u>	<u>(4,224,541)</u>	<u>(11,831,147)</u>

continued

**CITY OF ASHEVILLE  
GENERAL CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	\$ 17,637,677	\$ 13,167,303	\$ 2,853,450	\$ 16,020,753
Transfers to other funds	(537,682)	(104,877)	(461,563)	(566,440)
Proceeds from the sale of capital assets	24,000	24,000	-	24,000
Long-term debt issued	<u>3,742,418</u>	<u>2,401,196</u>	<u>1,100,000</u>	<u>3,501,196</u>
 Total other financing sources (uses)	<u>20,866,413</u>	<u>15,487,622</u>	<u>3,491,887</u>	<u>18,979,509</u>
 Net change in fund balance	<u>\$ -</u>	<u>\$ 7,881,016</u>	(732,654)	<u>\$ 7,148,362</u>
 Fund balance - beginning (as restated)			<u>7,881,016</u>	
 Fund balance - ending			<u>\$ 7,148,362</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 operations and maintenance of 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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Charges for services	\$ 32,681,200	\$ 32,781,581	\$ 100,381
Other operating revenue	20,000	133,675	113,675
Intergovernmental	-	32,780	32,780
Interest earned	310,000	142,300	(167,700)
Total revenues	<u>33,011,200</u>	<u>33,090,336</u>	<u>79,136</u>
<b>EXPENDITURES</b>			
Administration	729,758	728,254	1,504
Operations	17,746,252	15,389,933	2,356,319
Capital outlay	603,174	782,106	(178,932)
Debt service:			
Principal	3,652,520	3,652,520	-
Interest and other charges	4,129,785	3,464,564	665,221
Total expenditures	<u>26,861,489</u>	<u>24,017,377</u>	<u>2,844,112</u>
Revenue over expenditures	<u>6,149,711</u>	<u>9,072,959</u>	<u>2,923,248</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Water Capital Projects Fund	(5,625,000)	(5,625,000)	-
Transfers to other funds	(1,425,299)	(1,425,299)	-
Proceeds from disposal of capital assets	-	20,376	20,376
Appropriated fund balance	900,588	-	(900,588)
Total other financing sources (uses)	<u>(6,149,711)</u>	<u>(7,029,923)</u>	<u>(880,212)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 2,043,036</u>	<u>\$ 2,043,036</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over (under) expenditures and other financing sources (uses):			
Water Resources Fund		\$ 2,043,036	
Water Capital Projects Fund		(505,646)	
Total		<u>1,537,390</u>	
Reconciling items:			
Unbilled revenue adjustment		702,178	
Principal payments on debt		3,652,520	
Capitalized assets		3,174,995	
Depreciation		(7,206,761)	
Donated assets		241,799	
Capitalized interest		200,292	
Amortization of debt issuance costs		45,883	
Change in interest payable		31,414	
Change in compensated absences		(157,082)	
Change in OPEB obligation		(77,477)	
Change in allowance for doubtful accounts		(164,232)	
Book value of capital assets disposed		(5,068)	
Proceeds from State loan		(198,194)	
Change in net assets		<u>\$ 1,777,657</u>	

**CITY OF ASHEVILLE**  
**WATER CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<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	\$ 198,194	\$ 1,826,556
Interest earned	1,076,529	1,166,539	489	1,167,028
Other revenue	35,940	403,524	-	403,524
Total revenues	<u>2,738,631</u>	<u>3,198,425</u>	<u>198,683</u>	<u>3,397,108</u>
<b>EXPENDITURES</b>				
Critical needs II	2,123,656	1,965,304	-	1,965,304
Treatment plant upgrades	8,420,733	8,256,753	33,387	8,290,140
Treatment upgrades	4,000,000	3,944,586	-	3,944,586
NCDOT I-26 Patton Avenue	282,000	-	-	-
NCDOT US70-74/Tunnel-Kenilworth	75,000	58,660	-	58,660
Viewmont Acres	664,001	-	324,887	324,887
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	2,109,242	1,396,143	686,414	2,082,557
Sand Hill- Enka Lake	820,000	2,040	-	2,040
NCDOT I-40 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
24 X 36 Main replacement	164,430	-	-	-
Meter testing	500,000	-	-	-
Affordable Infill	564,268	61,217	68,787	130,004
Auto meter readers	4,490,576	237,048	3,961,609	4,198,657
NCDOT Brevard Rd I-40 & I-26	4,230,000	3,158,987	254,460	3,413,447
NCDOT Sand Hill Road	2,252,398	1,670,714	-	1,670,714
West Asheville/Wood Avenue	2,393,939	2,279,033	15,050	2,294,083
Riceville Reservoir	330,006	-	326,373	326,373
New maintenance facility	264,264	-	-	-
Hendersonville/Rosscraggon Road	7,007,219	6,550,332	2,567	6,552,899
NC191 Clayton Road	2,184,694	2,134,615	-	2,134,615
Royal Pines	2,285,329	2,206,605	-	2,206,605
Central Business District	12,750,630	12,133,426	54,571	12,187,997
Town Mountain tank shop	1,608,874	1,538,787	36,503	1,575,290
White Fawn Junction	3,825,507	3,508,900	-	3,508,900
Valve installations	1,976,963	1,720,853	-	1,720,853
2005 Annexation	176,640	18,595	-	18,595
Pump St/MR standby	5,545,206	5,227,637	21,211	5,248,848

(continued)

**CITY OF ASHEVILLE**  
**WATER CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>EXPENDITURES, CONTINUED</b>				
Bee Tree Junction	\$ 1,947,590	\$ 1,878,467	\$ 35,639	\$ 1,914,106
ARRA pump system improvement	375,722	187,500	149,033	336,533
Fairview tank	2,607,774	2,074,976	253,433	2,328,409
Reynolds water system improvements	371,664	149,596	93,178	242,774
Upgrade contingency	747,451	597,002	84,696	681,698
Allen Mountain	156,590	-	-	-
Beaucatcher tank demolition	125,000	-	-	-
NCDOT I-40	40,429	-	-	-
NCDOT I-26 widening project	2,000,000	-	-	-
Mills River WTP SCADA System	100,000	-	-	-
Maximo Upgrade	350,000	-	28,440	28,440
Walnut Cove pump replacement	200,000	-	-	-
Old Haw Creek Road	500,000	-	-	-
Water storage tank maintenance	100,000	-	-	-
Goodson Cove Reservoir	400,000	-	-	-
Rate study	88,750	-	67,810	67,810
Water quality treatment study	55,000	-	-	-
Walnut Cove tank repair	35,940	-	29,475	29,475
Cost of issuance	580,846	580,846	-	580,846
Total expenditures	<u>86,740,411</u>	<u>64,650,039</u>	<u>6,527,523</u>	<u>71,177,562</u>
Revenues under expenditures	<u>(84,001,780)</u>	<u>(61,451,614)</u>	<u>(6,328,840)</u>	<u>(67,780,454)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	45,258,810	39,570,036	5,625,000	45,195,036
Transfers to other funds	(689,103)	(779,993)	-	(779,993)
Proceeds from sale of bonds	39,432,073	39,460,923	-	39,460,923
Proceeds from State loan	-	-	198,194	198,194
Total other financing sources (uses)	<u>84,001,780</u>	<u>78,250,966</u>	<u>5,823,194</u>	<u>84,074,160</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 16,799,352</u>	<u>\$ (505,646)</u>	<u>\$ 16,293,706</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:*

- **Parking Services** - This fund accounts for the revenues and expenses related to the City's public parking system.
- **Street Cut Utility Fund** - This fund accounts for the revenues and expenses related to the City's new street cut repair program.
- **Stormwater** - This fund accounts for the revenues and expenses related to the City's stormwater drainage program.
- **Civic Center** - This fund accounts for the revenues and expenses related to the City's civic center operations.
- **Mass Transit** - This fund accounts for the revenues and expenses related to the City's mass transportation system.
- **Golf Course** - This fund accounts for the revenues and expenses related to the City's Municipal golf course.
- **Festivals** - This fund accounts for the revenues and expenses related to Bele Chere, the City's annual downtown festival.

**CITY OF ASHEVILLE**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2011**

	<u>Parking Services</u>	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 3,784,309	\$ 6,558	\$ 2,435,169	\$ 2,245,776
Accounts receivable (net of allowance for uncollectibles)	372,751	20,000	407,325	697
Due from other governments	-	-	-	-
Inventories	-	-	-	30,357
Total current assets	<u>4,157,060</u>	<u>26,558</u>	<u>2,842,494</u>	<u>2,276,830</u>
Capital assets:				
Assets not being depreciated	11,894,266	-	457,566	867,636
Assets being depreciated, net	4,524,726	163,278	3,150,579	2,710,958
Net capital assets	<u>16,418,992</u>	<u>163,278</u>	<u>3,608,145</u>	<u>3,578,594</u>
Other assets:				
Unamortized debt issuance cost	<u>170,837</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>20,746,889</u>	<u>189,836</u>	<u>6,450,639</u>	<u>5,855,424</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,100,122	30,633	38,691	319,021
Customer deposits	500	-	-	-
Interest payable	7,214	-	-	-
Other accrued liabilities	9,916	7,375	21,407	7,266
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Current portion of long-term liabilities	35,615	19,910	64,449	38,376
Total current liabilities	<u>1,153,367</u>	<u>57,918</u>	<u>124,547</u>	<u>364,663</u>
Non-current liabilities:				
Long-term liabilities, less current portion	<u>6,217,868</u>	<u>34,074</u>	<u>287,597</u>	<u>116,075</u>
Total liabilities	<u>7,371,235</u>	<u>91,992</u>	<u>412,144</u>	<u>480,738</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	10,243,859	163,278	3,478,763	3,578,594
Unrestricted	3,131,795	(65,434)	2,559,732	1,796,092
Total net assets	<u>\$ 13,375,654</u>	<u>\$ 97,844</u>	<u>\$ 6,038,495</u>	<u>\$ 5,374,686</u>

<u>Mass Transit</u>	<u>Golf Course</u>	<u>Festivals</u>	<u>Total Non-major Enterprise Funds</u>
\$ 739,776	\$ -	\$ 218	\$ 9,211,806
200,000	-	-	1,000,773
169,432	-	-	169,432
118,701	7,491	-	156,549
<u>1,227,909</u>	<u>7,491</u>	<u>218</u>	<u>10,538,560</u>
161,838	1,108,500	-	14,489,806
4,254,879	757,416	-	15,561,836
<u>4,416,717</u>	<u>1,865,916</u>	<u>-</u>	<u>30,051,642</u>
-	-	-	170,837
<u>5,644,626</u>	<u>1,873,407</u>	<u>218</u>	<u>40,761,039</u>
66,806	12,916	218	1,568,407
-	-	-	500
-	-	-	7,214
2,763	6,855	-	55,582
-	451,116	-	451,116
-	1,067	-	1,067
4,433	36,326	-	199,109
<u>74,002</u>	<u>508,280</u>	<u>218</u>	<u>2,282,995</u>
<u>18,475</u>	<u>27,677</u>	<u>-</u>	<u>6,701,766</u>
<u>92,477</u>	<u>535,957</u>	<u>218</u>	<u>8,984,761</u>
4,416,717	1,865,916	-	23,747,127
1,135,432	(528,466)	-	8,029,151
<u>\$ 5,552,149</u>	<u>\$ 1,337,450</u>	<u>\$ -</u>	<u>\$ 31,776,278</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, 2011**

	<u>Parking Services</u>	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,501,784	\$ 40,000	\$ 3,124,436	\$ 278,688
Rents	15,260	-	-	594,487
Concessions	-	-	-	1,004,801
Other operating revenue	411,402	-	6,800	715,528
Total operating revenues	<u>2,928,446</u>	<u>40,000</u>	<u>3,131,236</u>	<u>2,593,504</u>
<b>OPERATING EXPENSES</b>				
Administration	-	-	619,345	795,022
Operations	1,426,335	1,062,141	1,804,531	1,439,346
Other operating expenses	218,322	-	-	-
Depreciation	207,966	9,608	345,835	275,570
Total operating expenses	<u>1,852,623</u>	<u>1,071,749</u>	<u>2,769,711</u>	<u>2,509,938</u>
Operating income (loss)	<u>1,075,823</u>	<u>(1,031,749)</u>	<u>361,525</u>	<u>83,566</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	-	-	-	-
Interest earned	12,100	-	7,107	7,998
Interest expense	(67,385)	(945)	(1,638)	-
Gain on disposal of capital assets	-	-	-	13,217
Other non-operating revenue	-	-	-	-
Total non-operating revenues (expenses)	<u>(55,285)</u>	<u>(945)</u>	<u>5,469</u>	<u>21,215</u>
Income (loss) before transfers and capital grants and contributions	1,020,538	(1,032,694)	366,994	104,781
Transfers:				
Transfers from other funds	-	1,130,538	47,808	250,000
Transfers to other funds	(484,000)	-	(46,239)	-
Capital grants and contributions	-	-	129,382	334,450
Changes in net assets	<u>536,538</u>	<u>97,844</u>	<u>497,945</u>	<u>689,231</u>
Total net assets - beginning (as restated)	<u>12,839,116</u>	<u>-</u>	<u>5,540,550</u>	<u>4,685,455</u>
Total net assets - ending	<u>\$ 13,375,654</u>	<u>\$ 97,844</u>	<u>\$ 6,038,495</u>	<u>\$ 5,374,686</u>

<u>Mass Transit</u>	<u>Golf Course</u>	<u>Festivals</u>	<u>Total Non-major Enterprise Funds</u>
\$ 907,341	\$ 462,682	\$ 72,566	\$ 7,387,497
-	223,652	155,424	988,823
-	55,848	158,997	1,219,646
345,403	-	104,464	1,583,597
<u>1,252,744</u>	<u>742,182</u>	<u>491,451</u>	<u>11,179,563</u>
346,143	-	162,587	1,923,097
4,871,494	911,979	491,021	12,006,847
113,213	-	-	331,535
419,598	66,030	-	1,324,607
<u>5,750,448</u>	<u>978,009</u>	<u>653,608</u>	<u>15,586,086</u>
<u>(4,497,704)</u>	<u>(235,827)</u>	<u>(162,157)</u>	<u>(4,406,523)</u>
2,950,142	-	-	2,950,142
1,400	-	-	28,605
-	(970)	(275)	(71,213)
-	-	-	13,217
-	-	-	-
<u>2,951,542</u>	<u>(970)</u>	<u>(275)</u>	<u>2,920,751</u>
(1,546,162)	(236,797)	(162,432)	(1,485,772)
1,140,801	-	1,718,949	4,288,096
-	-	-	(530,239)
<u>2,406,484</u>	<u>-</u>	<u>-</u>	<u>2,870,316</u>
2,001,123	(236,797)	1,556,517	5,142,401
<u>3,551,026</u>	<u>1,574,247</u>	<u>(1,556,517)</u>	<u>26,633,877</u>
<u>\$ 5,552,149</u>	<u>\$ 1,337,450</u>	<u>\$ -</u>	<u>\$ 31,776,278</u>

**CITY OF ASHEVILLE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Parking Services</u>	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
Cash flows from operating activities:				
Cash received from customers	\$ 2,974,960	\$ 20,000	\$ 3,229,584	\$ 2,588,314
Cash paid for goods and services	(829,802)	(381,815)	(575,767)	(996,489)
Cash paid to employees	(789,879)	(588,334)	(1,782,130)	(1,276,386)
Net cash provided by (used for) operating activities	<u>1,355,279</u>	<u>(950,149)</u>	<u>871,687</u>	<u>315,439</u>
Cash flows from non-capital financing activities:				
Receipts from operating grants	-	-	-	-
Transfers from other funds	-	1,130,538	47,808	250,000
Transfers to other funds	(484,000)	-	(46,239)	-
Advances received from other funds	-	-	-	-
Advances paid to other funds	-	(945)	(262,305)	-
Net cash provided by (used for) non-capital financing activities	<u>(484,000)</u>	<u>1,129,593</u>	<u>(260,736)</u>	<u>250,000</u>
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	-	-	129,382	334,450
Proceeds from disposal of capital assets	-	-	-	16,000
Acquisition and construction of assets	(5,967,204)	(172,886)	(195,262)	(610,211)
Proceeds from debt issued	6,175,133	-	129,382	-
Principal paid on debt	-	-	(43,000)	-
Interest other charges paid on debt	(235,366)	-	(1,652)	-
Net cash provided by (used for) capital and related financing activities	<u>(27,437)</u>	<u>(172,886)</u>	<u>18,850</u>	<u>(259,761)</u>
Cash flows from investing activities:				
Interest earned	<u>12,100</u>	<u>-</u>	<u>7,107</u>	<u>7,998</u>
Net increase in cash and cash equivalents	855,942	6,558	636,908	313,676
Cash and cash equivalents:				
Beginning of year, July 1	<u>2,928,367</u>	<u>-</u>	<u>1,798,261</u>	<u>1,932,100</u>
End of year, June 30	<u>\$ 3,784,309</u>	<u>\$ 6,558</u>	<u>\$ 2,435,169</u>	<u>\$ 2,245,776</u>

<u>Mass Transit</u>	<u>Golf Course</u>	<u>Festivals</u>	<u>Total Non-major Enterprise Funds</u>
\$ 1,052,744	\$ 743,249	\$ 346,072	\$ 10,954,923
(5,238,926)	(362,352)	(503,238)	(8,888,389)
(206,902)	(553,479)	(166,261)	(5,363,371)
<u>(4,393,084)</u>	<u>(172,582)</u>	<u>(323,427)</u>	<u>(3,296,837)</u>
4,349,271	-	-	4,349,271
1,140,801	-	1,718,949	4,288,096
-	-	-	(530,239)
-	172,582	-	172,582
(337,019)	-	(1,395,304)	(1,995,573)
<u>5,153,053</u>	<u>172,582</u>	<u>323,645</u>	<u>6,284,137</u>
2,406,484	-	-	2,870,316
-	-	-	16,000
(2,628,077)	-	-	(9,573,640)
-	-	-	6,304,515
-	-	-	(43,000)
-	-	-	(237,018)
<u>(221,593)</u>	<u>-</u>	<u>-</u>	<u>(662,827)</u>
1,400	-	-	28,605
539,776	-	218	2,353,078
200,000	-	-	6,858,728
<u>\$ 739,776</u>	<u>\$ -</u>	<u>\$ 218</u>	<u>\$ 9,211,806</u>

(continued)

**CITY OF ASHEVILLE  
COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Parking Services</u>	<u>Street Cut Utility</u>	<u>Stormwater</u>	<u>Civic Center</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 1,075,823	\$ (1,031,749)	\$ 361,525	\$ 83,566
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	207,966	9,608	345,835	275,570
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	46,514	(20,000)	98,348	13,335
(Increase) decrease in inventories	-	-	-	(12,216)
Decrease in prepaids	-	-	-	-
Increase (decrease) in accounts payable	(17,559)	30,633	12,992	(66,755)
Increase (decrease) in accrued expenses	3,313	7,375	5,267	(13,859)
Increase (decrease) in unearned revenue	-	-	-	(18,525)
Increase (decrease) in compensated absences	32,036	48,131	29,430	41,096
Increase (decrease) in OPEB obligation	7,186	5,853	18,290	13,227
Net cash provided by (used for) operating activities	<u>\$ 1,355,279</u>	<u>\$ (950,149)</u>	<u>\$ 871,687</u>	<u>\$ 315,439</u>

<u>Mass Transit</u>	<u>Golf Course</u>	<u>Festivals</u>	<u>Total Non-major Enterprise Funds</u>
\$ (4,497,704)	\$ (235,827)	\$ (162,157)	\$ (4,406,523)
419,598	66,030	-	1,324,607
(200,000)	-	-	(61,803)
(27,946)	2,826	-	(37,336)
-	-	3,912	3,912
(99,247)	(24,762)	(7,252)	(171,950)
699	1,535	(1,622)	2,708
-	1,067	(145,379)	(162,837)
9,413	11,200	(10,929)	160,377
<u>2,103</u>	<u>5,349</u>	<u>-</u>	<u>52,008</u>
<u>\$ (4,393,084)</u>	<u>\$ (172,582)</u>	<u>\$ (323,427)</u>	<u>\$ (3,296,837)</u>

**CITY OF ASHEVILLE  
PARKING SERVICES FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 2,178,500	\$ 2,486,966	\$ 308,466
Rents	8,000	15,260	7,260
Other operating revenue	705,000	411,402	(293,598)
Interest earned	20,000	12,100	(7,900)
Total revenues	2,911,500	2,925,728	14,228
<b>EXPENDITURES</b>			
Operations	1,818,524	1,387,113	431,411
Other operating	227,303	-	227,303
Capital outlay	685,157	604,777	80,380
Interest and other charges	405,000	24,155	380,845
Total expenditures	3,135,984	2,016,045	1,119,939
Revenues over (under) expenditures	(224,484)	909,683	1,134,167
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Parking Services Capital Project Fund	-	580,301	580,301
Transfers to other funds	(484,000)	(484,000)	-
Appropriated fund balance	708,484	-	(708,484)
Total other financing sources (uses)	224,484	96,301	(128,183)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ 1,005,984	\$ 1,005,984
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over (under) expenditures and other financing sources (uses)			
Parking Services Fund		\$ 1,005,984	
Parking Services Capital Project Fund		(1,136,162)	
Total		(130,178)	
Reconciling items:			
Full accrual revenue adjustment		(202)	
Depreciation		(207,966)	
Capitalized assets		6,916,675	
Capitalized interest		4,358	
Capitalization of debt issuance costs		215,794	
Amortization of debt issuance costs		(44,957)	
Change in interest payable		(2,631)	
Change in compensated absences		(32,036)	
Change in OPEB obligation		(7,186)	
Proceeds from issuance of debt		(6,175,133)	
Change in net assets		\$ 536,538	

**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, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Charges for services	\$ 51,662	\$ 44,046	\$ 15,020	\$ 59,066
Interest earned	60	1,304	-	1,304
Total revenues	<u>51,722</u>	<u>45,350</u>	<u>15,020</u>	<u>60,370</u>
<b>EXPENDITURES</b>				
Battery Park parking deck	20,900,000	4,046,632	-	4,046,632
Biltmore Avenue garage	13,884,206	653,103	6,311,900	6,965,003
Wall Street parking deck	451,699	311,879	139,820	451,699
Cushman	20,000	-	-	-
Wayfinding Signs	107,240	90,000	-	90,000
Parking lot 16	115,271	-	78,500	78,500
General capital projects	215,854	2,030	215,794	217,824
Total expenditures	<u>35,694,270</u>	<u>5,103,644</u>	<u>6,746,014</u>	<u>11,849,658</u>
Revenues under expenditures	<u>(35,642,548)</u>	<u>(5,058,294)</u>	<u>(6,730,994)</u>	<u>(11,789,288)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	35,000,000	-	6,175,133	6,175,133
Transfers from other funds	1,222,849	1,524,284	-	1,524,284
Transfers to Parking Services Fund	(580,301)	-	(580,301)	(580,301)
Total other financing sources (uses)	<u>35,642,548</u>	<u>1,524,284</u>	<u>5,594,832</u>	<u>7,119,116</u>
Revenues under expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (3,534,010)</u>	<u>\$ (1,136,162)</u>	<u>\$ (4,670,172)</u>

**CITY OF ASHEVILLE  
STREET CUT UTILITY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 631,312	\$ 40,000	\$ (591,312)
<b>EXPENDITURES</b>			
Operations	1,351,087	1,008,157	342,930
Capital outlay	227,193	172,886	54,307
Debt service:			
Interest and other charges	-	945	(945)
Total expenditures	1,578,280	1,181,988	396,292
Revenues under expenditures	(946,968)	(1,141,988)	(195,020)
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	946,968	1,130,538	183,570
Revenues under expenditures and other financing sources	\$ -	(11,450)	\$ (11,450)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Capitalized assets		172,886	
Depreciation		(9,608)	
Change in compensated absences		(48,131)	
Change in OPEB obligation		(5,853)	
Change in net assets		\$ 97,844	

**CITY OF ASHEVILLE  
STORMWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 2,845,218	3,124,436	\$ 279,218
Other operating revenue	20,000	6,800	(13,200)
Interest earned	30,000	7,107	(22,893)
Total revenues	2,895,218	3,138,343	243,125
<b>EXPENDITURES</b>			
Administration	840,546	619,345	221,201
Operations	2,015,092	1,691,520	323,572
Capital outlay	49,139	-	49,139
Debt service:			
Principal	218,923	43,000	175,923
Interest and other charges	9,464	1,638	7,826
Total expenditures	3,133,164	2,355,503	777,661
Revenues over (under) expenditures	(237,946)	782,840	1,020,786
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	200,000	47,808	(152,192)
Transfer to Stormwater Capital Projects Fund	(360,000)	(360,000)	-
Transfer to other funds	(46,239)	(46,239)	-
Appropriated fund balance	444,185	-	(444,185)
Total other financing sources	237,946	(358,431)	(596,377)
Revenues over expenditures and other financing sources	\$ -	\$ 424,409	\$ 424,409
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources:			
Stormwater Fund		\$ 424,409	
Stormwater Capital Projects Fund		423,502	
Total		847,911	
Reconciling items:			
Depreciation		(345,835)	
Principal payments on debt		43,000	
Capitalized assets		195,262	
Change in compensated absences		(29,430)	
Change in OPEB obligation		(18,290)	
Change in allowance for doubtful accounts		(65,291)	
Proceeds from State loan		(129,382)	
Change in net assets		\$ 497,945	

**CITY OF ASHEVILLE**  
**STORMWATER CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Capital grants and contributions	\$ 227,250	\$ -	\$ 129,382	\$ 129,382
<b>EXPENDITURES</b>				
Old Toll Retaining Wall	360,000	-	193,969	193,969
ARRA and NCCWMTF - Dingle Creek	454,500	262,304	1,293	263,597
Total expenditures	<u>814,500</u>	<u>262,304</u>	<u>195,262</u>	<u>457,566</u>
Revenues under expenditures	<u>(587,250)</u>	<u>(262,304)</u>	<u>(65,880)</u>	<u>(328,184)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from Stormwater Fund	360,000	-	360,000	360,000
Proceeds from State loan	227,250	-	129,382	129,382
Total other financing sources	<u>587,250</u>	<u>-</u>	<u>489,382</u>	<u>489,382</u>
Revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ (262,304)</u>	<u>\$ 423,502</u>	<u>\$ 161,198</u>

**CITY OF ASHEVILLE  
CIVIC CENTER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 244,000	\$ 278,688	\$ 34,688
Rents	700,750	594,487	(106,263)
Concessions	802,800	1,004,801	202,001
Other operating revenue	74,400	135,528	61,128
Interest earned	70,000	7,998	(62,002)
Total revenues	1,891,950	2,021,502	129,552
<b>EXPENDITURES</b>			
Administration	912,113	795,022	117,091
Operations	1,471,181	1,385,023	86,158
Capital outlay	5,262	-	5,262
Total expenditures	2,388,556	2,180,045	208,511
Revenues under expenditures	(496,606)	(158,543)	338,063
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	392,594	-	(392,594)
Proceeds from disposal of capital assets	-	16,000	16,000
Appropriated fund balance	104,012	-	(104,012)
Total other financing sources	496,606	16,000	(480,606)
Revenues and other financing sources under expenditures	\$ -	\$ (142,543)	\$ (142,543)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues and other financing sources under expenditures:			
Civic Center Fund		\$ (142,543)	
Civic Center Capital Projects Fund		620,242	
Total		477,699	
Reconciling items:			
Depreciation		(275,570)	
Capitalized assets		544,208	
Change in compensated absences		(41,096)	
Change in OPEB obligation		(13,227)	
Book value of capital assets disposed		(2,783)	
Change in net assets		\$ 689,231	

**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, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Capital grants and contributions	\$ 2,458,000	\$ -	\$ 334,450	\$ 334,450
Other revenue	-	-	580,000	580,000
Total revenues	<u>2,458,000</u>	<u>-</u>	<u>914,450</u>	<u>914,450</u>
<b>EXPENDITURES</b>				
Southern Conference renovations	2,870,000	-	453,187	453,187
Arena roof replacement	1,800,000	1,674,568	82,491	1,757,059
Air handler repair	116,711	116,711	-	116,711
Standby transformer	44,887	44,887	-	44,887
General improvements	98,374	90,667	-	90,667
Concourse damage	4,846	4,846	-	4,846
Fire alarms	124,130	124,130	-	124,130
Smoke hatches	70,296	70,296	-	70,296
Emergency lighting	23,850	23,850	-	23,850
Wolfe fire exit	90,000	-	-	-
Marquee	5,000	-	-	-
Main banquet hall renovations	49,553	-	-	-
EECBG banquet hall HVAC	88,000	5,920	8,530	14,450
Basketball floor repairs	24,638	24,638	-	24,638
Total expenditures	<u>5,410,285</u>	<u>2,180,513</u>	<u>544,208</u>	<u>2,724,721</u>
Revenues over (under) expenditures	<u>(2,952,285)</u>	<u>(2,180,513)</u>	<u>370,242</u>	<u>(1,810,271)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	3,052,285	2,784,428	250,000	3,034,428
Transfers to other funds	(100,000)	(100,000)	-	(100,000)
Total other financing sources (uses)	<u>2,952,285</u>	<u>2,684,428</u>	<u>250,000</u>	<u>2,934,428</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 503,915</u>	<u>\$ 620,242</u>	<u>\$ 1,124,157</u>

**CITY OF ASHEVILLE  
MASS TRANSIT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 801,000	\$ 907,341	\$ 106,341
Other operating revenue	340,200	345,403	5,203
Intergovernmental revenue	3,463,200	2,950,142	(513,058)
Interest earned	-	1,400	1,400
Total revenues	4,604,400	4,204,286	(400,114)
<b>OPERATING EXPENDITURES</b>			
Administration	336,342	334,627	1,715
Operations	5,376,987	4,871,494	505,493
Capital outlay	5,030	5,030	-
Interest and other charges	15,450	-	15,450
Total expenditures	5,733,809	5,211,151	522,658
Revenues under expenditures	(1,129,409)	(1,006,865)	122,544
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds	1,126,196	1,137,535	11,339
Appropriated fund balance	3,213	-	(3,213)
Total other financing sources (uses)	1,129,409	1,137,535	8,126
Revenues over expenditures and other financing sources (uses)	\$ -	\$ 130,670	\$ 130,670
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over (under) expenditures and other financing sources (uses):			
Mass Transit Fund		\$ 130,670	
Mass Transit Capital Projects Fund		(326,508)	
Total		(195,838)	
Reconciling items:			
Capitalized assets		2,628,075	
Depreciation		(419,598)	
Change in compensated absences		(9,413)	
Change in OPEB obligation		(2,103)	
Change in net assets		\$ 2,001,123	

**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, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>REVENUES</b>				
Capital grants and contributions	\$ 7,367,622	\$ 197,127	\$ 2,406,484	\$ 2,603,611
Other revenue	13,000	-	-	-
Total revenues	<u>7,380,622</u>	<u>197,127</u>	<u>2,406,484</u>	<u>2,603,611</u>
<b>EXPENDITURES</b>				
Hybrid bus purchases	2,625,000	-	2,623,045	2,623,045
ARRA-FTA bus purchases	2,590,439	-	12,575	12,575
Bus purchases - 2 diesel and 2 hybrid	1,999,376	-	-	-
Transit garage project	125,000	-	5,157	5,157
Transit master plan	150,000	-	80,876	80,876
Fareboxes	233,417	219,030	-	219,030
Street Furniture Improvement	25,000	5,536	-	5,536
Street Furniture Improvement 2	60,000	-	14,605	14,605
New Freedom Grant	208,512	-	-	-
Total expenditures	<u>8,016,744</u>	<u>224,566</u>	<u>2,736,258</u>	<u>2,960,824</u>
Revenues under expenditures	<u>(636,122)</u>	<u>(27,439)</u>	<u>(329,774)</u>	<u>(357,213)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	743,162	657,207	3,266	660,473
Transfers to other funds	(107,040)	(39,437)	-	(39,437)
Total other financing sources (uses)	<u>636,122</u>	<u>617,770</u>	<u>3,266</u>	<u>621,036</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 590,331</u>	<u>\$ (326,508)</u>	<u>\$ 263,823</u>

**CITY OF ASHEVILLE  
GOLF COURSE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 625,000	\$ 462,682	\$ (162,318)
Rents	255,000	223,652	(31,348)
Concessions	40,000	55,848	15,848
Total revenues	920,000	742,182	(177,818)
<b>EXPENDITURES</b>			
Operations	931,819	884,400	47,419
Interest and other charges	-	970	(970)
Total expenditures	931,819	885,370	46,449
Revenues under expenditures	(11,819)	(143,188)	(131,369)
<b>OTHER FINANCING SOURCES</b>			
Appropriated fund balance	11,819	-	(11,819)
Revenues under expenditures and other financing sources	\$ -	\$ (143,188)	\$ (143,188)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues under expenditures and other financing sources:			
Golf Course Fund		\$ (143,188)	
Golf Course Capital Projects Fund		(11,030)	
Total		(154,218)	
Reconciling items:			
Depreciation		(66,030)	
Change in compensated absences		(11,200)	
Change in OPEB obligation		(5,349)	
Change in net assets		\$ (236,797)	

**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, 2011**

	<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	\$ 233,784	\$ 11,030	\$ 244,814
<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>\$ 16,216</u>	<u>\$ (11,030)</u>	<u>\$ 5,186</u>

**CITY OF ASHEVILLE  
FESTIVALS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 25,000	\$ 72,566	\$ 47,566
Rents	116,125	155,424	39,299
Concessions	161,500	158,997	(2,503)
Other operating revenue	243,917	104,464	(139,453)
Interest earned	700	-	(700)
Total revenues	547,242	491,451	(55,791)
<b>EXPENDITURES</b>			
Administration	184,313	173,516	10,797
Operations	527,290	491,021	36,269
Interest and other charges	-	275	(275)
Total expenditures	711,603	664,812	46,791
Revenues under expenditures	(164,361)	(173,361)	(9,000)
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	162,652	1,718,949	1,556,297
Appropriated fund balance	1,709	-	(1,709)
Total other financing sources	164,361	1,718,949	1,554,588
Revenues over expenditures and other financing sources	\$ -	1,545,588	\$ 1,545,588
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Change in compensated absences		10,929	
Change in net assets		\$ 1,556,517	



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# Proprietary Funds

## Internal Service Funds

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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.

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

**CITY OF ASHEVILLE  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

	<b>General Insurance</b>	<b>Health</b>	<b>Workers' Compensation</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 3,959,331	1,112,381	2,395,032
Accounts receivable (net of allowance for uncollectibles)	-	114,138	169,566
Total assets	3,959,331	1,226,519	2,564,598
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	-	538,500	68,989
Other accrued liabilities	-	43,846	-
Estimated claims payable, current	-	607,577	-
Total current liabilities	-	1,189,923	68,989
Non-current liabilities:			
Estimated claims payable, long-term	-	-	2,043,680
Total liabilities	-	1,189,923	2,112,669
<b>NET ASSETS</b>			
Unrestricted	\$ 3,959,331	\$ 36,596	\$ 451,929

<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
1,987,583	\$ 9,454,327
1,154	284,858
<u>1,988,737</u>	<u>9,739,185</u>
43,545	651,034
-	43,846
-	607,577
<u>43,545</u>	<u>1,302,457</u>
<u>1,798,188</u>	<u>3,841,868</u>
<u>1,841,733</u>	<u>5,144,325</u>
<u>\$ 147,004</u>	<u>\$ 4,594,860</u>

**CITY OF ASHEVILLE  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 13,155,960	\$ 1,142,774
Other operating revenue	-	423,963	688
Total operating revenues	<u>-</u>	<u>13,579,923</u>	<u>1,143,462</u>
<b>OPERATING EXPENSES</b>			
Administration	-	878,319	49,995
Operations	-	12,694,415	1,248,371
Total operating expenses	<u>-</u>	<u>13,572,734</u>	<u>1,298,366</u>
Operating income (loss)	-	7,189	(154,904)
<b>NON-OPERATING REVENUE</b>			
Interest earned	<u>-</u>	<u>29,407</u>	<u>4,292</u>
Changes in net assets	-	36,596	(150,612)
Total net assets - beginning (as restated)	<u>3,959,331</u>	<u>-</u>	<u>602,541</u>
Total net assets - ending	<u>\$ 3,959,331</u>	<u>\$ 36,596</u>	<u>\$ 451,929</u>

<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
\$ 1,374,945	\$ 15,673,679
82,191	506,842
1,457,136	16,180,521
310,227	1,238,541
1,004,390	14,947,176
1,314,617	16,185,717
142,519	(5,196)
4,485	38,184
147,004	32,988
-	4,561,872
\$ 147,004	\$ 4,594,860

**CITY OF ASHEVILLE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Insurance</u>	<u>Health</u>	<u>Workers' Compensation</u>
Cash flows from operating activities:			
Cash received from customers	\$ 92,124	\$ 13,041,822	\$ 973,208
Cash paid for goods and services	(25,794)	(13,361,080)	(1,074,871)
Cash received from other sources	-	423,963	688
Net cash provided by (used for) operating activities	<u>66,330</u>	<u>104,705</u>	<u>(100,975)</u>
Cash flows from non-capital financing activities:			
Advances received from other funds	-	978,269	2,491,715
Advances paid to other funds	<u>(5,637,425)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) non- capital financing activities	<u>(5,637,425)</u>	<u>978,269</u>	<u>2,491,715</u>
Cash flows from investing activities:			
Interest earned	<u>-</u>	<u>29,407</u>	<u>4,292</u>
Net increase (decrease) in cash and cash equivalents	(5,571,095)	1,112,381	2,395,032
Cash and cash equivalents:			
Beginning of year, July 1	<u>9,530,426</u>	<u>-</u>	<u>-</u>
End of year, June 30	<u>\$ 3,959,331</u>	<u>\$ 1,112,381</u>	<u>\$ 2,395,032</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ -	\$ 7,189	\$ (154,904)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	92,124	(114,138)	(169,566)
Increase (decrease) in accounts payable	(25,794)	538,500	68,989
Increase in other accrued liabilities	-	43,846	-
Increase (decrease) in estimated claims payable	<u>-</u>	<u>(370,692)</u>	<u>154,506</u>
Net cash provided by (used for) operating activities	<u>\$ 66,330</u>	<u>\$ 104,705</u>	<u>\$ (100,975)</u>

<u>Property and Casualty</u>	<u>Total Internal Service Funds</u>
\$ 1,373,791	\$ 15,480,945
(1,640,325)	(16,102,070)
82,191	506,842
(184,343)	(114,283)
2,167,441	5,637,425
-	(5,637,425)
2,167,441	-
4,485	38,184
1,987,583	(76,099)
-	9,530,426
<u>\$ 1,987,583</u>	<u>\$ 9,454,327</u>
\$ 142,519	\$ (5,196)
(1,154)	(192,734)
43,545	625,240
-	43,846
(369,253)	(585,439)
<u>\$ (184,343)</u>	<u>\$ (114,283)</u>

**CITY OF ASHEVILLE  
HEALTH FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 13,722,108	\$ 13,155,960	\$ (566,148)
Other operating revenue	201,500	423,963	222,463
Interest earned	10,000	29,407	19,407
Total revenues	13,933,608	13,609,330	(324,278)
<b>EXPENDITURES</b>			
Administration	1,118,817	878,319	240,498
Operations	12,820,160	13,065,107	(244,947)
Total expenditures	13,938,977	13,943,426	(4,449)
Revenues under expenditures	(5,369)	(334,096)	(328,727)
<b>OTHER FINANCING SOURCES</b>			
Appropriated fund balance	5,369	-	(5,369)
Revenues under expenditures and other financing sources	\$ -	(334,096)	\$ (334,096)
Reconciling items:			
Change in estimate for claims incurred but not reported		370,692	
Change in net assets		\$ 36,596	

**CITY OF ASHEVILLE  
 WORKERS' COMPENSATION FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Charges for services	\$ 1,099,774	\$ 1,142,774	\$ 43,000
Other operating revenue	-	688	688
Interest earned	-	4,292	4,292
Total revenues	1,099,774	1,147,754	47,980
<b>EXPENDITURES</b>			
Administration	68,000	49,995	18,005
Operations	1,031,774	1,093,865	(62,091)
Total expenditures	1,099,774	1,143,860	(44,086)
Revenues over expenditures	\$ -	3,894	\$ 3,894
Reconciling items:			
Change in estimate for claims incurred but not reported		(154,506)	
Change in net assets		\$ (150,612)	

**CITY OF ASHEVILLE  
PROPERTY AND CASUALTY FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Charges for services	\$ 1,418,270	\$ 1,374,945	\$ (43,325)
Other operating revenue	85,000	82,191	(2,809)
Interest earned	-	4,485	4,485
Total revenues	<u>1,503,270</u>	<u>1,461,621</u>	<u>(41,649)</u>
<b>EXPENDITURES</b>			
Administration	318,043	310,227	7,816
Operations	1,390,852	1,373,643	17,209
Total expenditures	<u>1,708,895</u>	<u>1,683,870</u>	<u>25,025</u>
Revenues under expenditures	(205,625)	(222,249)	(16,624)
<b>OTHER FINANCING SOURCES</b>			
Appropriated fund balance	<u>205,625</u>	<u>-</u>	<u>(205,625)</u>
Revenues under expenditures and other financing sources	<u>\$ -</u>	<u>(222,249)</u>	<u>\$ (222,249)</u>
Reconciling items:			
Change in estimate for claims incurred but not reported		<u>369,253</u>	
Change in net assets		<u>\$ 147,004</u>	

# Agency Funds

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

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



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**CITY OF ASHEVILLE  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
<b>CIVIC CENTER AGENCY FUND:</b>				
<b>ASSETS</b>				
Cash and investments	\$ 487,806	\$ 237,279	\$ 679,469	\$ 45,616
<b>LIABILITIES</b>				
Due to others	\$ 487,806	\$ 237,279	\$ 679,469	\$ 45,616
<b>MSD AGENCY FUND:</b>				
<b>ASSETS</b>				
Cash and investments	\$ 263,991	\$ 89,715	\$ 289	\$ 353,417
Due from customers	2,202,609	826,905	2,120,704	908,810
	<u>\$ 2,466,600</u>	<u>\$ 916,620</u>	<u>\$ 2,120,993</u>	<u>\$ 1,262,227</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 2,466,600	\$ 916,620	\$ 2,120,993	\$ 1,262,227
<b>TOTAL AGENCY FUNDS:</b>				
<b>ASSETS</b>				
Cash and investments	\$ 751,797	\$ 326,994	\$ 679,758	\$ 399,033
Due from customers	2,202,609	826,905	2,120,704	908,810
Total assets	<u>\$ 2,954,406</u>	<u>\$ 1,153,899</u>	<u>\$ 2,800,462</u>	<u>\$ 1,307,843</u>
<b>LIABILITIES</b>				
Due to others	\$ 487,806	\$ 237,279	\$ 679,469	\$ 45,616
Due to other governments	2,466,600	916,620	2,120,993	1,262,227
Total liabilities	<u>\$ 2,954,406</u>	<u>\$ 1,153,899</u>	<u>\$ 2,800,462</u>	<u>\$ 1,307,843</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, 2011.

- 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, 2011**

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Receivable July 1, 2010</u>	<u>Additions</u>	<u>Collections and Other Reductions</u>	<u>Taxes Receivable June 30, 2011</u>
2001	\$ 52,281	\$ -	\$ 52,281	\$ -
2002	56,076	-	483	55,593
2003	59,587	-	556	59,031
2004	53,878	-	572	53,306
2005	57,897	-	5,484	52,413
2006	62,830	-	844	61,986
2007	55,028	-	3,189	51,839
2008	60,823	-	6,260	54,563
2009	108,781	-	38,535	70,246
2010	561,010	-	477,062	83,948
2011	-	45,856,923	45,556,329	300,594
Totals	<u>\$ 1,128,191</u>	<u>\$ 45,856,923</u>	<u>\$ 46,141,595</u>	843,519
Less: Allowance for uncollectible accounts:				
General Fund				<u>772,000</u>
Ad valorem taxes receivable-net				<u>\$ 71,519</u>
Reconciliation to revenues collected:				
Revenue - General Fund				\$ 46,223,101
Penalties and interest				(150,498)
Taxes written off				52,281
Other adjustments				<u>16,711</u>
Collections and other reductions				<u>\$ 46,141,595</u>

**CITY OF ASHEVILLE**  
**ANALYSIS OF CURRENT TAX LEVY AND SECONDARY MARKET DISCLOSURES**  
**CITY-WIDE LEVY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	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	\$ 10,829,669	\$ 0.42	\$ 45,484,608	\$ 43,409,578	\$ 2,075,030
Discoveries:					
Current year taxes	112,096	0.42	470,802	470,802	-
Penalties	-		67,974	67,974	-
Abatements	(39,634)		(166,461)	(124,992)	(41,469)
	<u>\$ 10,902,131</u>				
Net Levy			45,856,923	43,823,362	2,033,561
Uncollected taxes at June 30, 2011			<u>(300,594)</u>	<u>(153,357)</u>	<u>(147,237)</u>
Current year's taxes collected			<u>\$ 45,556,329</u>	<u>\$ 43,670,005</u>	<u>\$ 1,886,324</u>
Current levy collection percentage			<u>99.34%</u>	<u>99.65%</u>	<u>92.76%</u>
 <u>Secondary Market Disclosures:</u>					
Assessed valuation (dollars in thousands):					
Assessment ratio				100 %	
Real property				\$ 9,514,374	
Personal property				1,200,801	
Public service companies				<u>186,956</u>	
Total assessed valuation (dollars in thousands)				10,902,131	
Tax rate per \$100				<u>0.42</u>	
Total tax levy				<u>\$ 45,856,923</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.*

#### Continuing Disclosure

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

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

**CITY OF ASHEVILLE**  
**CHANGES IN NET ASSETS**  
**Last Nine 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				
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				
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				

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010<sup>(a)</sup></b>	<b>2011<sup>(a)</sup></b>
\$ 166,595	\$ 165,821	\$ 163,616	\$ 164,710	\$ 154,318
7,272	6,362	4,642	3,904	13,358
44,754	40,338	37,208	32,114	19,880
<u>\$ 218,621</u>	<u>\$ 212,521</u>	<u>\$ 205,466</u>	<u>\$ 200,728</u>	<u>\$ 187,556</u>
\$ 99,339	\$ 133,002	\$ 119,193	\$ 124,758	\$ 125,135
-	-	-	561	-
39,540	21,917	43,206	40,800	45,807
<u>\$ 138,879</u>	<u>\$ 154,919</u>	<u>\$ 162,399</u>	<u>\$ 166,119</u>	<u>\$ 170,942</u>
\$ 265,934	\$ 298,823	\$ 282,809	\$ 289,468	\$ 279,453
7,272	6,362	4,642	4,465	13,358
84,294	62,255	80,414	72,914	65,687
<u>\$ 357,500</u>	<u>\$ 367,440</u>	<u>\$ 367,865</u>	<u>\$ 366,847</u>	<u>\$ 358,498</u>

(continued)

**CITY OF ASHEVILLE**  
**CHANGES IN NET ASSETS**  
**Last Nine 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
Parking services	1,016	1,348	1,364	1,249
Street cut utility	-	-	-	-
Stormwater	-	-	-	1,995
Civic center	2,003	2,669	2,361	2,252
Mass transit	3,575	3,775	3,928	4,262
Golf course	-	-	-	884
Festivals	801	1,121	1,067	1,270
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>

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010<sup>(a)</sup></b>	<b>2011<sup>(a)</sup></b>
\$ 18,338	\$ 21,871	\$ 14,206	\$ 21,245	\$ 18,381
34,454	39,465	43,305	44,282	44,323
21,239	21,571	28,754	17,481	10,111
5,920	5,046	2,941	6,016	6,493
-	-	-	7,359	14,233
9,767	10,122	12,626	9,328	10,932
1,243	977	1,125	930	861
<u>90,961</u>	<u>99,052</u>	<u>102,957</u>	<u>106,641</u>	<u>105,334</u>
20,617	22,202	24,823	27,490	31,045
1,330	1,769	1,106	1,669	1,920
-	-	-	-	1,073
2,500	2,919	3,382	3,055	2,771
2,220	2,259	2,374	2,147	2,510
4,633	5,086	5,475	5,542	5,751
997	1,050	1,114	1,031	979
1,315	1,170	2,013	758	654
<u>33,612</u>	<u>36,455</u>	<u>40,287</u>	<u>41,692</u>	<u>46,703</u>
<u>\$ 124,573</u>	<u>\$ 135,507</u>	<u>\$ 143,244</u>	<u>\$ 148,333</u>	<u>\$ 152,037</u>

(continued)

**CITY OF ASHEVILLE**  
**CHANGES IN NET ASSETS**  
**Last Nine 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
Parking services	2,120	2,594	2,520	2,383
Street cut utility	-	-	-	-
Stormwater	-	-	-	2,357
Civic center	1,099	1,302	1,798	1,526
Mass transit	592	689	671	752
Golf course	-	-	-	839
Festivals	463	425	701	1,033
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	4,223	2,229	3,717	7,084
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>	<u>2011<sup>(a)</sup></u>
\$ 8,766	\$ 9,568	\$ 6,180	\$ 10,974	\$ 7,999
3,747	4,358	4,467	4,382	3,750
3,140	3,120	1,705	3,239	3,149
6,578	8,114	8,690	6,152	5,422
2,374	103	5,639	8,942	8,616
<u>24,605</u>	<u>25,263</u>	<u>26,681</u>	<u>33,689</u>	<u>28,936</u>
30,465	31,535	30,841	31,276	33,617
2,870	3,009	771	2,802	2,928
-	-	-	-	40
3,035	3,050	2,901	3,188	3,131
1,556	1,671	1,730	1,418	2,594
968	1,178	1,136	1,145	1,253
894	966	870	728	742
868	860	2,850	638	492
2,374	2,076	2,554	3,049	2,983
3,571	3,751	1,044	640	3,310
<u>46,601</u>	<u>48,096</u>	<u>44,697</u>	<u>44,884</u>	<u>51,090</u>
<u>\$ 71,206</u>	<u>\$ 73,359</u>	<u>\$ 71,378</u>	<u>\$ 78,573</u>	<u>\$ 80,026</u>
\$ (66,356)	\$ (73,789)	\$ (76,276)	\$ (72,952)	\$ (76,398)
<u>12,989</u>	<u>11,641</u>	<u>4,410</u>	<u>3,192</u>	<u>4,387</u>
<u>\$ (53,367)</u>	<u>\$ (62,148)</u>	<u>\$ (71,866)</u>	<u>\$ (69,760)</u>	<u>\$ (72,011)</u>

(continued)

**CITY OF ASHEVILLE**  
**CHANGES IN NET ASSETS**  
**Last Nine 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	(1,849)	(1,883)	(1,941)	(1,943)
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	1,849	1,883	1,941	1,943
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>	<u>2011<sup>(a)</sup></u>
\$ 41,254	\$ 42,119	\$ 43,971	\$ 45,238	\$ 45,979
17,399	16,548	15,036	14,173	14,718
6,163	7,456	8,054	389	956
1,513	1,242	1,771	8,308	8,511
3,127	3,025	2,254	232	585
5,044	-	-	-	-
<u>(2,317)</u>	<u>(2,701)</u>	<u>(1,865)</u>	<u>(125)</u>	<u>(2,333)</u>
<u>72,183</u>	<u>67,689</u>	<u>69,221</u>	<u>68,215</u>	<u>68,416</u>
1,222	1,700	1,205	403	200
<u>2,317</u>	<u>2,701</u>	<u>1,865</u>	<u>125</u>	<u>2,333</u>
<u>3,539</u>	<u>4,401</u>	<u>3,070</u>	<u>528</u>	<u>2,533</u>
<u>\$ 75,722</u>	<u>\$ 72,090</u>	<u>\$ 72,291</u>	<u>\$ 68,743</u>	<u>\$ 70,949</u>
\$ 5,827	\$ (6,100)	\$ (7,055)	\$ (4,737)	\$ (7,982)
<u>16,528</u>	<u>16,042</u>	<u>7,480</u>	<u>3,720</u>	<u>6,920</u>
<u>\$ 22,355</u>	<u>\$ 9,942</u>	<u>\$ 425</u>	<u>\$ (1,017)</u>	<u>\$ (1,062)</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund:				
Reserved	\$ 9,033	\$ 7,075	\$ 14,649	\$ 15,529
Unreserved	10,009	17,481	17,833	17,276
Non-spendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Total general fund	<u>\$ 19,042</u>	<u>\$ 24,556</u>	<u>\$ 32,482</u>	<u>\$ 32,805</u>
All other governmental funds:				
Reserved	\$ 354	\$ 2,382	\$ 573	\$ 3,978
Unreserved, reported in:				
Special revenue funds	216	47	1,563	(54)
Capital projects funds	1,176	(14)	1,030	613
Non-spendable	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A
Committed	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A
Total all other governmental funds	<u>\$ 1,746</u>	<u>\$ 2,415</u>	<u>\$ 3,166</u>	<u>\$ 4,537</u>

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

<sup>(b)</sup>The presentation of fund balance changed in 2011 as a result of the implementation of GASB 54. As such, N/A marks the categories of fund balance that are no longer applicable.

<u>2006</u>	<u>2007</u>	<u>2008<sup>(a)</sup></u>	<u>2009</u>	<u>2010</u>	<u>2011<sup>(b)</sup></u>
\$ 13,834	\$ 19,762	\$ 10,460	\$ 8,665	\$ 10,150	N/A
23,792	21,852	18,232	16,697	11,163	N/A
N/A	N/A	N/A	N/A	N/A	\$ 465
N/A	N/A	N/A	N/A	N/A	5,995
N/A	N/A	N/A	N/A	N/A	-
N/A	N/A	N/A	N/A	N/A	73
N/A	N/A	N/A	N/A	N/A	13,102
<u>\$ 37,626</u>	<u>\$ 41,614</u>	<u>\$ 28,692</u>	<u>\$ 25,362</u>	<u>\$ 21,313</u>	<u>\$ 19,636</u>
\$ 7,793	\$ 5,462	\$ 5,682	\$ 7,884	\$ 5,931	N/A
1,362	834	830	(438)	(694)	N/A
1,543	3,343	7,470	4,485	4,582	N/A
N/A	N/A	N/A	N/A	N/A	\$ 324
N/A	N/A	N/A	N/A	N/A	3,978
N/A	N/A	N/A	N/A	N/A	4,006
N/A	N/A	N/A	N/A	N/A	-
<u>\$ 10,698</u>	<u>\$ 9,639</u>	<u>\$ 13,982</u>	<u>\$ 11,931</u>	<u>\$ 9,819</u>	<u>\$ 8,308</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues:				
Taxes	\$ 40,046	\$ 46,250	\$ 49,713	\$ 51,259
Intergovernmental	13,584	13,791	13,336	14,875
Licenses and Permits	4,417	4,406	5,074	4,677
Charges for services	5,103	9,064	6,933	8,188
Private donations	171	268	247	562
Investment earnings	439	437	181	663
Miscellaneous	1,562	849	1,055	1,320
Total revenues	<u>65,322</u>	<u>75,065</u>	<u>76,539</u>	<u>81,544</u>
Expenditures:				
Current:				
General government	8,602	7,552	8,637	11,132
Public safety	27,185	26,257	26,164	29,692
Public works	10,005	11,044	11,625	12,009
Community development	243	3,596	3,391	5,181
Planning	1,336	1,165	1,364	1,503
Engineering	1,505	1,600	1,673	1,924
Transportation	-	-	-	-
Culture and recreation	6,445	5,613	5,240	6,334
Capital outlay	7,667	6,666	5,598	5,198
Debt service:				
Principal	2,471	3,604	4,120	3,820
Interest	1,492	1,468	1,367	1,213
Total expenditures	<u>66,951</u>	<u>68,565</u>	<u>69,179</u>	<u>78,006</u>
Revenues over (under) expenditures	<u>(1,629)</u>	<u>6,500</u>	<u>7,360</u>	<u>3,538</u>
Other financing sources (uses):				
Transfer from other funds	3,131	1,627	1,889	3,548
Transfer to other funds	(4,220)	(3,475)	(3,772)	(5,489)
Long term debt issued	1,070	2,546	2,191	-
Sale of capital assets	156	207	163	97
Total other financing sources (uses)	<u>137</u>	<u>905</u>	<u>471</u>	<u>(1,844)</u>
Net change in fund balance	<u>\$ (1,492)</u>	<u>\$ 7,405</u>	<u>\$ 7,831</u>	<u>\$ 1,694</u>
Debt service as a percentage of non-capital expenditures	<u>6.68%</u>	<u>8.19%</u>	<u>8.63%</u>	<u>6.91%</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>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010<sup>(a)</sup></b>	<b>2011<sup>(a)</sup></b>
\$ 53,356	\$ 59,123	\$ 59,073	\$ 59,313	\$ 59,814	\$ 61,596
15,440	14,969	16,590	18,313	19,681	17,637
4,948	5,878	5,187	5,497	4,290	5,224
9,023	9,775	10,319	7,359	7,828	6,177
1,059	1,360	122	1,883	-	-
1,833	1,930	1,588	1,243	77	116
891	876	1,038	1,231	2,003	2,404
<u>86,550</u>	<u>93,911</u>	<u>93,917</u>	<u>94,839</u>	<u>93,693</u>	<u>93,154</u>
13,686	14,796	17,258	10,451	11,196	13,851
31,003	32,550	35,826	39,699	41,734	41,743
10,058	11,125	10,483	13,954	5,231	9,734
3,450	3,720	3,074	2,941	7,547	6,457
1,319	2,199	1,872	1,748	-	-
1,761	2,632	2,502	2,413	-	-
-	-	-	-	7,359	4,246
6,622	8,477	5,935	11,079	8,320	9,253
10,137	7,729	13,819	10,904	11,707	5,740
3,803	4,408	3,892	4,207	4,313	3,654
1,128	1,283	1,122	1,105	959	841
<u>82,967</u>	<u>88,919</u>	<u>95,782</u>	<u>98,501</u>	<u>98,366</u>	<u>95,519</u>
<u>3,583</u>	<u>4,992</u>	<u>(1,865)</u>	<u>(3,662)</u>	<u>(4,673)</u>	<u>(2,365)</u>
4,254	4,099	5,156	3,442	6,041	3,651
(6,197)	(6,416)	(16,906)	(5,307)	(6,166)	(5,984)
8,030	-	5,000	-	1,300	1,100
1,312	254	35	147	131	64
<u>7,399</u>	<u>(2,063)</u>	<u>(6,715)</u>	<u>(1,718)</u>	<u>1,306</u>	<u>(1,169)</u>
<u>\$ 10,982</u>	<u>\$ 2,929</u>	<u>\$ (8,580)</u>	<u>\$ (5,380)</u>	<u>\$ (3,367)</u>	<u>\$ (3,534)</u>
<u>6.77%</u>	<u>7.01%</u>	<u>6.12%</u>	<u>6.06%</u>	<u>6.08%</u>	<u>5.01%</u>



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

<b>Fiscal Year Ended June 30</b>	<b>Ad Valorem Taxes</b>	<b>Local Option Sales Taxes (a)</b>	<b>Other Taxes (a)</b>	<b>Total</b>
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
2011	46,223	14,718	472	61,413

<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>
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
2011	5,551,456	3,984,322	186,956	480,112	699,285

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>Total Taxable Assessed Value</b>	<b>Total City Direct Tax Rate (a)</b>	<b>Estimated Actual Assessed Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$ 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%
10,902,131	0.42	11,037,376	98.77%

**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>	
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
2011	0.400	0.020	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>2010 Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>2001 Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Town Square West	\$ 119,489	1	0.41%	\$ -		-
Jack Tar Hotels	102,512	2	0.36%	74,819	1	1.44%
Progress Energy/CP & L	90,036	3	0.31%	52,221	4	1.00%
Asheville LLC	78,939	4	0.27%	59,503	3	1.14%
Ingles Markets	90,000	5	0.31%	42,700	6	0.82%
Bellsouth Telephone	39,959	6	0.14%	64,638	2	1.24%
Unison Engine Components	34,593	7	0.12%	-		-
Day International Inc	30,155	8	0.10%	-		-
Power Development, LLC	28,922	9	0.10%	-		-
Biltmore Commercial Properties	25,801	10	0.09%	-		-
BASF Corporation			-	48,994	5	0.94%
VME/Volvo			-	27,079	8	0.52%
CRIT-NC LLC			-	20,975	9	0.40%
Pechiney Plastic Packaging, Inc			-	20,774	10	0.40%
Biltmore Square			-	32,865	7	0.63%

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>
2002	\$ 28,936	\$ 28,571	98.7%	56	\$ 309	\$ 28,880	99.8%
2003	33,118	32,641	98.6%	59	418	33,059	99.8%
2004	34,273	33,921	99.0%	53	299	34,220	99.8%
2005	35,443	35,091	99.0%	52	300	35,391	99.9%
2006	36,870	36,557	99.2%	62	251	36,808	99.8%
2007	41,675	41,414	99.4%	52	209	41,623	99.9%
2008	42,044	41,749	99.3%	55	240	41,989	99.9%
2009	43,737	43,272	98.9%	70	395	43,667	99.8%
2010	45,310	44,749	98.8%	84	477	45,226	99.8%
2011	45,857	45,556	99.3%	301	-	45,556	99.3%

**CITY OF ASHEVILLE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Nine 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>Other</u>	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Installment Contract</u>
2003	\$ 10,488	\$ 19,760	\$ 87	\$ 45,110	\$ 10,877	\$ 2,617
2004	9,101	18,020	67	44,090	9,289	2,113
2005	7,676	15,878	46	42,960	7,719	1,610
2006	6,057	21,916	24	41,800	6,413	1,320
2007	4,455	19,335	-	40,580	5,124	742
2008	2,985	22,091	-	78,170	3,750	129
2009	2,279	20,628	-	76,050	2,401	86
2010	1,652	18,291	1,012	73,570	988	43
2011	1,230	16,210	961	71,005	60	6,175

<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>State</u>	<u>Unamortized</u>			<u>Debt as a</u>			
<u>Water Bond</u>	<u>Bond</u>	<u>Total</u>	<u>Personal</u>	<u>Percentage</u>	<u>Personal</u>		
<u>Loan</u>	<u>Proceeds</u>	<u>Debt</u>	<u>Income</u>	<u>of Personal</u>	<u>Income</u>	<u>Debt</u>	
				<u>Income</u>			
\$ 2,100	\$ -	\$ 91,039	\$ 1,875,581	4.85%	\$ 26,251	\$ 1,275	
1,950	26	84,656	1,999,706	4.23%	27,518	1,165	
1,800	22	77,711	2,096,547	3.71%	28,432	1,054	
1,650	19	79,199	2,296,829	3.45%	30,789	1,062	
1,500	1,600	73,336	2,336,661	3.14%	30,767	966	
1,350	1,900	110,375	1,818,296	6.07%	23,360	1,418	
1,200	1,800	104,444	2,688,692	3.88%	33,620	1,315	
1,050	1,669	98,275	2,885,927	3.41%	34,362	1,229	
1,228	1,597	98,466	(a)	(a)	(a)	1,172	

**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>
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
2011	1,290	0.01%	15

**CITY OF ASHEVILLE**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2011**  
**(amounts expressed in thousands)**

<u>Governmental Unit</u>	<u>Net General Obligation Bonded Debt Outstanding<sup>(1)</sup></u>	<u>Percentage Applicable to The City<sup>(2)</sup></u>	<u>The City's Share of Debt</u>
Buncombe County	\$ 219,100	37.48%	\$ 82,119
City of Asheville	<u>1,230</u>	100.00%	<u>1,230</u>
Total direct and overlapping debt	<u><u>\$ 220,330</u></u>		<u><u>\$ 83,349</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>Excludes general obligation bonds being paid from enterprise funds.

<sup>(2)</sup>The percentage of overlapping debt is based on assessed property values.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 416,911	\$ 506,379	\$ 522,935	\$ 534,321	\$ 549,327
Total net debt applicable to limit	<u>11,818</u>	<u>10,489</u>	<u>18,391</u>	<u>15,421</u>	<u>12,489</u>
Legal debt margin	<u>\$ 405,093</u>	<u>\$ 495,890</u>	<u>\$ 504,544</u>	<u>\$ 518,900</u>	<u>\$ 536,838</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>2.83%</u>	<u>2.07%</u>	<u>3.52%</u>	<u>2.89%</u>	<u>2.27%</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 779,731	\$ 801,185	\$ 824,159	\$ 861,682	\$ 872,170
<u>9,596</u>	<u>6,735</u>	<u>4,680</u>	<u>2,650</u>	<u>1,290</u>
<u>\$ 770,135</u>	<u>\$ 794,450</u>	<u>\$ 819,479</u>	<u>\$ 859,032</u>	<u>\$ 870,880</u>
<u>1.23%</u>	<u>0.84%</u>	<u>0.57%</u>	<u>0.31%</u>	<u>0.15%</u>

**Legal Debt Margin Calculation**

Total assessed value	\$ 10,902,131
Debt limit (8% of total assessed value)	872,170

Debt applicable to limit:

Total bonded debt	72,295
Less: Revenue bonds	<u>71,005</u>
Total debt applicable to limit	<u>1,290</u>
Legal debt margin	<u>\$ 870,880</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>
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	2,688,692	33,620	3,946	9.2%
2010	79,973	2,885,927	34,362	3,834	8.5%
2011	83,986	(e)	(e)	3,958	8.3%

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 Five Years Ago\***

<b>Employer</b>	<b>2011</b>		<b>Industry</b>	<b>2006</b>	
	<b>Rank</b>	<b>Employment Range</b>		<b>Rank</b>	<b>Employment Range</b>
Buncombe County Schools	1	3,000+	Education and Health Services	2	1,000 +
Mission Health & Hospitals	2	3,000+	Education and Health Services	1	1,000 +
City of Asheville	3	1,000+	Public Administration	7	1,000 +
The Biltmore Company	4	1,000+	Leisure and Hospitality		
Buncombe County Government	5	1,000 +	Public Administration	5	1,000 +
The Grove Park Inn Resort & Spa	6	1,000+	Leisure and Hospitality	10	500-999
Ingles Market Inc.	7	1,000+	Trade, Transportation, and Utilities	4	1,000 +
Veterans Administration	8	1,000+	Public Administration		
Borg-Warner Turbo Systems	9	750-999	Manufacturing	16	500-999
Community Carepartners Inc.	10	750-999	Education and Health Services	12	500-999
Eaton Corporation-Cutler Hammer Inc.	11	750-999	Manufacturing	14	500-999
Asheville City Schools	12	500-749	Education and Health Services	13	500-999
Arvato Digital Services LLC	13	500-749	Manufacturing		
Sitel, A Subsidiary of Onex Corporation	14	500-749	Administrative and Support Services		
Thermo fisher Scientific, Inc	15	500-749	Machinery Manufacturing		
University of North Carolina at Asheville	16	500-749	Education Services		
Asheville Buncombe Community College	17	400-499	Education Services	9	500-999
Black Mountain Neuro-Medical Treatment Center	18	400-499	Nursing and Residential Care Facilities		
Kearfott Guide and Navigation Group	19	400-499	Computer and Electronic Product Manufacturing		
Wal-Mart	20	400-499	Trade, Transportation, and Utilities	8	1,000 +

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 Six Years\***

Function:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	196	198	197	281	227	223
Public Safety:						
Police:						
Officers	197	198	197	197	206	201
Civilians	52	53	54	32	47	42
Fire:						
Firefighters and officers	214	219	220	227	220	230
Civilians	2	2	2	5	16	9
Highway and streets:						
Engineering	41	42	42	-	8	23
Maintenance	119	120	121	79	50	74
Sanitation	36	37	36	37	29	27
Culture and recreation	146	144	143	126	157	92
Water	<u>136</u>	<u>135</u>	<u>130</u>	<u>137</u>	<u>148</u>	<u>142</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>1,108</u></u>	<u><u>1,063</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Function:				
Police:				
Number of police personnel and officers	218	171	235	239
Number of calls for service	109,953	93,771	87,343	96,775
Number of law violations:				
Uniform Crime Report Part I crimes reported	4,903	5,337	5,892	6,238
Uniform Crime Report Part II crimes reported	3,425	3,405	3,978	4,222
Part I Crime cases cleared by arrest	1,104	1,367	1,230	814
Accidents investigated	2,278	2,325	6,840	7,081
Number of physical arrests	(a)	(a)	(a)	(a)
Number of traffic violations	(a)	(a)	(a)	(a)
Number of incident reports	(a)	(a)	(a)	(a)
Fire:				
Number of fire personnel and officers	204	198	207	207
Number of calls answered	11,163	10,963	12,049	13,820
Inspections	3,159	4,656	4,474	6,292
Water:				
Number of service connections	45,333	46,377	47,290	48,332
Maximum daily capacity of plants in gallons	41,000,000	41,000,000	41,000,000	43,000,000
Daily average consumption in gallons (thousands of gallons)	21,500,000	21,700,000	21,400,000	20,900,000
Education:				
Number of preschool school instructors	(a)	(a)	(a)	(a)
Number of elementary school instructors	190	159	153	155
Number of middle school instructors	73	73	61	57
Number of secondary school instructors	107	92	98	99
Miscellaneous:				
Number of employees	911	899	919	928
Area in square miles	42.26	42.73	43.13	43.15

Sources: Various city departments.

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

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
249	251	254	261	259	254
98,097	102,276	102,167	113,104	110,353	110,059
5,117	4,648	4,848	4,347	4,280	3,874
4,495	4,903	4,135	4,027	3,720	3,518
783	1,241	602	1,308	1,107	1,180
3,270	7,781	7,280	6,517	6,554	6,240
5,862	9,757	6,523	6,196	5,661	5,904
9,315	14,061	5,468	17,951	13,157	9,304
9,612	9,551	9,941	9,401	8,000	7,308
221	224	233	239	239	239
13,067	15,339	13,532	13,394	13,585	14,110
5,508	5,477	8,900	12,740	6,569	10,480
50,415	51,109	51,769	55,171	55,538	55,921
44,000,000	43,500,000	44,000,000	43,500,000	43,500,000	43,500,000
21,200,000	21,500,000	20,950,000	20,470,000	21,600,000	20,600,000
(a)	(a)	17	15	15	13
150	112	149	114	167	152
60	63	65	64	67	63
95	98	86	86	88	146
1,148	1,148	1,142	1,121	1,108	1,063
43.64	43.77	44.44	45.24	45.25	45.52

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Function:				
Police:				
Stations/resource centers	1/5	1/5	1/6	1/5
Patrol districts	5	5	5	5
Patrol units (beats)	(a)	(a)	(a)	(a)
Fire stations	9	9	9	9
Highways and streets:				
Streets (miles)	378	385	281	390
Street lights	9,854	12,531	12,531	12,581
Traffic lights	218	218	218	218
Culture and recreation:				
Parks acreage	727	727	728	755
Parks and playgrounds	44	46	55	56
Swimming pools	2	2	2	2
Tennis courts	22	22	22	34
Community centers	11	11	11	11
Water:				
Water mains (miles)	1,550	1,550	1,550	1,550
Fire hydrants	6,000	6,000	6,000	6,130
Number of treatment plants	3	3	3	3
Schools:				
Number of preschool schools	(a)	(a)	(a)	(a)
Number of elementary schools	6	6	5	5
Number of middle schools	1	1	1	1
Number of secondary schools	1	1	1	1
Number of community colleges	1	1	1	1
Number of universities	2	2	2	2
Hospitals:				
Number of hospitals	2	2	2	2
Number of patient beds (includes VA nursing home)	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>	<u>2011</u>
1/3	1/4	1/4	1/5	1/6	1/6
3	3	3	3	3	3
12	12	13	13	16	16
9	9	11	11	12	12
394	395	398	399	401	402
12,585	9,790	9,809	9,856	9,885	9,868
270	295	295	295	295	295
942	972	987	987	769	872
43	54	57	57	73	73
3	3	3	3	3	3
29	32	32	32	28	25
11	11	11	11	11	11
1,600	1,625	1,643	1,653	1,658	1,661
6,355	6,178	6,307	6,470	6,530	6,644
3	3	3	3	3	3
(a)	(a)	1	1	1	1
5	5	5	5	5	5
1	1	1	1	2	1
1	1	1	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
1,032	1,032	1,032	1,054	1,054	1,054

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential single family:				
Total # of Accounts	39,808	40,726	41,575	42,525
Total # of Bills	234,717	238,335	246,672	251,782
Annual Usage Volume	2,574,760	2,672,756	2,570,229	2,572,856
Residential multi-family:				
Total # of Accounts	1,439	1,475	1,488	1,494
Total # of Bills	8,981	9,152	9,746	9,930
Annual Usage Volume	919,895	967,081	958,236	971,231
Non-residential:				
Total # of Accounts	4,086	4,006	4,057	4,172
Total # of Bills	23,722	24,355	26,109	26,649
Annual Usage Volume	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>	<b>2011</b>
43,660	44,899	45,706	45,968	46,329	46,683
253,411	258,111	267,134	276,263	280,518	282,423
2,642,539	2,772,653	2,844,103	2,796,210	2,663,582	2,699,304
1,509	1,523	1,546	1,568	1,576	1,580
9,456	9,039	9,249	10,069	10,262	10,242
975,238	982,227	999,955	990,837	987,162	983,663
4,377	4,481	4,524	4,573	4,573	4,633
25,826	24,918	26,111	28,089	28,437	28,572
3,274,229	3,209,849	2,832,160	2,590,537	2,479,587	2,669,466



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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>
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
2011	46,683	1,580	4,633	52,896

<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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net income projections:				
Operating revenues:				
Billing charge revenues	\$ 1,281,639	\$ 1,312,997	\$ 1,364,605	\$ 1,392,784
Volume charge revenues	18,102,462	18,880,139	18,650,881	18,514,311
Other operating revenues	2,018,651	2,449,492	2,779,049	3,016,370
Subtotal operating revenues	<u>21,402,752</u>	<u>22,642,628</u>	<u>22,794,535</u>	<u>22,923,465</u>
Operating expenses before depreciation:				
Operation and maintenance expenses	<u>(13,273,751)</u>	<u>(13,649,164)</u>	<u>(14,689,600)</u>	<u>(15,172,216)</u>
Operating income before depreciation	8,129,001	8,993,464	8,104,935	7,751,249
Depreciation	<u>(3,453,808)</u>	<u>(3,456,256)</u>	<u>(3,662,517)</u>	<u>(3,832,185)</u>
Operating income	4,675,193	5,537,208	4,442,418	3,919,064
Non-operating revenues:				
Investment income	561,319	189,961	115,296	250,971
Other non-operating revenues	-	-	-	-
Non-operating expenses:				
Bond interest expense and principal	<u>(3,461,924)</u>	<u>(3,116,929)</u>	<u>(3,085,313)</u>	<u>(2,896,086)</u>
Net income	<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	\$ 1,774,588	\$ 2,610,240	\$ 1,472,401	\$ 1,273,949
Adjustments:				
Depreciation	3,453,808	3,456,256	3,662,517	3,832,185
Non-operating expenses	3,461,924	3,116,929	3,085,313	2,896,086
Payment in lieu of taxes <sup>(a)</sup>	1,624,234	1,709,937	1,708,805	1,739,273
Income available for debt service	<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>	<u>2011<sup>(b)</sup></u>
\$ 1,394,387	\$ 1,410,688	\$ 1,466,020	\$ 2,117,273	\$ 2,332,017	\$ 2,401,410
18,983,499	19,286,742	20,433,779	21,612,926	21,835,672	23,397,783
3,614,925	9,767,758	9,635,108	7,110,917	7,108,614	7,818,241
<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>33,617,434</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>	<u>(20,651,612)</u>
10,411,476	16,373,981	16,273,200	13,985,756	14,282,785	12,965,822
<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>	<u>(7,206,761)</u>
6,439,514	12,144,285	11,946,167	9,167,762	6,539,028	5,759,061
427,548	989,590	1,429,927	1,090,534	309,576	142,789
-	-	-	-	33,554	230,974
<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>(3,186,975)</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>	<u>\$ 2,945,849</u>
\$ 4,226,310	\$ 10,837,938	\$ 10,762,581	\$ 7,108,657	\$ 4,258,045	\$ 2,945,849
3,971,962	4,229,696	4,327,033	4,817,994	7,743,757	7,206,761
2,640,752	2,295,937	2,613,513	3,149,639	2,624,113	3,186,975
-	-	-	-	-	-
<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>	<u>\$ 13,339,585</u>



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**CITY OF ASHEVILLE**  
**COMPILED BUDGET - ANNUALLY BUDGETED FUNDS**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2012**

	<u>General Fund</u>	<u>Water Resources Fund</u>
Estimated revenues:		
Ad Valorem taxes	\$ 46,977,637	\$ -
Other taxes	15,439,305	-
Intergovernmental revenues	10,963,573	3,094,611
Licenses and permits	4,781,500	500,000
Sales and services	5,502,240	39,094,818
Investment earnings	239,700	276,000
Miscellaneous revenues	1,334,680	3,208,147
Total estimated revenues	<u>85,238,635</u>	<u>46,173,576</u>
Appropriations:		
Current:		
General government	12,141,639	-
Public safety	41,505,325	-
Transportation	4,967,372	1,794,176
Environmental Services	6,824,223	4,808,846
Economic & Physical Development	2,410,018	-
Culture and Recreation	9,716,042	920,000
Civic Center	-	2,105,854
Water	-	16,621,205
Mass Transit	-	5,718,906
Debt service	4,393,832	6,814,075
Total appropriations	<u>81,958,451</u>	<u>38,783,062</u>
Estimated revenues over appropriations	3,280,184	7,390,514
Other financing sources (uses):		
Operating transfers from other funds:		
General Fund	-	1,377,889
Enterprise Funds	2,346,570	1,446,968
Grant Fund	28,000	-
Capital Project Fund	32,750	359,324
Operating transfers to other funds:		
Capital Project Fund	(4,009,615)	(7,911,157)
Enterprise Funds	(1,377,889)	(1,446,968)
General Fund	-	(2,346,570)
Other Funds	(300,000)	-
Proceeds of capital leases		430,000
Appropriated fund balances	-	700,000
Total other financing sources (uses)	<u>(3,280,184)</u>	<u>(7,390,514)</u>
Estimated revenues and other sources over appropriations and other uses	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ASHEVILLE**  
**SCHEDULE OF REVENUES, EXPENSES, DEBT SERVICE AND**  
**DEBT SERVICE COVERAGE - WATER RESOURCES FUND**  
**Last Six Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operations:				
Operating revenues	\$ 23,992,811	\$ 30,455,198	\$ 31,534,907	\$ 30,841,116
Operation and maintenance expense	(14,617,311)	(15,106,621)	(15,261,707)	(16,855,360)
Operating income before depreciation	9,375,500	15,348,577	16,273,200	13,985,756
Depreciation	(3,971,962)	(4,229,696)	(4,327,033)	(4,817,994)
Operating income	<u>5,403,538</u>	<u>11,118,881</u>	<u>11,946,167</u>	<u>9,167,762</u>
Non-operating revenues:				
Investment income	427,548	940,606	1,429,927	1,090,534
Non-operating expenses	-	-	20,626	1,893
Bond interest expense	(2,372,324)	(2,295,937)	(2,613,513)	(3,149,639)
Net income	<u>3,458,762</u>	<u>9,763,550</u>	<u>10,783,207</u>	<u>7,110,550</u>
Net revenues calculation:				
Adjustments to net income:				
Depreciation	3,971,962	4,229,696	4,327,033	4,817,994
Non-operating expenses	<u>2,372,324</u>	<u>2,295,937</u>	<u>2,613,513</u>	<u>3,149,639</u>
Revenue available for debt service	<u>\$ 9,803,048</u>	<u>\$ 16,289,183</u>	<u>\$ 17,723,753</u>	<u>\$ 15,078,183</u>
Debt service coverage:				
Total senior lien obligations debt service	<u>\$ 211,740</u>	<u>\$ 3,634,097</u>	<u>\$ 3,299,348</u>	<u>\$ 5,948,874</u>
Senior debt service coverage	<u>46.30</u>	<u>4.48</u>	<u>5.37</u>	<u>2.53</u>
Subordinated debt service	<u>\$ 1,632,565</u>	<u>\$ 1,561,023</u>	<u>\$ 1,797,749</u>	<u>\$ 1,665,889</u>
General obligation debt service coverage After senior debt service coverage	<u>5.85</u>	<u>7.64</u>	<u>7.66</u>	<u>4.77</u>
Total system debt service	<u>\$ 1,844,305</u>	<u>\$ 5,195,120</u>	<u>\$ 5,097,097</u>	<u>\$ 7,614,763</u>
Total system debt service coverage	<u>5.32</u>	<u>3.14</u>	<u>3.48</u>	<u>1.98</u>

<u>2010</u>	<u>2011</u>
\$ 31,276,303	\$ 33,617,434
<u>(16,993,518)</u>	<u>(20,651,612)</u>
14,282,785	12,965,822
<u>(7,743,757)</u>	<u>(7,206,761)</u>
<u>6,539,028</u>	<u>5,759,061</u>
33,554	230,974
309,576	142,789
(128,430)	-
<u>(2,624,113)</u>	<u>(3,186,975)</u>
<u>4,129,615</u>	<u>2,945,849</u>
7,743,757	7,206,761
<u>2,752,543</u>	<u>3,186,975</u>
<u>\$ 14,625,915</u>	<u>\$ 13,339,585</u>
<u>\$ 5,947,450</u>	<u>\$ 5,939,338</u>
<u>2.46</u>	<u>2.25</u>
<u>\$ 1,702,121</u>	<u>\$ 1,169,726</u>
<u>4.40</u>	<u>5.31</u>
<u>\$ 7,649,571</u>	<u>\$ 7,109,064</u>
<u>1.91</u>	<u>1.88</u>

**CITY OF ASHEVILLE**  
**CURRENT WATER RATE INFORMATION**  
**(Effective 7/1/2010)**

**Consumption Charge Rate Increase**

	Current CCF Rate
Per CCF (Hundred Cubic Feet or 748 gallons per unit of water)	
Single Family Residential and all Irrigation Meters:	\$ 3.77
Multi-Family:	\$ 3.08
Commercial ( <= 1,000 CCF monthly):	\$ 3.15
Commercial ( > 1,000 CCF's monthly):	\$ 1.41
Commercial ( <= 2,000 CCF bimonthly):	\$ 3.15
Commercial ( > 2,000 CCF bimonthly):	\$ 1.41

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

**Capital Improvement (CIP) Charge (Monthly Charge)**

Meter Size	Fee	Meter Size	Fee
5/8 inch	\$3.82	3 inch	\$480.48
3/4 inch	\$4.37	4 inch	\$840.84
1 inch	\$52.42	6 inch	\$1,081.08
1 1/2 inch	\$87.36	8 inch	\$1,321.32
2 inch	\$152.88	10 inch	\$1,561.56

NOTE: All Single Family Residential customers are charged \$3.82 per month for their domestic water use. If a single family residential customer has an irrigation account, they will be charged a CIP fee according to their meter size as provided above.

Service Charge \$55.00

Fee for Water Availability (application/letter of commitment)

Single Tap	Single Tap All	
Single-Family Residential	other User Classes	Multiple Services
\$52.00	\$78.00	\$312.00

(\$50+\$2 Tech F (\$75+\$3 Tech F (\$300+\$12 Tech Fee)

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

## 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, 2011**

<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 - Formula Grants Passed through North Carolina Department of Transportation:	20.507	Various	\$ 1,635,242	\$ -
Federal Transit - Capital Grant (Hybrid Buses) Passed through North Carolina Department of Transportation:	20.500	NC-04-0028-01	2,098,436	-
Federal Transit Metropolitan Planning Grant	20.505	10-08-100	57,648	7,206
Federal Transit Metropolitan Planning Grant Highway Planning and Construction Cluster:	20.505	11-08-100	37,262	4,658
TIP Enhancement Projects:				
ARRA - Fairview Signals	20.205	U-5175	63,329	-
ARRA - Kimberly Ave Resurfacing	20.205	U-5187	236,442	-
ARRA - Sidewalks	20.205	U-5186	402,021	-
ARRA - Coxe Ave Bike Lane	20.205	U-5173	191,059	-
Dykeman Riverway Plan	20.205	U-5019	257,424	-
Patton Avenue Sidewalks	20.205	E-2971M	120,000	30,000
East Oakview Bridge	20.205	B-4343	1,119	-
W. End Clingman Streetscape	20.205	E-4815 & E-4966	366,526	-
Pack Square	20.205	U-4919	30,022	-
Total U.S. Department of Transportation			5,496,530	41,864
<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-10-MC-370001	1,200,248	-
Community Development Block Grant	14.218	B-09-MC-370001	183,940	-
Community Development Block Grant	14.218	B-08-MC-370001	8,125	-
Community Development Block Grant	14.218	B-04-MC-370001	21,974	-
CDBG - ARRA Entitlement	14.253	B-09-MY-370001	107,415	-
HOME Program	14.239	M-10-DC-370201	741,120	-
HOME Program	14.239	M-09-DC-370201	495,075	-
HOME Program	14.239	M-08-DC-370201	88,081	-
HOME Program	14.239	M-07-DC-370201	2,274	-
ARRA - Hmlss Prevent and Rapid Response	14.257	S-09-MY-370007	235,561	-
Fair Housing Assistance Program (FHAP)	14.401	FF204K104018	47,134	-
Outstanding Section 108 Loan Balances	14.248	NA	1,148,429	-
Total U.S. Department of Housing and Urban Development			4,279,376	-

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<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:				
ARRA - Energy Efficiency Conservation Block Grant	81.128	DE-SC002764	\$ 572,387	\$ -
ARRA - Local Energy Assurance Planning (LEAP)	81.122	DE-OE000032	81,302	-
Total U.S. Department of Energy			653,689	-
<b><u>U. S. Department of Justice</u></b>				
Direct Programs:				
Justice Assistant Grant - BJA - 2007	16.738	2007	22,496	-
COPS Methamphetamine Initiative 2008	16.710	2008-CK-WX-0080	93,512	-
NCGCC Gang Violence Prevention Project	16.000	011-1-08-001-SG-443	8,337	-
Weed & Seed Grant	16.595	2008-WS-QX-0050	(12,037)	-
Weed & Seed Grant	16.595	2009-WS-QX-0092	90,208	-
Weed & Seed Grant	16.595	2010-WS-QX-0104	20,738	-
Bulletproof Vest Partnership	16.607	2007BUBX07037915	10,135	-
Total U.S. Department of Justice			233,389	-
<b><u>U. S. Department of Homeland Security</u></b>				
Passed through North Carolina Department of Crime Control and Public Safety:				
RRT6 2010 Operating Allotment	97.000	N/A	72,000	-
FEMA Storm Reimbursement	97.036	021-90086-00	28,658	214,132
RRT6 Hazmat 2008	97.067	2008-GE-T8-0033	173,224	-
RRT6 Hazmat 2009	97.067	2009-SS-T9-0046	114,603	-
Total U.S. Department of Homeland Security			388,485	214,132
<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	16,305	-
<b><u>U.S. Environmental Protection Agency</u></b>				
Direct Programs:				
Brownfields Assessment and Cleanup Coop	66.818	N/A	252,617	-
Passed through North Carolina Department of Environment and Natural Resources:				
ARRA - NC Diesel Emissions	66.040	Contract # 2482	11,350	-
ARRA - Water Plant and Pump Upgrades	66.468	H-ARRA-09-1395	198,194	-
Passed through Cleanwater Management Trust Fund: Environment and Natural Resources:				
ARRA - Dingle Creek Watershed II	66.458	2008B-701	129,382	-
Total U.S. Environmental Protection Agency			591,543	-

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<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	\$ -	\$ 2,147,026
State Maintenance Assistance Program	N/A	11-SM-002	-	890,111
Transportation Demand Management - 2010	N/A	10-RS-010	-	10,928
Transportation Demand Management - 2011	N/A	11-RS-010	-	35,623
Moving Ahead Program	N/A	09-04-0028	-	262,305
Intercity Grant - Black Mountain	N/A	10-DG-006	-	292,975
Intercity Grant - Black Mountain	N/A	10-DG-071	-	127,512
Total N.C.Department of Transportation			-	3,766,480
<b><u>N. C. Department of Health and Human Services</u></b>				
Direct Program:				
Homeless Initiative	N/A		-	2,300
Passed through Land of Sky Regional Council:				
Senior Center Gen'l Purpose - Senior Opportunity	N/A	HB-1473	-	15,567
Senior Center Gen'l Purpose - Harvest House	N/A	HB-1473	-	13,965
Total N.C. Dept of Health and Human Services			-	31,832
<b><u>N. C. Health and Wellness Trust Fund</u></b>				
Direct Programs:				
FIT Community Grant	N/A	N/A	-	8,409
<b><u>N. C. Department of Environment and Natural Resources</u></b>				
Direct Programs:				
Special Appropriations - WNC Nature Center	N/A	2005-421	-	105,664
Flood Damage Reduction, Flood Preparedness	N/A	W07019, 07021, 07022	-	238,496
Passed through Parks and Recreation Trust Fund:				
Beaucatcher Overlook	N/A	2009-589	-	125,183
Total N. C. Department of Environment and Natural Resources			-	469,343
<b><u>N. C. Department of Public Instruction</u></b>				
Direct Programs:				
21st Century Community Learning Center	N/A	COHORT7647B	-	104,000
<b><u>N. C. Department of Cultural Resources</u></b>				
Passed through North Carolina Arts Council:				
N.C. Arts Council 2011 Allotment	N/A	#614	-	5,000
Total federal and state awards expended			\$ 11,659,317	\$ 4,641,060

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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>
MHO - Homebuyer Assistance	HOME Investment Partnerships	14.239	\$ 31,500
CHDO Operating Expenses	HOME Investment Partnerships	14.239	70,236
AAHH - Down Payment Assistance	HOME Investment Partnerships	14.239	78,138
HACA - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	63,396
HB - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	36,794
HC / HAC - Down Payment Assistance	HOME Investment Partnerships	14.239	5,570
Henderson Co. Habitat - Shuey Knolls	HOME Investment Partnerships	14.239	52,880
HAC - Mapleton/Ridgecrest	HOME Investment Partnerships	14.239	150,000
CHCMC - Homeowner Rehab	HOME Investment Partnerships	14.239	42,454
MHO - Self-Help Homeownership	HOME Investment Partnerships	14.239	157,128
MHO - Single Family House Rehabilitation	HOME Investment Partnerships	14.239	10,208
MHO - Rural Home Rehab	HOME Investment Partnerships	14.239	43,783
On Track - Tenant Based Rental Assistance	HOME Investment Partnerships	14.239	33,507
MHO - Larchmont	HOME Investment Partnerships	14.239	175,000
WCCA - English House - Brevard	HOME Investment Partnerships	14.239	1,000
WCCA - English Hills Predevelopment Loan	HOME Investment Partnerships	14.239	25,748
AAHH - Brotherton Subdivision	HOME Investment Partnerships	14.239	33,765
MHO - Direct Homebuyer Assistance Asheville	HOME Investment Partnerships	14.239	8,592
MHO - Direct Homebuyer Assistance Buncombe	HOME Investment Partnerships	14.239	32,542
MC - Homeowner Rehab	HOME Investment Partnerships	14.239	70,000
MHO - Affordable Rental Housing II	HOME Investment Partnerships	14.239	37,000
AAHH - Enka Hills/Woodland Court	HOME Investment Partnerships	14.239	1,000
MHO - S/F New Construction	HOME Investment Partnerships	14.239	1,000
MHO - Clingman Lofts	HOME Investment Partnerships	14.239	1,000
WCCA - Rosman / Estatoe Apartments	HOME Investment Partnerships	14.239	5,000
		Subtotal:	<u>1,167,241</u>

(continued)

**CITY OF ASHEVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<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	\$ 74,324
Eblen Kimmel Charities	Hmlss Prevent Rapid Resp Prog	14.257	78,887
Pisgah Legal Services	Hmlss Prevent Rapid Resp Prog	14.257	8,457
United Way's 2-1-1	Hmlss Prevent Rapid Resp Prog	14.257	9,504
Western North Carolina Aids Project	Hmlss Prevent Rapid Resp Prog	14.257	64,389
		Subtotal:	<u>235,561</u>
AAHH - Housing Services	Community Develop Block Grant	14.218	70,614
MHO - Emergency Repair Tier 1	Community Develop Block Grant	14.218	140,821
MHO - Emergency Repair Tier II	Community Develop Block Grant	14.218	100,000
MHO - Housing Services	Community Develop Block Grant	14.218	155,000
MHO - Down Payment Assistance	Community Develop Block Grant	14.218	97,113
EMSDC - Renaissance 1	Community Develop Block Grant	14.218	21,949
On Track - Homebase Housing Counseling	Community Develop Block Grant	14.218	48,750
HB - Supportive Housing Services	Community Develop Block Grant	14.218	35,000
EC - Housing Services	Community Develop Block Grant	14.218	10,589
GO - Asheville Go-Employment Training & Apprenticeship	Community Develop Block Grant	14.218	114,012
MBW - Micro Business Development	Community Develop Block Grant	14.218	133,400
ABCRC - Fair Housing	Community Develop Block Grant	14.218	34,760
On Track - Financial/Housing Counseling	Community Develop Block Grant	14.218	35,000
HPMT - Domestic Violence Services	Community Develop Block Grant	14.218	8,000
HB - Homeless Programs	Community Develop Block Grant	14.218	92,097
PLS - Homelessness Prevention	Community Develop Block Grant	14.218	30,000
GO - Weatherization Assistance	Community Develop Block Grant	14.218	49,062
MZCDC - Housing Services	Community Develop Block Grant	14.218	34,302
IWC - Adult Day Activities Building	Community Develop Block Grant	14.218	35,000
PLS - Resource Development	Community Develop Block Grant	14.218	10,000
		Subtotal:	<u>1,255,469</u>
MBC - Small Business Loan Fund	CDBG - ARRA	14.253	26,000
WNCGBC - Weed & Seed Weatherization	CDBG - ARRA	14.253	17,500
		Subtotal:	<u>43,500</u>
Total			<u>\$ 2,701,771</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, 2011 which collectively comprises the City’s basic financial statements, and have issued our report thereon dated October 28, 2011. 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

Management of the City is responsible for establishing and maintaining effective 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs reported as Finding 2011-1 to be a material weakness.

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*.

We noted certain matters that we reported to the City in a separate letter dated October 28, 2011.

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 City, 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.

October 28, 2011

*Dixon Hughes Goodman LLP*



**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 of the major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 to determine the 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 over compliance 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 City, 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.

October 28, 2011

*Dixon Hughes Goodman LLP*



**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, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

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 to determine the 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 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 City, 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.

October 28, 2011

*Dixon Hughes Goodman LLP*

**CITY OF ASHEVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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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, 2011**

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	CDBG Entitlement Grant Cluster:
14.218	Community Development Block Grant (CDBG)
14.253	ARRA Community Development Block Grant
14.257	ARRA Homeless Prevention and Rapid Re-housing Program (HPRP)
	Highway Planning and Construction Program Cluster:
20.205	Transportation Improvement Program (TIP) Enhancement Projects
	Federal Transit Cluster:
20.500	Capital Grant (Hybrid Buses)
20.507	Formula Grant
81.128	ARRA Energy Efficiency Conservation Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs. \$ 349,779

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, 2011**

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

Identification of major state programs:

Program Name

Powell Bill  
State Maintenance Assistance Program

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**Section II - Financial Statement Findings**

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**Finding 2011-1 - 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.

A prior period adjustment required to correct an error is one indicator of a material weakness in internal controls over financial reporting.

Condition: During the year, the City made prior period adjustments to correct for the overstatement of the Other Post-Employment Benefits (OPEB) obligation and overstatement of construction in progress.

(continued)

**CITY OF ASHEVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Effect: Governmental activities net assets were overstated by \$5,189,196 and business-type activities net assets were overstated by \$2,097,429.

Cause: Internal controls over financial reporting were not in place in previous years to identify and correct the errors in a timely manner.

Recommendation: During the year, the City implemented changes to its accounting procedures. These changes resulted in the staff identifying and correcting the above errors. The City also implemented additional procedures related to budgeting and monitoring capital projects as explained in the Corrective Action Plan.

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, 2011**

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**Section II - Financial Statement Findings**

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**Finding:** 2010-1  
**Status:** Corrected.

**Finding:** 2010-2  
**Status:** Corrected.

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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  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Section II - Financial Statement Findings**

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**Finding 2011-1 - Internal Control Over Financial Reporting**

Contact Person: Lauren Bradley, Finance and Management Services Director

Corrective Action: During fiscal year 2011, the City developed and instituted new procedures in connection with capital asset management and control. Those procedures included the development of capital project narratives and questionnaires designed to capture capital expenditures prior to their incurrence and the development of multi-functional teams comprised of budget, finance and the affected departments to improve communication in connection with the recording of capital expenditures and project status. Capital asset identification reviews now occur periodically throughout the fiscal year.

During fiscal year 2011, the City determined that its methodology of calculating the contributions to the OPEB plan was incorrect. Prior to 2011, the City had been using a blended rate and was applying that rate to retirees receiving benefits. Commencing in 2011, and in consultation with the City's actuaries, the City modified the method of calculating its contribution pursuant to GASB-45 based on retiree claims costs, adjusted for a pro-rata share of fixed costs, net of any reimbursements.

Proposed Completion Date: The above changes were implemented during the year.