

City of Asheville, North Carolina

Comprehensive Annual Financial Report
June 30, 2019

Contents

Introductory section (unaudited)

Letter of transmittal	1-8
GFOA Certificate of Achievement	9
Organizational chart	10
City mission statement and statement of values	11

FINANCIAL SECTION

Independent auditor's report	12-14
Management's discussion and analysis	15-32
Basic financial statements	
Government-wide financial statements:	
Statement of net position	33
Statement of activities	34
Fund financial statements:	
Balance sheet – governmental funds	35
Reconciliation of governmental funds balance sheet to the statement of net position	36
Statement of revenues, expenditures and changes in fund balances – governmental funds	37
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	38
Statement of revenues, expenditures and changes in fund balance – budget and actual – general fund (non-GAAP)	39
Statement of net position – proprietary funds	40
Statement of revenues, expenses and changes in net position – proprietary funds	41
Statement of cash flows – proprietary funds	42-43
Statement of fiduciary net position – fiduciary trust and agency funds	44
Statement of changes in fiduciary net position – fiduciary trust fund	45
Notes to the financial statements	46-97

Required supplementary information

Other Post-Employment Benefits (OPEB):

Schedule of changes in net OPEB liability	98
Schedule of net OPEB liability and related ratios	99
OPEB schedule of investment returns	100

Local Government Employees' Retirement System:

Schedule of proportionate share of net pension liability (asset)	101
Schedule of contributions	102

Law enforcement officers' special separation allowance:

Schedule of changes in total pension liability	103
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Major funds

Schedule of revenues, expenditures and changes in fund balance – budget and actual – governmental fund:

General capital projects fund	104
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Schedules of revenues and expenditures – budget and actual (non-GAAP) – proprietary funds:

Water resources fund	105
Water capital projects fund	106
Parking services fund	107
Parking services capital projects fund	108
Mass transit fund	109
Mass transit capital projects fund	110

Non-major governmental funds, combining statements and schedules

Non-major governmental funds:

Combining balance sheet – non-major governmental funds	111
Combining statement of revenues, expenditures and changes in fund balances – non-major governmental funds	112
Schedules of revenues, expenditures and changes in fund balance – budget and actual:	
Grant programs special revenue fund	113
Schedules of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP):	
Community development special revenue fund	114
Affordable home ownership special revenue fund	115
Section 108 rehabilitation special revenue fund	116
Sustainability special revenue fund	117

Non-major enterprise funds

Combining statement of net position	118
Combining statement of revenues, expenses and changes in net position	119
Combining statement of cash flows	120-121
Schedules of revenue and expenditures - budget and actual (non-GAAP) - proprietary funds:	
Street cut utility fund	122
Stormwater fund	123
Stormwater capital projects fund	124
U.S. Cellular Center fund	125
U.S. Cellular Center Capital projects fund	126

Internal service funds	
Combining statement of net position	127
Combining statement of revenues, expenses and changes in fund net position	128
Combining statement of cash flows	129
Schedules of revenue and expenditures - budget and actual (non-GAAP) – internal service funds:	
Internal service funds:	
Health fund	130
Workers' compensation fund	131
Property and casualty fund	132
Agency funds	
Combining statement of changes in assets and liabilities	133
Other supplementary information (unaudited)	
Schedule of ad valorem taxes receivable	134
Analysis of current tax levy and secondary market disclosures - City-wide levy	135
STATISTICAL SECTION (unaudited)	
Financial trends	
Net Position by Component	136-137
Changes in net position	138-143
Fund balance of governmental funds	144-145
Governmental revenues, expenditures and changes in fund balances of governmental funds	146-147
Revenue capacity	
General governmental tax revenues by source	148
Assessed value and estimated actual value of taxable property	149-159
Property tax rates	151
Principal property taxpayers	152
Property tax levies and collections	153

Debt capacity

Ratios of outstanding debt by type	154-155
Direct and overlapping governmental activities debt	156
Legal debt margin information	157
Pledged revenue coverage per indenture – water revenue bonds	158-159
Pledged revenue coverage special obligation bonds	160-161

Demographic and economic information

Demographic and economic statistics	162
Principal employers	163

Operating information

Full-time equivalent City government employees by function	164
Operating indicators by function	165-166
Capital asset statistics by function	167-168

Continuing disclosure – general and limited obligation bonds

Outstanding general obligation debt	169
General obligation debt ratios	170
General obligation debt service requirements and maturity schedule	171
Schedule of payments for outstanding financings	172

Continuing disclosure – revenue bonds

Compiled budget – annually budgeted funds	173
Current water rate information	174
Water system statistics – water customers and historical demand	175-176
Water system historical operating data – statement of revenues, expenses, debt service and debt service coverage	177

COMPLIANCE SECTION

Report of independent auditor on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	178-179
Report of independent auditor on compliance for each major federal program and internal control over compliance in accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	180-181
Report of independent auditor on compliance for each major state program and internal control over compliance in accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	182-183
Schedule of findings and questioned costs	184-186
Summary schedule of prior year audit findings	187
Schedule of expenditures of federal and state awards	188-190
Notes to the schedule of expenditures of federal and state awards	191

November 1, 2019

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

State law of the State of North Carolina requires that all municipal governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with generally accepted auditing standards (GAAS) in the United States of America 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, 2019.

City management staff 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 RSM 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, RSM concluded that the City's financial statements, for the fiscal year ended June 30, 2019, are presented fairly in accordance with GAAP in all material respects. The report of independent auditor is presented as the first component of the financial section of this report.

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

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

Profile of Government

The City of Asheville, incorporated in 1797, is located in western North Carolina; a top growth area in the state. Asheville occupies a land area of approximately 45.5 square miles and serves a population of about 92,000. The City the largest city in Western North Carolina, the county seat of Buncombe County, and the tenth largest city in the State. Asheville is nestled between the Blue Ridge and Great Smoky Mountains and is located astride the French Broad and Swannanoa rivers. The City is surrounded by lush mountains, many with elevations above 5,000 feet. Asheville is considered one of the cities with the best surviving examples of Art Deco architecture, including the iconic City Hall, designed by Douglas D. Ellington and completed in 1928.



Asheville City Hall

Asheville's natural and architectural beauty, moderate climate, outdoor recreation activities, as well as the "foodie" culture and burgeoning local brewery and distillery businesses, drive Asheville's consistent high ranking as one of the best places to live, work, play and retire. The City's long-range planning is directed toward preserving Asheville's high quality of life, so that it remains one of the most attractive places in the United States for both residents and visitors. Asheville's popularity creates unique challenges. The City's economy is reasonably diverse, but is generally service-driven. Housing costs have risen considerably over the last decade and service industry wages have not keep up, making investments in affordable and workforce housing a high priority.

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 North Carolina State Legislature adopted legislation in 2017 establishing voting districts within the City. Part of that legislation delayed regular Council elections until the districts take effect in 2020; however, the City Council adopted a Charter change in October, 2019 to reinstate at-large elections. 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 appointing department directors to manage daily operations.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. The City provides a full range of services, including police and fire protection; the construction and maintenance of streets, stormwater and other infrastructure; solid waste and water services; and recreational activities and cultural events. The financial reporting entity includes all the funds and account groups of the City of Asheville (primary government), as well as all of its component units. Component units are legally separate entities for which the government is financially accountable. Blended component units, although legally separate

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

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



View of Asheville from Beaucatcher Mountain (facing southwest)

Local Economy

The City of Asheville is the principal city in the Asheville, NC Metropolitan Statistical Area ("MSA"). The MSA, which encompasses Buncombe, Madison, Haywood and Henderson counties, experienced approximately eleven-percent growth in population from 2010 to 2018, mostly due to in-migration. Asheville is the regional center for manufacturing, transportation, health care, banking, professional services and shopping. The City's economy is diverse, with strong representation in health care, retail trade and tourism. The area's leading industry sectors in terms of employment are education, health services, trade, transportation, leisure and

hospitality services, and government. Together these sectors account for the majority of jobs in the 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



Blue Ridge Mountains surrounding Asheville

Commerce indicate that domestic tourism in Buncombe County generates an economic impact of over \$1 billion annually. Nearly 12,000 jobs in Buncombe County are directly linked to travel and tourism.¹

An important indicator of overall economic health is taxable sales activity. Buncombe County taxable sales activity also directly impacts the City’s General Fund budget through sales tax receipts. County-wide taxable sales have increased significantly as the local and regional economy recovered from the recession. Year over year increases are below.²

Fiscal Year	Taxable Sales	Increase (Decrease)	Percentage Change
2011-12	\$ 3,308,421,583		
2012-13	3,632,106,651	323,685,068	9.8%
2013-14	3,789,896,675	157,790,024	4.3%
2014-15	4,305,329,030	515,432,355	13.6%
2015-16	4,705,944,445	400,615,415	9.3%
2016-17	5,134,269,461	428,325,016	9.1%

¹ <https://partners.visitnc.com/economic-impact-studies>

² <https://www.ncdor.gov/news/reports-and-statistics/state-sales-and-use-tax-reports-fiscal-year>

2017-18	5,437,492,143	303,222,682	5.9%
2018-19	\$ 5,754,439,712	\$ 316,947,569	5.8%

The average year-over-year increase in taxable sales over the last six years is 8.7%. However, as the table above demonstrates, increases in taxable sales are not easily predictable. Sales numbers are highly reliant on visitor spending, which can be positively or negatively impacted by weather and other factors outside local government control.

Another key economic indicator is the area unemployment rate, which speaks directly to the relative strength of the local economy. During the recession, the unemployment rate in Buncombe County peaked at 9.7% in February, 2010. Since then, the Asheville labor market has improved considerably. The local unemployment rate was reported by the Bureau of Labor Statistics at 3.4% in July, 2019; currently the lowest unemployment rate in North Carolina. By comparison, the statewide rate was 4.4% and the national rate was 3.7% for the same reporting period.³

Long-Term Financial Planning

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



Downtown Asheville

and future needs of the community and on balancing those needs with the City’s fiscal resources.

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

The CIP is updated annually based on guidance from City Council, and input from the public and city staff. The CIP is influenced by a number of other planning processes, including the Council’s strategic vision, the Unified Development Ordinance, the River Redevelopment Plan, the East of the Riverway Work Plan, the Parks & Recreation Master Plan, and the Pedestrian Thoroughfare Plan, among others. An update to the City’s Comprehensive Plan was completed in 2018 and incorporates the City’s small area and service specific plans into one, overarching document.

³ <https://www.bls.gov/lau/>

Through the adoption of a 3-cent property tax rate increase in June 2013, Council expanded the scope of the CIP and directed those resources into infrastructure improvements that leverage private investment. Following the early success of this program, the residents of Asheville approved \$74 million in General Obligation Bonds for Transportation, Parks and Recreation and Affordable Housing on November 8, 2016. Approved were \$32 million for Transportation, \$17 million for Parks and Recreation, and \$25 million for Affordable Housing. All three referendums passed with more than 70% approval from the voters. Council adopted a budget for FY 2017-18 that included a 3.5-cent property tax increase in order to fund the GO Bond program and related debt service. Projects in the GO Bond program are planned to be completed within seven years of the passage of the three referenda.

Information about City projects and initiatives can be accessed on the City's website, which contains interactive maps of the City with project overlays and links to individual projects. Active projects have dedicated project pages that include photographs, maps, and detailed information including phase, budget and funding sources, and real-time spending.

Link: [City of Asheville Projects](#)

CIP projects in the Water Resources Capital Project Fund are funded with utility revenues generated by the Water Resources Operating Fund and a capital maintenance fee. The CIP approved in the FY 2019-20 Budget includes continuing work on the North Fork Dam, a critical component of the drinking water infrastructure for the region. The North Fork Reservoir and Water Treatment Plant serves as the City's primary drinking water source, providing 70% of Asheville's water. With so many people, businesses and industries dependent upon this critical natural resource, special care and proactive measures need to be taken to ensure our water source and infrastructure are protected.

Planned modifications at North Fork Reservoir include raising the dam by 4 feet, improvements to the principal spillway and the addition of an auxiliary spillway, modifications to the raw Water piping through the dam and to the water treatment plant, and earth buttressing to reinforce the main dam and saddle dam for seismic stability. The City will use capital reserve funds and issue revenue debt for the improvements, with an estimated cost of \$40 million.



View of North Fork Reservoir

Beginning with FY 2019-20, the City added a five-year operating financial forecast to its annual budget process and document. While budgets are adopted on an annual basis, and no Council decision may commit a future Council, the addition of a five-year forecast to the decision-making process will provide Council members the tools to strategically evaluate capital and operating investments in light of long-term financial impacts, economic trends and other factors.

Relevant Policies

The Fiscal Management Division of the North Carolina State Treasurer's Office suggests local governments with taxing authority maintain an available fund balance in their general fund, equal to (the greater of) eight percent of general fund expenditures or half the population group average. The City's fund balance policy is to maintain an unassigned fund balance of no less than 15 percent of the General Fund operating budget excluding capital expenditures. The City's fund balance in the General Fund was deliberately drawn down during the economic recession but has increased in recent years. As of June 30, 2019, the unassigned fund balance is approximately 18 percent of FY 2020 budgeted General Fund expenditures and transfers.

Insurance Programs

The City maintains various risk management programs for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the City's internal service funds. For its self-insured health benefits program, the City retains the services of third party administrators for the professional management and adjustments of claims. The City's health benefits are self-insured for claims below a \$150,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance. All liability and workers' compensation claims are managed internally by the City's Risk Management staff in consultation with legal and other outside parties on a case-by-case basis. The City is self-insured for liability claims up to \$500,000 per occurrence. The City purchases excess liability insurance with limits of \$15,000,000 across all liability lines - general, public officials, law enforcement, employment practices and automobile. The City also purchases insurance for real and personal property assets, including dams, in the amount of approximately \$250 million. Coverage limits include \$10,000,000 sub-limits for flood and earthquake. The City is also self-insured as provided under North Carolina General Statutes for Workers Compensation and Employer Liability. The City retains out-of-pocket costs up to \$600,000 per event for workers' compensation claims. Excess workers' compensation insurance with statutory limits is maintained for any claims exceeding the \$600,000 self-insured retention. The employee health benefits program is funded by both employee and employer contributions. Employee benefits paid through this program include health, dental, life and disability insurance.

Awards and Acknowledgements

The City holds triple-A ratings on its general obligation debt from both Standard and Poor's and Moody's Investor Services. Generally, certificates of participation and limited obligation bonds are rated one step lower, Aa1 and AA+, and special obligation bonds are rated Aa2 and AA.

Both rating agencies opinions cite the City's strong budgetary performance supported by strong financial management. The City's strong and diversifying local economy and its standing as a regional center for trade, manufacturing and healthcare-related services for WNC is also an important factor in the City's high debt rating. Both the Moody's and S&P said the City was in a very strong debt position, including contingent liabilities.

Financial transparency and accountability are important not only to ensure the accuracy of financial statements, but also to allow the public insight into the workings of the City and the use of taxpayer dollars. City management and staff are committed to a strong internal control environment that ensures good stewardship of taxpayer funds and the highest level of accountability. Previously, the City launched a Fraud, Waste and Abuse Hotline for City employees, and in FY 2017 reassigned the internal audit function to the City Manager's Office,

eliminating any real or perceived conflict of the Internal Auditor reporting to the Chief Financial Officer.

The City of Asheville has earned multiple awards for excellence in communications and information technology. The City strives to provide easily accessible and interactive information for residents about City services, projects, plans and Council initiatives. Transparency is a core value of Council and City management. Providing the public with easily accessed, accurate and timely information supports City goals of transparency and accountability, and furthers cooperative and collaborative relationships with residents and local businesses.

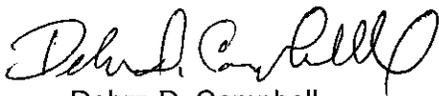
The Governmental Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2018. This was the thirty-ninth time the City received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2018. 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.

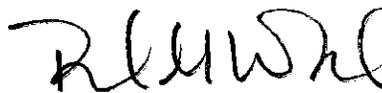
We recognize the City's responsibility for the contents of this report and would like to express our appreciation for the cooperation and assistance of our independent auditors, RSM, in its preparation. This report would not have been possible without the efficient and dedicated service of staff in the City's Finance and Management Services Department as well as the cooperation of all other departments and divisions of the City. We would also like to thank the members of Council for their interest and support.

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

Respectfully submitted,



Debra D. Campbell
City Manager



Barbara G. Whitehorn
Chief Financial Officer



Government Finance Officers Association

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

Presented to

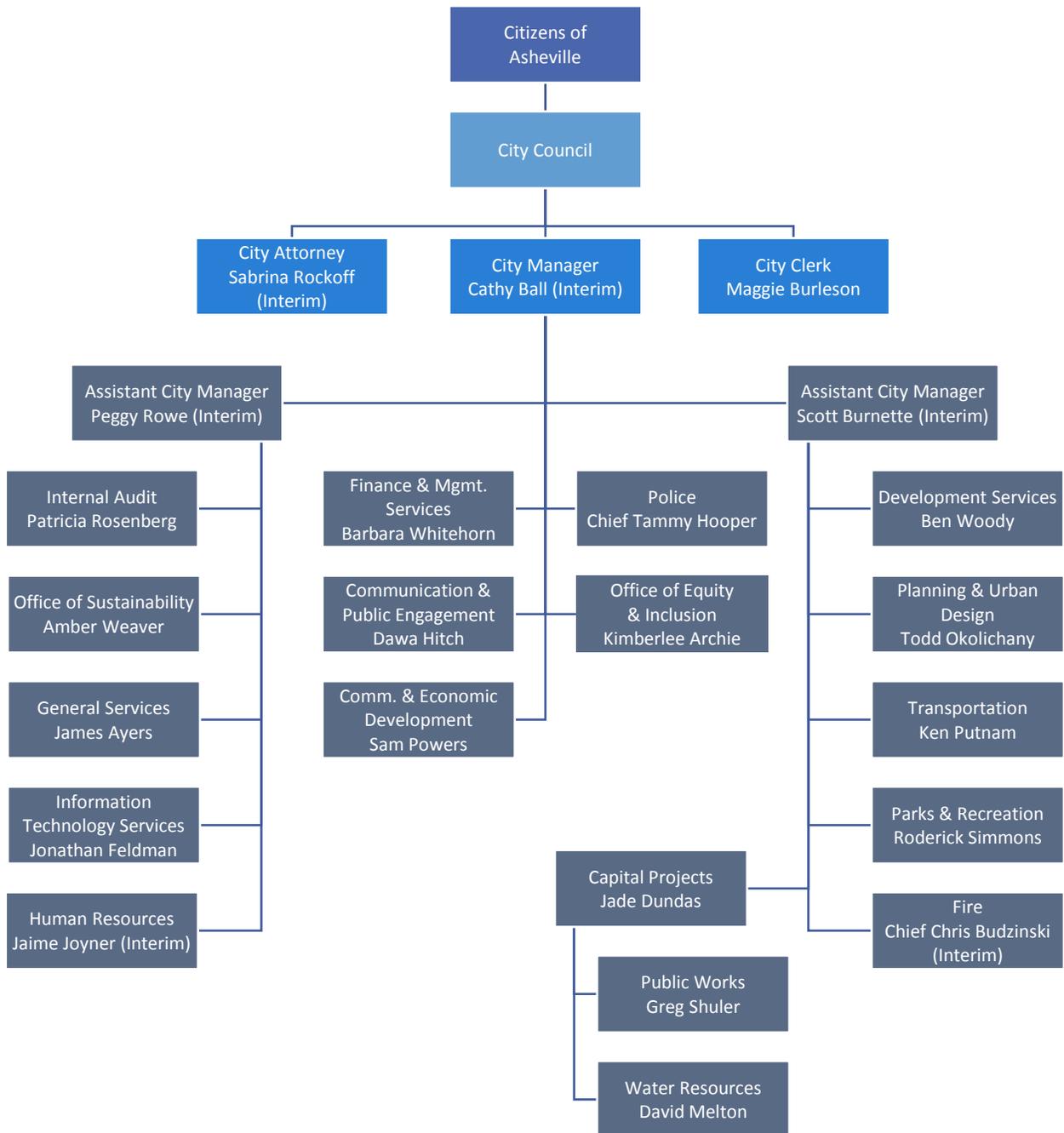
**City of Asheville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO



The ASHEVILLE way

Continuous Improvement

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

Integrity

Asheville employees demonstrate character with courage, honesty and pride.

Diversity

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

Safety and Welfare

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

Excellent Service

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

*Our Quality of Service,
Your Quality of Life*



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Asheville, North Carolina (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Asheville ABC Board. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the Asheville ABC Board, is based solely on the report of 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 financial statements are free from material misstatement. The financial statements of the Asheville ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Asheville, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and information on Other Postemployment Benefits, the Local Governmental Employees' Retirement System and the Law Enforcement Officers' Special Separation Allowance on pages 98 - 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The major fund schedules, combining and individual fund statements and schedules, other supplementary information, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The major fund schedules, combining and individual fund statements and schedules, other supplementary information, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019 , on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RSM US LLP

Morehead City, North Carolina
November 1, 2019

CITY OF ASHEVILLE
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

As management of the City of Asheville (the “City”), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City’s Notes to the Financial Statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by more than \$454 million (net position). Of this amount, \$85.8 million (unrestricted net position) may be used to meet the government’s ongoing obligations to its citizens and creditors.
- The City’s total net position of \$455 million represents an increase of \$38 million over fiscal year 2018’s net position of approximately \$417 million.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of over \$105 million, a decrease of \$4 million in comparison with the prior year’s amount of \$109 million. The unassigned portion of the General Fund balance is approximately \$24 million; this amount is available to spend at the City’s discretion.
- At the end of the current fiscal year, the non-spendable, restricted, committed and assigned portions of fund balance for all governmental funds was \$112.4 million.
- The City’s total long-term liabilities increased by \$24 million during the current fiscal year. This increase is primarily attributable to the General Obligation Bond Anticipation Note issued in 2018, in the amount of \$24 million, of which an additional \$5.4 million was drawn down. In the current fiscal year, the city also issued interim construction debt for the North Fork Dam project, Water Revenue Bonds, Series 2018, in the amount of \$40 million, of which \$19.5 million has been drawn. Annually, the City enters into an installment financing agreement (59-month debt) for vehicles and equipment. In FY2019, the agreement was for a total of \$4.33 million, of which \$3.955 million is for governmental activities and \$375,000 for business-type activities. The increase in long-term liabilities was partially offset by the payment of principal on the City’s existing debt in conformance with the applicable maturity schedules.

The City’s current general obligation bond ratings as noted below.

Moody’s	Aaa
Standard & Poor’s	AAA

The GO Bond Anticipation Notes and the Water Resources interim construction debt are part of the City’s long-term debt model, which is designed to minimize debt service during capital construction. These debt issuances are short-term, interim debt facilities which will be paid off in full with the issuance of permanent long-term (20 year) debt as projects are completed. The City’s financial model allows the City to most effectively leverage taxpayer funds and tie debt maturity more accurately to the life of the underlying assets.

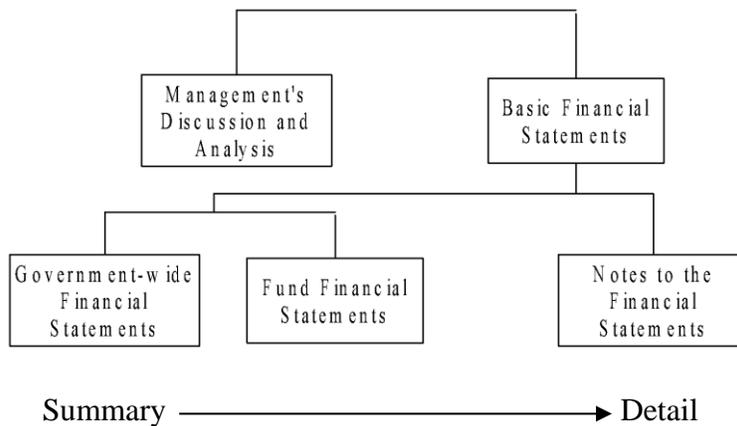
**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements include two kinds of statements that present different views of the City: 1) Government-Wide Financial Statements and 2) Fund Financial Statements. Both perspectives are essential and complementary components that allow the user to address relevant questions, broaden a basis for comparison, and enhance the City's accountability. Another element of the basic financial statements is the notes to the financial statements. In addition to the basic financial statements, the report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City as well as compliance issues that are addressed by Government Auditing Standards, Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principals, and Audit Requirements for Federal Awards ("Uniform Guidance") and the North Carolina Single Audit Implementation Act (Figure 1).

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the City's financial status.

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

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short- and long-term information about the City's financial status as a whole.

The *statement of net position* presents information on the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as the *net position*. Over time, increases or decreases in net position may serve as a useful way to gauge the City's financial condition.

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

Government-wide statements are divided into governmental and business-type activities. The governmental activities include most of the City's basic services such as public safety, culture and recreation, transportation, community and economic development, and general government. Property taxes, sales tax, and other local taxes finance about 75 percent of the costs of these activities. Business-type activities include water resources, stormwater management, parking services, street cut utility, the U.S. Cellular Center, and mass transit services. These activities are primarily paid from charges to customers, with the exception of mass transit, which receives federal grants and transfers from the General Fund as its primary sources of funding.

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

Fund Financial Statements

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

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

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

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

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

Proprietary Funds – The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the entity-wide financial statements. The City uses enterprise funds to account for its water resources, U.S. Cellular Center, parking services, stormwater management, street cut utility, and mass transit operations. *Internal service funds* are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the financing of goods and services provided by the Health Insurance, Workers' Compensation, and Property and Casualty Funds on a cost reimbursement basis. Additionally, the City uses an internal service fund

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

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, Parking Services Fund, and Mass Transit Fund, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found in Exhibit H through J of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains three fiduciary funds: one pension trust fund and two agency funds. The basic fiduciary fund financial statements can be found on Exhibits K and L of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 46-97 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 98-103 of this report. The combining statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. The other supplementary information shows details about the City's individual funds, including budgetary information required by the North Carolina General Statutes as well as other data the City considers helpful to the reader.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition. As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$455 million as of June 30, 2019 (Figure 2).

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

Significant changes in the City's net position include the following:

- The increases in both governmental and business-type non-current liabilities (approximately \$24 million), is related to the issuance of interim construction debt, noted above.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$134,321	\$139,792	\$97,297	\$90,522	\$231,618	\$230,314
Capital assets	200,334	176,952	273,070	240,603	377,286	417,555
Net pension asset						
Total Assets	334,655	316,744	370,367	331,125	608,904	647,869
Deferred outflows of resources	18,156	11,178	4,532	3,227	29,334	14,405
Total assets and deferred outflows of resources	352,811	327,922	374,899	334,352	638,238	662,274
Non-current liabilities	143,056	134,820	91,174	75,283	234,230	210,103
Other liabilities	17,769	17,520	15,723	9,266	33,492	26,786
Total Liabilities	160,825	152,340	106,897	84,549	267,722	236,889
Deferred inflows of resources	4,144	2,634	989	560	5,133	3,194
Total liabilities and deferred inflows of resources	164,969	154,974	107,886	85,109	272,855	240,083
Net position:						
Net investment in capital assets	113,451	92,931	193,433	176,301	306,196	269,232
Unrestricted	12,240	13,188	73,581	72,687	86,508	85,875
Total net position	\$187,843	\$167,947	\$267,014	\$248,988	\$454,856	\$416,935

By far the largest portion of the City's net position (\$306.8 million or 67 percent) reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt that is still outstanding that was issued to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities. An additional portion of the of City of Asheville's net position, \$62.2 million, represents resources that are subject to external restrictions such as state statute requirements, community development activities, and cemetery maintenance. The remaining balance of \$85.8 million is unrestricted.

The City's management has adopted a philosophy that focuses on three guiding principles:

- ***Essential services delivery*** to provide departments with the resources required to meet service delivery expectations.
- ***Enhancing customer value*** to ensure efficient service delivery that improves the customer experience.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

- ***Strategic alignment*** to direct new and existing resources towards achieving community, Council and staff goals.

This philosophy and a focus on collaboration enables management to work together to achieve service and financial goals, including the following aspects of the City's financial operations and environment that positively influence the total unrestricted governmental position:

- Ongoing careful management of resources. The City of Asheville's management is committed to deliberate and considered use of taxpayer funds. Actual budget performance in expenditures has come in under adopted budget consistently over the past few years, while at the same time, budget planning has become more restrictive. Continued better than budget performance demonstrates the success of management initiatives to maximize the impact of budgeted funds.
- Long-range planning. City management is committed to developing plans that ensure the financial sustainability of the City in the long term. Resource management and human capital management decisions are made collaboratively and with consideration for both short and long-term impacts on service delivery, succession planning and financial sustainability.
- Strong local economy. External factors, including local economic growth, help to increase revenues. Diversification of revenues can be challenging given the City's limited ability to develop new revenue streams without specific State Legislative approval. Sales tax revenue increased 7.3% and 8.7% in fiscal years 2018 and 2019, respectively.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

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

Figure 3

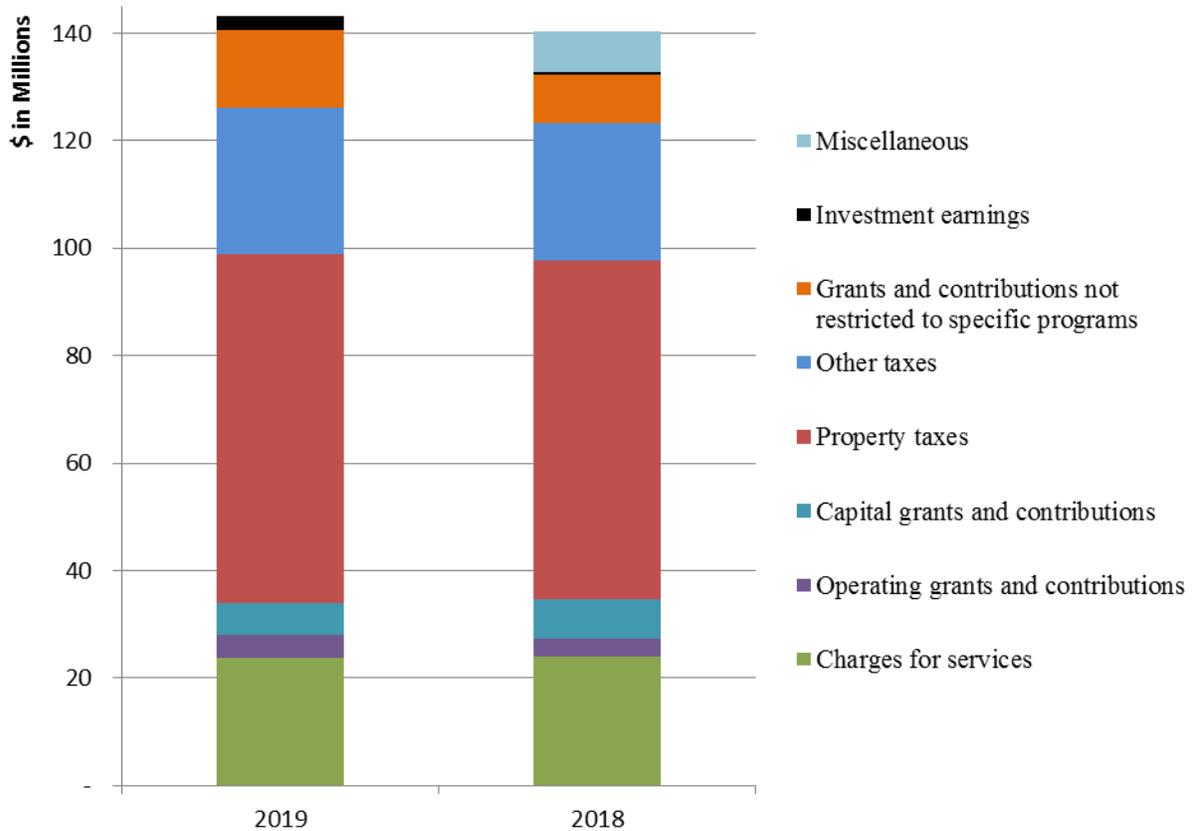
	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$23,779	\$23,998	\$58,652	\$57,975	\$ 82,431	\$ 81,973
Operating grants and contributions	4,217	3,245	6,408	-	10,625	3,245
Capital grants and contributions	5,902	7,443	4,030	7,570	9,932	15,013
General revenues:						
Property taxes	65,094	62,957	-	-	65,094	62,957
Other taxes	27,050	25,564	-	-	27,050	25,564
Grants and contributions not restricted to specific programs	14,637	8,980	-	-	14,637	8,980
Investment earnings	2,468	517	1,938	676	4,406	1,193
Miscellaneous	(262)	7,649	572	69	310	7,718
Total revenues	142,885	140,353	71,600	66,290	214,485	206,643
Expenses:						
General government	14,402	15,618	-	-	14,402	15,618
Public safety	53,705	61,135	-	-	53,705	61,135
Environmental services	6,043	6,928	-	-	6,043	6,928
Community development	11,036	11,486	-	-	11,036	11,486
Transportation	20,342	6,503	-	-	20,342	6,503
Culture and recreation	10,507	14,753	-	-	10,507	14,753
Interest on long-term debt	2,225	1,431	-	-	2,225	1,431
Water resources	-	-	30,262	27,903	30,262	27,903
Parking services	-	-	4,678	4,692	4,678	4,692
Street Cut Utility	-	-	1,719	1,625	1,719	1,625
Stormwater	-	-	5,724	5,131	5,724	5,131
U.S. Cellular Center	-	-	4,672	4,838	4,672	4,838
Mass transit	-	-	11,248	9,515	11,248	9,515
Total expenses	118,260	117,854	58,303	53,704	176,563	171,558
Increase (decrease) in net position before transfers	24,625	22,499	13,297	12,586	37,922	35,085
Transfers	(4,728)	(5,153)	4,728	5,153	-	-
Increase (decrease) in net position	19,897	17,346	18,025	17,739	37,922	35,085
Net position, beginning of year	167,946	169,992	248,989	236,062	416,935	406,054
Restatement	-	(19,392)	-	(4,812)	-	(24,204)
Net position, end of year	\$187,843	167,946	\$267,014	\$248,989	\$ 454,857	\$ 416,935

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019**

Government-wide Analysis

Governmental Activities Revenues

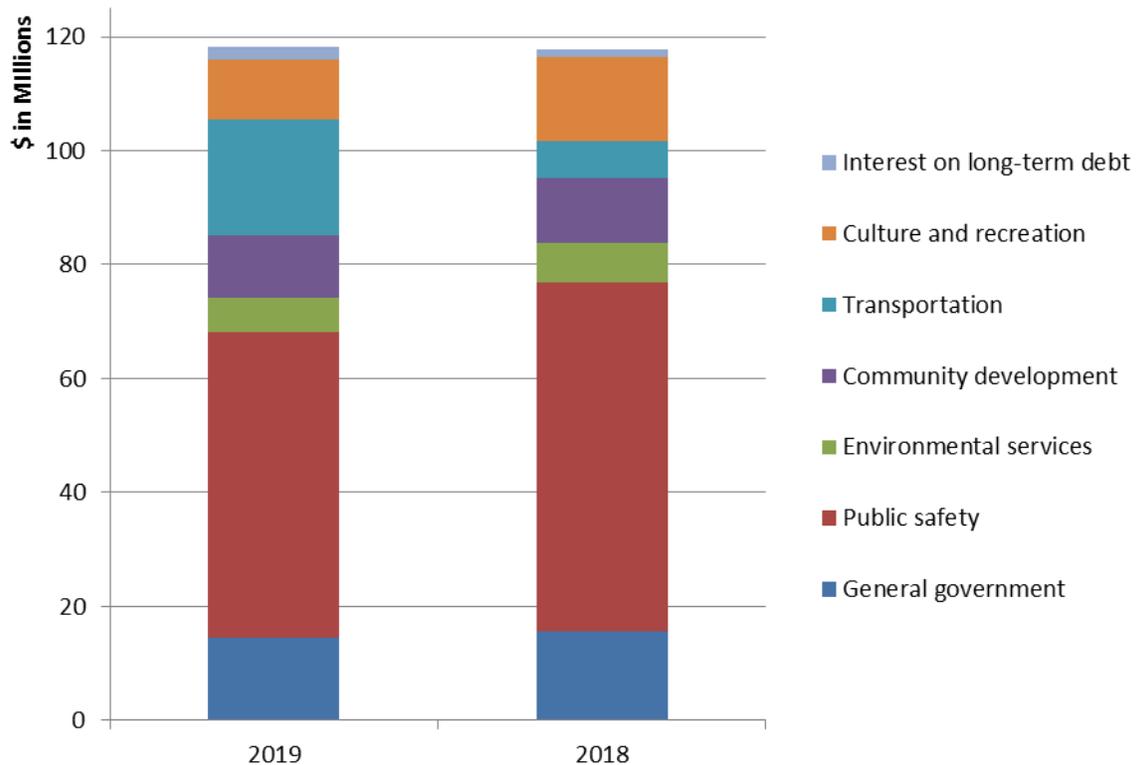
Figure 4



Total expenses reported (Figure 5) in the governmental activities for fiscal year 2019 were \$118.26 million as compared to fiscal year 2018's \$117.85 million – a minimal year-over-year increase of \$406,000.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019**

**Governmental Activities Expenses
Figure 5**



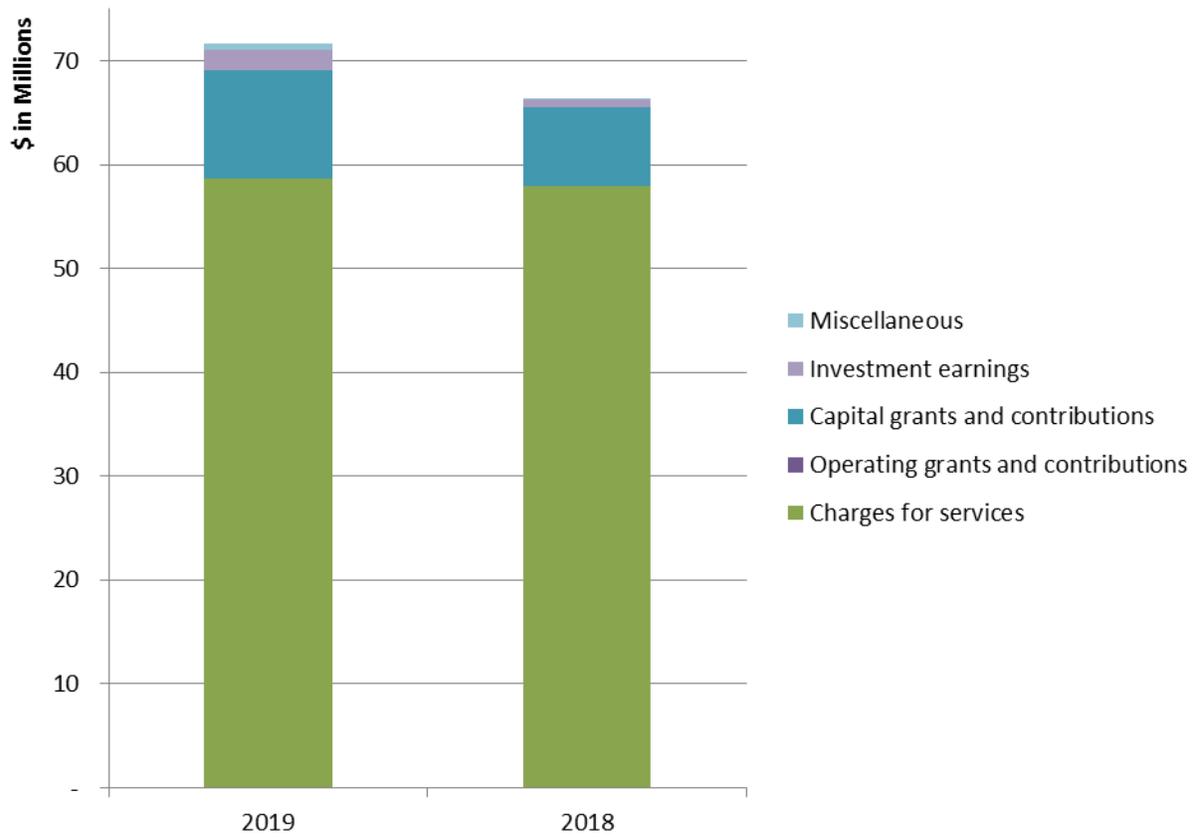
Business-type activities – The City’s Net Position for business-type activities increased approximately \$18 million. This increase was related to increases in the Water Resources Fund and increased investment in Mass Transit

Revenues for all business-type activities, year-over-year, increased by \$5.3 million (Figure 6). Expenses increased by \$4.2 million (Figure 7). Key elements of these changes are as follows:

- The City’s Water Resources and Stormwater Funds have rate structures that includes small annual increases to fund capital improvements, ongoing maintenance and general operations. 2019 saw incremental increases in both revenue and expenses.
- Council approved additional investments in the operation of the City’s Mass Transit system, which is reflected in an increase in expenses of \$1.7 million.

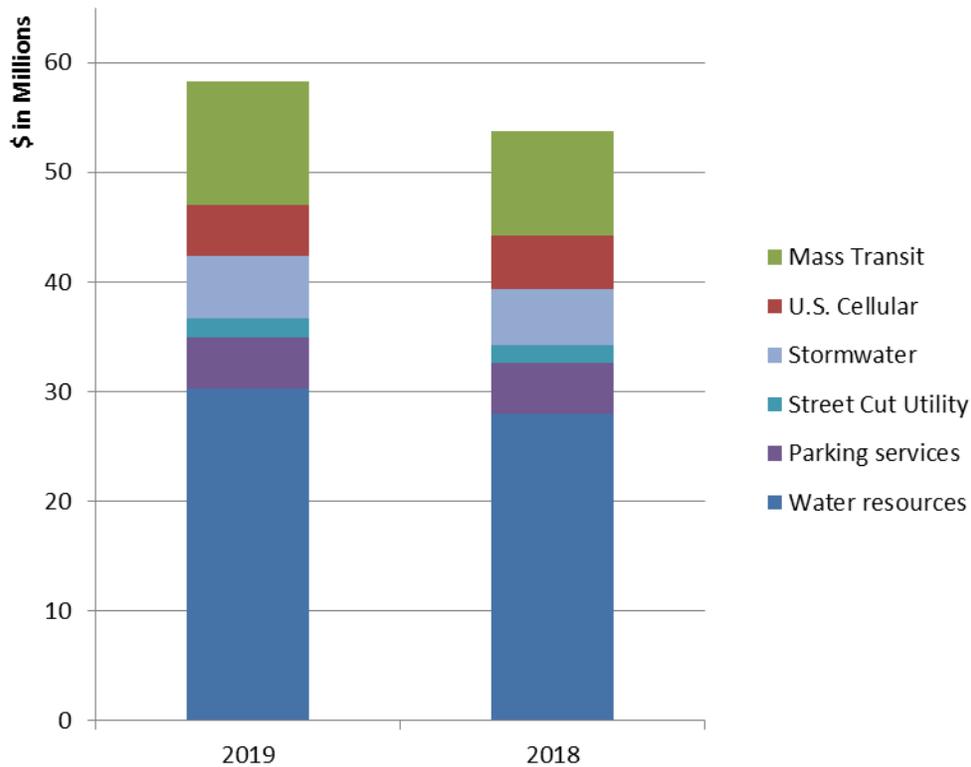
**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019**

**Business-type Activities Revenues
Figure 6**



**CITY OF ASHEVILLE
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019**

**Business-type Activities Expenses
Figure 7**



Governmental Funds – The general fund is the chief operating fund of the City. At the end of the current fiscal year, the City’s fund balance available in the General Fund was \$24 million, while total fund balance reached \$83 million. The City Council has determined that the City should maintain a minimum available fund balance of 15 percent of General Fund expenditures to meet the cash flow needs of the City in case of unforeseen needs. At June 30, 2019, the unassigned fund balance of \$24 million is approximately 18 percent of fiscal year 2020 budgeted expenditures. There were approved uses of unassigned fund balance in the FY 2018-19 amended budget; however, revenue growth and lower than anticipated expenditures meant that use of fund balance was unnecessary. Below is a discussion of the change in fund balance of major governmental funds.

Changes in fund balance in the general fund are attributable to the following:

- Revenues related to Ad Valorem Taxes and Other Taxes (including sales tax) saw increases of \$2.3 million or 3.7%, and \$2.2 million or 8.7%, respectively.
- Departmental budgeted expenditures were generally on target for the year, with 95% of the total budget expended by year end. Including encumbrances carried forward, 98% of the expenditure budget was spent or encumbered. This reflects the ongoing commitment of management to understand and budget for the actual cost of services.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

The General Capital Projects Fund includes all non-enterprise capital spending. The City funds capital projects through a debt model that includes the use of treasurer's cash (pooled cash) to cover expenses, reimbursement of treasurer's cash from a short-term installment debt facility during construction, and the payoff of the interim facility with long-term debt tied to the asset life of the completed project/asset (up to 20 years). The fund balance as of June 30, 2018 was \$25.6 million. As of June 30, 2019 the fund balance was \$16.1 million. This change is directly attributable to the issuance of the interim debt facility, the LOBs Series 2018, of which \$20.6 million was drawn for governmental activities by June 30, 2018. No additional general government interim debt facilities were issued in fiscal year 2019.

Capital Asset and Debt Administration

Capital assets – Capital assets include land, buildings, improvements other than buildings, infrastructure (streets, sidewalks, and water lines), machinery and equipment, intangibles (rights of way and easements) and construction in progress.

The City's capital assets (Figure 8) for the governmental and business-type activities as of June 30, 2019, totals \$473.4 million (net of accumulated depreciation). This is an increase of \$55.7 million, driven primarily by construction in progress. The general government capital program has averaged \$22 million in annual capital investments, and the increase in business-type activities is driven by the North Fork Dam project.

City of Asheville Capital Assets

(amount expressed in thousands)

Figure 8

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2018</u>
Land	\$ 44,442	\$ 42,884	\$ 16,046	\$ 16,054	\$ 60,488	\$ 58,938
Buildings and Improvements	31,155	33,231	50,156	52,801	81,311	86,032
Improvements Other than Buildings	13,320	10,915	4,115	3,860	17,435	14,775
Machinery and Equipment	25,063	22,458	11,228	9,595	36,291	32,053
Infrastructure	38,705	39,972	112,904	113,666	151,609	153,638
Construction in Progress	42,508	22,460	62,304	32,329	104,812	54,789
Intangibles	5,096	4,975	16,297	12,400	21,393	17,375
Other Capital Assets	39	57	20	21	59	78
Net Capital Assets	<u>\$ 200,328</u>	<u>\$ 176,952</u>	<u>\$ 273,070</u>	<u>\$ 240,726</u>	<u>\$ 473,398</u>	<u>\$ 417,678</u>

Major capital expenditures in fiscal year 2019 included:

- Purchase of replacement vehicles for various departments,
- Improvements to the City's streets, sidewalks and greenways,
- Ongoing improvements to the North Fork water treatment plant and dam,
- Replacement and maintenance of water lines, and
- Ongoing major improvements in the River Arts District, including the addition of greenways and realignment of existing roads.

Additional information regarding the City's capital assets is found in Note IV on page 72 of this report.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

Long-term Debt – As of June 30, 2019, the City had total debt outstanding of \$158.7 million (Figure 9). Of this total indebtedness, \$12.5 million is backed by the full faith and credit of the City. The remainder of the City's bonded debt, totaling \$146.2 million, represents bonds secured solely by specified revenue sources (revenue bonds or special obligation bonds), bonds secured by the City's master indenture as collateral (limited obligation bonds), or contracts collateralized by the financed project – often real or personal property (installment financing contracts).

In May 2019, the city entered into an Installment Financing Contract with PNC Bank, N/A/ to provide funding for the purchase of vehicles and equipment. The \$4,330,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed rate of 2.25 percent.

In October 2018, the City issued a Water Revenue Bond Anticipation Note ("2018 Water BAN") in an amount not to exceed \$40,000,000. The note was purchased by Bank of America, N.A. (the "Bank"). The funds will be used to pay certain engineering and construction costs associated with the North Fork Dam project. Under the terms of the bond, the Bank advances monies to the City from time-to-time and the City pays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of 79% of 30 day LIBOR plus 32 bps. The City does not pay a fee on the unused principal portion of the loan. The City anticipates that it will issue longer-term, fixed rate general obligation bonds to refinance the 2018 Water BAN once the North Fork Dam project is completed and before its maturity date of October 2021.

The City's total net debt at June 30, 2019 increased by approximately \$17.9 million when compared to 2018 fiscal year end. This is the result of annual payments made in accordance with regularly scheduled maturity dates on the existing debt and the effect of the current year's additional debt discussed above. The City has \$74 million in General Obligation Bonds approved by the voters on November 8, 2016, \$51 million of which are considered authorized and unissued as of June 30, 2019.

State statutes limit the amount of general obligation debt a governmental entity may issue to eight percent of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$1.2 billion, which is significantly higher than the City's outstanding general obligation debt. Additional information regarding the City's long-term debt can be found in Note 6 on page 68 of this report.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019**

**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	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 12,475	\$ 7,175	\$ -	\$ -	\$ 12,475	\$ 7,175
Installment financing contracts	71,426	73,784	11,556	12,739	82,982	86,523
Revenue bonds			63,003	46,780	63,003	46,780
Other long-term indebtedness	113	139	119	129	232	268
Total bonds	<u>\$ 84,014</u>	<u>\$ 81,098</u>	<u>\$ 74,678</u>	<u>\$ 59,648</u>	<u>\$ 158,692</u>	<u>\$ 140,746</u>

General Fund Budgetary Highlights

During fiscal year 2019, there was a \$12.9 million net increase in appropriations between the original and final amended General Fund budgets. The largest component of this budget increase was prior year's encumbrances and carry-over commitments in the amount of \$8.0 million. In addition, the final amended General Fund budget includes \$2.9 million in fund balance appropriated after the start of the fiscal year for the following items: 1) The City's General Fund contribution to the Lee Walker Heights project; 2) flood damage at City park facilities; and 3) outside legal services that exceeded initial budget estimates.

Actual General Fund revenues exceeded final budget estimates by approximately \$4.2 million or 3.4 percent primarily due to higher than expected growth in ad valorem and sale tax revenues and an increase in investment earnings. Ad valorem tax revenues, the City's largest General Fund revenue source, finished the year at 101.6% of budget. Fiscal year 2019 revenue from ad valorem taxes was up 3.7% compared to fiscal year 2018. Other (sales) taxes, the second largest General Fund revenue, finished the year at 105.5% of budget, and was up 8.7% compared to fiscal year 2018. Intergovernmental revenue finished the year at 88.2% of budget primarily due to the fact that a portion of Powell Bill revenue was assigned to the General Capital Projects Fund as opposed to the General Fund. All other categories of General Fund revenues exceeded final budget estimates. Overall, General Fund revenues for fiscal year 2019 totaled \$128.1 million compared to fiscal year 2018 revenues of \$120.4 million, an increase of \$7.8 million or 6.5 percent. General Fund expenditures (excluding transfers to other funds, which are included in the budget as expenditures) came in under budget by \$11.3 million. However, transfers to other funds came in under budget by \$1.1 million. Overall, expenditures and transfers finished the year at 91% of budget, with total expenditures up 7.2% year-over-year.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

As of June 30, 2019, a total of \$30.4 million was assigned in fund balance for future capital and debt service expenses as part of the multi-year capital improvement financial model. In addition, the City also assigned \$2.7 million in expenditure budget savings for future expenses, including: 1) \$466,780 for economic incentive agreement payments, 2) \$250,000 for the small business loan program, 3) \$219,000 for police department equipment and programs, and 4) \$237,000 for parks department equipment and programs. Approximately \$2.3 million in contracts and purchase orders were encumbered against the fiscal year 2019 budget but not spent during the year, which also contributed to the favorable expenditure budget variance.

The net total for other financing sources and uses for the period ended June 30, 2019 was \$12.7 million. The other financing uses category includes transfers to other funds totaling \$13.1 million for fiscal year 2019. This total includes transfers to the Mass Transit and the U.S. Cellular Center enterprise funds as well as to the General Capital Projects Fund. The other financing sources and uses category also includes appropriated fund balance, with a final amended budget of \$11.5 million. The original budget adopted by City Council contained a \$639,965 appropriation from fund balance for the subsequent year's budget. As noted above, the largest portion of the \$10.9 million increase in fund balance appropriation between original and final budget relates to prior year encumbrances and carry forward appropriations, which were either previously budgeted, or reserved within fund balance for specific projects, including the Lee Walker Heights redevelopment project. This project was reported as assigned fund balance in the 2018 CAFR and released for payment by Council resolution and budget amendment in fiscal year 2019. Additional appropriations approved by Council include \$1,205,000 from unassigned fund balance to mitigate flood damage from storms in the fourth quarter of fiscal year 2018. While authorized by Council, no use of unassigned fund balance was necessary.

Actual revenues and other financing sources exceeded expenditures and other financing uses by \$5.3 million in fiscal year 2019. The comparable figure in fiscal year 2018 was \$13.3 million.

Economic Factors

The local labor market remains strong. As of June 2019, Buncombe County's unadjusted unemployment rate stood at 3.4 percent, as compared to a 3.2 percent rate one year earlier. Local unemployment rates are below both the statewide rate (4.4 percent) and the national rate (3.7 percent), and Buncombe County's unemployment rate remained the lowest amongst North Carolina's 100 counties.

The estimated population as of July 1, 2018 totaled 93,621, which represents an 11.3 percent increase over the 2010 Census. Trends suggest that while the growth rate is slowing, there remains significant pressure on housing stock and a lack of workforce and affordable housing continues to be an issue.

Fiscal year 2019 retail sales in Buncombe County totaled \$5.75 billion, an increase of 5.8 percent compared to fiscal year 2018.

Inflationary trends in the region compare favorably to national indices.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019**

All of these factors were considered in preparing the City's budget for the 2019-20 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2020

The City's adopted General Fund budget for fiscal year 2020 totals \$132,262,366, which represents a 6.3 percent increase compared to the fiscal year 2019 original budget. The City's ad valorem tax rate remains 42.89 cents per \$100 of assessed valuation. Revenue from Other (sales) taxes is projected to increase by 5.0% compared to fiscal 2019 estimates. The adopted fiscal year 2020 General Fund budget includes no fund balance appropriation.

The budget for personnel costs (salaries & wages and fringe benefits) includes funding to provide employees with a 2.5% salary increase in July 2019. Personnel costs are also impacted by position additions approved in fiscal 2019 and as part of the fiscal 2020 budget. Based on claims trends in fiscal 2019, the City was able to keep both employer and employee contributions to the health insurance program flat. The budget does include a \$200,000 increase in the City's other post-employment benefits (OPEB) contribution as part of the step-up plan to fully fund the City's annual required contribution, as well as a \$826,000 (1.2%) Citywide increase in the required employer contribution to the Local Government Employees Retirement System (LGERS). The budget also allocates \$150,000 in funding to conduct a classification and compensation study during fiscal 2020.

Operating costs in the General Fund are budgeted to increase \$2.7 million compared to the adopted fiscal year 2019 General Fund budget. The major items driving this increase include increases in fuel and fleet maintenance expenses and economic incentive contract payments, as well as one-time costs for the compensation & classification study and the design contract for City-owned property at Haywood Street and Page Avenue downtown. The interfund transfer to the Transit Services Fund is budgeted to increase by approximately \$1.5 million to cover initial expenses associated with implementing phase one of the Transit Master Plan. The interfund transfer to the US Cellular Center Fund is flat compared to fiscal 2019. The fiscal 2020 adopted General Fund budget for capital and debt totals \$16.2 million, \$15.0 million of which is for the multi-year capital and debt program.

Business-type Activities – The fiscal year 2020 Water Resources Fund adopted budget continues the minor annual rate adjustments to ensure the long-term financial sustainability of the Water Resources Fund. These rate adjustments are expected to generate approximately \$894,000 in additional revenue. The Water Resources capital outlay budget includes \$11.4 million in pay-as-you-go funding for water capital improvement projects and \$708,000 to fund the routine replacement of vehicles and equipment. The Fund's debt service obligations in fiscal year 2020 total \$5.6 million, which represents 14 percent of the overall Water Resources Fund budget.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2019

In the Transit Services Fund, the adopted fiscal year 2020 budget includes funding to implement first phase recommendations from the Transit Master Plan. These recommendations include addressing on-time performance and missed trips, route reconfigurations, technical support, and conducting a bus maintenance facility study. Based on the financial model developed in a prior year, staff submitted and City Council approved a 5% increase in stormwater fees for fiscal year 2020. The Stormwater Fund budget includes \$440,000 in pay-as-you-go funding for capital improvements projects as well as five additional positions for a pipe replacement crew which will allow the City to bring some contracted work in-house, improve the cost effectiveness of operations, and provide additional staffing for emergency response needs. The adopted Parking Fund operating budget includes a \$500,000 transfer to capital to continue pay-as-you-go funding for elevator modernization and Civic Center parking garage upgrades.

Requests for Information

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

City of Asheville
Statement of Net Position
June 30, 2019

Exhibit A

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
Assets				
Current assets:				
Cash and investments	\$ 98,037,657	\$ 83,705,511	\$ 181,743,168	\$ 3,519,079
Cash and investments – restricted	721,103	4,628,303	5,349,406	504,412
Receivables (net of allowance for uncollectibles):				
Property taxes	593,383	-	593,383	-
Due from other governments	18,609,661	2,896,514	21,506,175	-
Accounts receivable	2,784,190	5,952,549	8,736,739	4,400
Other receivables	591,362	-	591,362	-
Inventories and prepaids	2,887,701	114,278	3,001,979	4,313,032
Notes receivable (net of allowance for uncollectibles)	10,095,929	-	10,095,929	-
Total current assets	134,320,986	97,297,155	231,618,141	8,340,923
Non-current assets:				
Capital assets, net:				
Assets not being depreciated	92,050,337	94,647,117	186,697,454	4,888,915
Assets being depreciated, net	108,283,843	178,423,273	286,707,116	5,544,978
Total noncurrent assets	200,334,180	273,070,390	473,404,570	10,433,893
Total assets	334,655,166	370,367,545	705,022,711	18,774,816
Deferred Outflows of Resources				
Pension and OPEB related deferrals	17,472,483	3,391,105	20,863,588	596,009
Charge on refunding	683,774	1,140,626	1,824,400	-
Total deferred outflows of resources	18,156,257	4,531,731	22,687,988	596,009
Liabilities				
Accounts payable	7,639,191	13,333,246	20,972,437	920,400
Due to other governments	-	9,560	9,560	1,780,111
Other accrued liabilities	3,850,556	697,099	4,547,655	387,330
Customer deposits	433,962	515,890	949,852	-
Accrued interest payable	484,615	771,533	1,256,148	-
Unearned revenue	747,427	395,267	1,142,694	-
Estimated claims payable:				
Due within one year	-	-	-	-
Due in more than one year	4,612,471	-	4,612,471	-
Non-current liabilities:				
Due within one year	9,644,229	6,048,794	15,693,023	262,741
Due in more than one year	133,412,121	85,125,111	218,537,232	5,056,581
Total liabilities	160,824,572	106,896,500	267,721,072	8,407,163
Deferred Inflows of Resources				
Prepaid taxes	202,354	-	202,354	-
Pension and OPEB related deferrals	3,941,392	988,818	4,930,210	(1,481)
Total deferred inflows of resources	4,143,746	988,818	5,132,564	(1,481)
Net Position				
Net investment in capital assets	113,450,923	193,433,128	306,884,051	6,286,076
Restricted for:				
Nonspendable:				
Perpetual maintenance	334,288	-	334,288	-
Stabilization by State Statute	60,241,147	-	60,241,147	-
Community development	1,576,945	-	1,576,945	-
Perpetual maintenance	-	-	-	-
Other functions	-	-	-	-
Working capital	-	-	-	1,112,121
Capital improvements	-	-	-	504,412
Unrestricted	12,239,802	73,580,830	85,820,632	3,062,534
Total net position	\$ 187,843,105	\$ 267,013,958	\$ 454,857,063	\$ 10,965,143

See notes to financial statements.

Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit City of Asheville ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 14,402,369	\$ 10,513,905	\$ -	\$ -	\$ (3,888,464)	\$ -	\$ (3,888,464)	\$ -
Public safety	53,705,464	737,724	258,589	231,519	(52,477,632)	-	(52,477,632)	-
Environmental services	6,043,409	5,394,451	-	-	(648,958)	-	(648,958)	-
Community development	11,035,972	3,769,248	1,548,082	-	(5,718,642)	-	(5,718,642)	-
Transportation	20,341,505	1,763,920	2,410,271	5,270,863	(10,896,451)	-	(10,896,451)	-
Culture and recreation	10,506,883	1,599,645	-	400,000	(8,507,238)	-	(8,507,238)	-
Interest on long-term debt	2,225,136	-	-	-	(2,225,136)	-	(2,225,136)	-
Total governmental activities	118,260,738	23,778,893	4,216,942	5,902,382	(84,362,521)	-	(84,362,521)	-
Business-type activities:								
Water Resources	30,261,637	39,517,319	-	3,829,760	-	13,085,442	13,085,442	-
Parking Services	4,678,026	6,711,847	-	37,380	-	2,071,201	2,071,201	-
Street Cut Utility	1,719,464	1,679,469	-	-	-	(39,995)	(39,995)	-
Stormwater	5,723,593	6,298,417	-	-	-	574,824	574,824	-
U.S. Cellular Center	4,672,347	3,419,924	-	162,098	-	(1,090,325)	(1,090,325)	-
Mass Transit	11,247,580	1,025,520	6,408,432	-	-	(3,813,628)	(3,813,628)	-
Total business-type activities	58,302,647	58,652,496	6,408,432	4,029,238	-	10,787,519	10,787,519	-
Total primary government	\$ 176,563,385	\$ 82,431,389	\$ 10,625,374	\$ 9,931,620	\$ (84,362,521)	\$ 10,787,519	(73,575,002)	\$ -
Component unit:								
ABC Board	\$ 25,944,182	\$ 26,694,246	\$ -	\$ -	-	-	-	750,064
General revenues:								
Property taxes					65,093,780	-	65,093,780	-
Sales taxes					26,123,292	-	26,123,292	-
Other taxes					927,354	-	927,354	-
Grants and contributions not restricted to specific programs					14,636,662	-	14,636,662	-
Investment earnings					2,467,804	1,938,225	4,406,029	3,780
Miscellaneous					292	386,407	386,699	626
Gain (loss) on sale of assets					(262,275)	185,390	(76,885)	(2,336)
Transfers					(4,728,227)	4,728,227	-	-
Total general revenues and transfers					104,258,682	7,238,249	111,496,931	2,070
Changes in net position								
Net position – beginning					19,896,161	18,025,768	37,921,929	752,134
Net position – ending					\$ 187,843,105	\$ 267,013,958	\$ 454,857,063	\$ 10,109,097

See notes to financial statements.

City of Asheville

Exhibit C

**Balance Sheet
Governmental Funds
June 30, 2019**

	Major Funds			Total Governmental Funds
	General Fund	General Capital Projects Fund	Non-major Governmental Funds	
Assets				
Cash and investments	\$ 69,428,779	\$ 12,427,614	\$ 2,262,165	\$ 84,118,558
Cash and investments – restricted	413,360	-	307,743	721,103
Receivables (net of allowance for uncollectibles):				-
Property taxes	593,383	-	-	593,383
Due from other governments	11,719,556	6,569,655	320,450	18,609,661
Accounts receivable	1,002,890	438,741	-	1,441,631
Other receivables	564,614	-	26,748	591,362
Inventories and prepaids	461,343	2,378,333	48,025	2,887,701
Due from other funds	212,937	-	-	212,937
Notes receivable (net of allowance for uncollectibles)	6,584,446	-	3,511,483	10,095,929
Total assets	\$ 90,981,308	\$ 21,814,343	\$ 6,476,614	\$ 119,272,265
Liabilities				
Accounts payable	\$ 2,873,625	\$ 2,973,847	\$ 161,371	\$ 6,008,843
Other accrued liabilities	3,708,034	-	22,156	3,730,190
Due to other funds	-	-	212,937	212,937
Deposits	433,962	-	-	433,962
Accrued interest	29,859	-	-	29,859
Unearned revenue	677,207	10,000	60,220	747,427
Total liabilities	7,722,687	2,983,847	456,684	11,163,218
Deferred Inflows of Resources				
Taxes	251,810	-	-	251,810
Unavailable resources	-	2,650,000	30,284	2,680,284
Total deferred inflows of resources	251,810	2,650,000	30,284	2,932,094
Fund Balances				
Non-spendable:				
Inventories and prepaids	461,343	2,378,333	48,025	2,887,701
Perpetual maintenance	-	-	334,288	334,288
Notes receivable	6,584,446	-	3,511,483	10,095,929
Restricted:				
Stabilization by State Statute	15,692,122	44,549,025	-	60,241,147
Grant programs	-	-	1,576,945	1,576,945
Committed:				
Community and economic development	2,166,877	-	-	2,166,877
Sustainability	-	-	818,468	818,468
Assigned:				
Appropriated for subsequent year's budget	-	-	-	-
Capital improvements	30,481,247	-	-	30,481,247
Infrastructure reserve	1,100,000	-	-	1,100,000
Various projects	2,713,043	-	-	2,713,043
Unassigned	23,807,733	(30,746,862)	(299,563)	(7,238,692)
Total fund balances	83,006,811	16,180,496	5,989,646	105,176,953
Total liabilities, deferred inflows of resources and fund balances	\$ 90,981,308	\$ 21,814,343	\$ 6,476,614	\$ 119,272,265

See notes to financial statements.

**Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Ending fund balance – governmental funds	\$ 105,176,953
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	200,334,180
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable resources	2,729,740
Bond refunding charges	683,774
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements:	
General obligation bonds	(12,475,384)
Installment financing contracts and premiums	(71,425,660)
Other long-term indebtedness	(113,160)
Bond premiums	(3,552,827)
Compensated absences payable	(8,175,819)
Net pension obligation - LEO	(7,833,179)
Net OPEB obligation	(19,225,586)
Net pension obligation - LGERS	(20,254,736)
Contributions to pension and OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	17,380,076
Pension and OPEB related deferrals	(3,938,462)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:	
Interest payable	(455,047)
The internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	8,988,242
	<u>8,988,242</u>
Net position of governmental activities (Exhibit A)	<u>\$ 187,843,105</u>

See notes to financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2019**

	Major Funds			
	General Fund	General Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Ad valorem taxes	\$ 65,295,335	\$ -	\$ -	\$ 65,295,335
Other taxes	27,050,646	-	-	27,050,646
Intergovernmental	11,554,577	7,812,467	2,607,231	21,974,275
Licenses and permits	5,737,495	1,069	-	5,738,564
Charges for services	12,637,021	371,031	56,727	13,064,779
Investment earnings	2,140,173	18,916	19,824	2,178,913
Miscellaneous	3,729,560	636,232	609,758	4,975,550
Total revenues	128,144,807	8,839,715	3,293,540	140,278,062
Expenditures:				
Current:				
General government	17,458,506	4,092,766	409,418	21,960,690
Public safety	54,151,312	4,778,758	925,964	59,856,034
Environmental services	6,340,924	284,362	-	6,625,286
Community development	8,358,881	273,322	2,505,486	11,137,689
Transportation	5,569,918	18,329,935	106,243	24,006,096
Culture and recreation	9,569,333	6,714,816	51,414	16,335,563
Debt service:				
Principal	6,439,160	-	377,524	6,816,684
Interest and other charges	2,225,136	-	-	2,225,136
Total expenditures	110,113,170	34,473,959	4,376,049	148,963,178
Revenues over (under) expenditures	18,031,637	(25,634,244)	(1,082,509)	(8,685,116)
Other financing sources (uses):				
Transfers from other funds	92,604	7,824,700	1,496,022	9,413,326
Transfers to other funds	(13,072,285)	(873,456)	(236,000)	(14,181,741)
Proceeds from sale of capital assets	231,502	-	-	231,502
Installment purchase obligations issued	-	9,255,288	-	9,255,288
Total other financing sources (uses)	(12,748,179)	16,206,532	1,260,022	4,718,375
Net change in fund balances	5,283,458	(9,427,712)	177,513	(3,966,741)
Fund balances - beginning	77,723,353	25,608,208	5,812,133	109,143,694
Fund balances - ending	\$ 83,006,811	\$ 16,180,496	\$ 5,989,646	\$ 105,176,953

See notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to
the Statement of Activities
Year Ended June 30, 2019**

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

Net change in fund balances--total governmental funds (Exhibit E)	\$ (3,966,741)
Depreciation expense is not a use of current financial resources and, therefore, is not reported in the governmental fund statements.	(10,056,416)
Capital asset additions are a use of current financial resources and, therefore, are not reported as expenditures in the Statement of Activities.	33,701,236
Cumulative effect of disposal of fixed assets	(261,986)
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.	101,588
Property tax revenue and other revenues recorded in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenues in the fund statements:	(201,555)
Change in unavailable revenues for grants	2,781,712
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of those differences in the treatment of long-term debt and related items.	
Repayment of long-term debt	6,439,160
Long-term debt issued	(9,355,000)
Amortization of refunding loss	(38,259)
Amortization of premium/discount	245,000
Pension expense reported in the Statement of Activities does not require the use of current financial resources and, therefore is not reported as an expenditure in the governmental funds.	5,618,505
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	(1,055,743)
Net Pension OPEB obligation	(4,509,595)
The Internal Service Funds are used by management to charge the costs of risk management to the individual funds. The net expenses of certain activities of the Internal Service Funds are reported with governmental activities.	454,255
	<hr/>
Change in net position of governmental activities (Exhibit B)	\$ 19,896,161
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See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund (Non-GAAP)
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes:				
Ad valorem taxes	\$ 64,255,289	\$ 64,255,289	\$ 65,295,335	\$ 1,040,046
Other taxes	25,645,101	25,645,101	27,050,646	1,405,545
Intergovernmental	12,938,718	13,098,848	11,554,577	(1,544,271)
Licenses and permits	5,320,377	5,320,377	5,737,495	417,118
Charges for services	12,295,091	12,295,091	12,637,021	341,930
Investment earnings	250,000	250,000	2,140,173	1,890,173
Miscellaneous	2,982,150	3,102,482	3,729,560	627,078
Total revenues	123,686,726	123,967,188	128,144,807	4,177,619
Expenditures:				
Current:				
General government	24,997,144	22,783,554	17,458,506	5,325,048
Public safety	54,223,978	55,776,374	54,151,312	1,625,062
Environmental services	5,958,286	6,280,139	6,340,924	(60,785)
Community development	11,367,027	11,597,617	8,358,881	3,238,736
Transportation	6,159,638	6,518,983	5,569,918	949,065
Culture and recreation	10,431,434	10,710,644	9,569,333	1,141,311
Debt service:				
Principal	5,400,000	5,649,000	6,439,160	(790,160)
Interest and other charges	1,500,000	2,142,350	2,225,136	(82,786)
Total expenditures	120,037,507	121,458,661	110,113,170	11,345,491
Revenues over (under) expenditures	3,649,219	2,508,527	18,031,637	15,523,110
Other financing sources (uses):				
Appropriated fund balance	639,965	11,519,831	-	(11,519,831)
Transfers from other funds	2,092,620	92,620	92,604	(16)
Transfers to other funds	(6,506,804)	(14,245,978)	(13,072,285)	1,173,693
Premiums on Long-Term debt issued	-	-	-	-
Proceeds from sale of capital assets	125,000	125,000	231,502	106,502
Total other financing sources (uses)	(3,649,219)	(2,508,527)	(12,748,179)	(10,239,652)
Net change in fund balance	\$ -	\$ -	5,283,458	\$ 5,283,458

See notes to financial statements.

Statement of Net Position
Proprietary Funds
June 30, 2019

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Mass Transit	Parking Services		Enterprise Funds	Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 71,431,797	\$ 100,271	\$ 4,633,045	\$ 7,540,398	\$ 83,705,511	\$ 13,919,099
Cash and investments - restricted	1,638,080	-	500	2,989,723	4,628,303	-
Accounts receivable (net of allowance for uncollectibles)	4,707,897	168,732	283,480	792,440	5,952,549	1,342,559
Due from other governments	-	2,896,016	-	498	2,896,514	-
Inventories and prepaids	29,808	8,186	2,959	73,325	114,278	-
Total current assets	77,807,582	3,173,205	4,919,984	11,396,384	97,297,155	15,261,658
Non-current assets:						
Capital assets:						
Assets not being depreciated	77,756,390	165,512	11,133,809	5,591,406	94,647,117	-
Assets being depreciated, net	143,601,696	5,965,653	11,584,883	17,271,041	178,423,273	-
Total noncurrent assets	221,358,086	6,131,165	22,718,692	22,862,447	273,070,390	-
Total assets	299,165,668	9,304,370	27,638,676	34,258,831	370,367,545	15,261,658
Deferred outflows of resources						
Employer contributions subsequent to the measurement date	528,034	12,227	70,397	266,382	877,040	92,407
Differences between expected and actual experience	470,977	11,730	63,199	234,999	780,905	-
Change in assumptions and other inputs	664,693	15,392	145,264	335,323	1,160,672	-
Net difference between projected and actual earnings on pension plan investments	343,843	7,962	45,841	174,842	572,488	-
Deferred charge on refunding	1,112,673	-	27,953	-	1,140,626	-
Total deferred outflows of resources	3,120,220	47,311	352,654	1,011,546	4,531,731	92,407
Liabilities						
Current liabilities:						
Accounts payable	8,127,806	1,626,960	178,435	3,400,045	13,333,246	1,627,095
Claims payable	-	-	-	-	-	3,253
Customer deposits	515,390	-	500	-	515,890	-
Interest payable	634,696	-	88,207	48,630	771,533	-
Other accrued liabilities	373,442	10,085	46,100	267,472	697,099	-
Due to other governments	-	9,560	-	-	9,560	-
Unearned revenue	395,267	-	-	-	395,267	-
Current portion of long-term debt	4,189,336	2,390	870,349	986,719	6,048,794	-
Total current liabilities	14,235,937	1,648,995	1,183,591	4,702,866	21,771,389	1,630,348
Non-current liabilities:						
Estimated claims payable	-	-	-	-	-	4,612,471
Long-term liabilities, less current portion	70,092,061	158,094	7,225,411	7,649,545	85,125,111	120,366
Total liabilities	84,327,998	1,807,089	8,409,002	12,352,411	106,896,500	6,363,185
Deferred inflows of resources						
Differences between expected and actual experience	118,551	3,759	16,343	56,524	195,177	2,638
Changes in proportion and differences between employer contributions and proportionate share of contributions	426,110	45,748	57,854	263,929	793,641	-
Total deferred inflows of resources	544,661	49,507	74,197	320,453	988,818	2,638
Net position						
Net investment in capital assets	154,429,127	6,131,165	15,631,295	17,241,541	193,433,128	-
Unrestricted	62,984,102	1,363,920	3,876,836	5,355,972	73,580,830	8,988,242
Total net position	\$ 217,413,229	\$ 7,495,085	\$ 19,508,131	\$ 22,597,513	\$ 267,013,958	\$ 8,988,242

See notes to financial statements.

City of Asheville

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
 Year Ended June 30, 2019

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Mass Transit	Parking Services		Enterprise Funds	Internal Service Funds
Operating revenues:						
Charges for services	\$ 39,480,645	\$ 673,700	\$ 5,983,685	\$ 8,745,433	\$ 54,883,463	\$ 18,632,470
Rents	-	-	18,733	907,458	926,191	-
Concessions	-	-	-	1,304,849	1,304,849	-
Other operating revenue	36,674	351,820	709,429	440,070	1,537,993	2,294,469
Total operating revenues	39,517,319	1,025,520	6,711,847	11,397,810	58,652,496	20,926,939
Operating expenses:						
Administration	1,108,019	710,608	-	4,870,712	6,689,339	1,051,804
Operations	20,195,252	7,951,464	3,931,400	5,764,535	37,842,651	19,749,959
Other operating expenses	(10,109)	1,641,787	67,752	60,573	1,760,003	-
Depreciation	6,674,819	943,195	546,473	1,315,507	9,479,994	-
Total operating expenses	27,967,981	11,247,054	4,545,625	12,011,327	55,771,987	20,801,763
Operating income (loss)	11,549,338	(10,221,534)	2,166,222	(613,517)	2,880,509	125,176
Non-operating revenues (expenses)						
Intergovernmental	-	6,408,432	-	-	6,408,432	-
Interest earned	1,661,232	14,061	104,444	158,488	1,938,225	288,891
Interest and other charges	(2,293,656)	(526)	(132,401)	(104,077)	(2,530,660)	-
Miscellaneous revenue	-	22,492	20,801	-	43,293	-
Gain (loss) on disposal of capital assets	(16,232)	-	-	-	(16,232)	-
Amortization of bond issuance	282,034	-	61,080	-	343,114	-
Total non-operating revenues (expenses)	(366,622)	6,444,459	53,924	54,411	6,186,172	288,891
Income (loss) before transfers and capital grants and contributions	11,182,716	(3,777,075)	2,220,146	(559,106)	9,066,681	414,067
Transfers:						
Transfers from other funds	-	5,296,892	-	1,203,473	6,500,365	(15,075)
Transfers to other funds	-	(55,263)	(1,716,875)	-	(1,772,138)	55,263
Proceeds from sale of capital assets	190,891	-	-	10,731	201,622	-
Capital grants and contributions	3,829,760	-	37,380	162,098	4,029,238	-
Changes in net position	15,203,367	1,464,554	540,651	817,196	18,025,768	454,255
Total net position – beginning	202,209,862	6,030,531	18,967,480	21,780,317	248,988,190	8,533,987
Total net position – ending	\$ 217,413,229	\$ 7,495,085	\$ 19,508,131	\$ 22,597,513	\$ 267,013,958	\$ 8,988,242

See notes to financial statements.

City of Asheville

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018**

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Mass Transit	Parking Services		Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers, users and others	\$ 39,014,599	\$ 1,037,614	\$ 7,038,985	\$ 14,587,895	\$ 61,679,093	\$ 20,645,115
Cash paid for goods and services	(8,060,866)	(9,905,776)	(3,102,146)	(5,494,211)	(26,562,999)	(20,040,664)
Cash paid to employees	(9,905,935)	(79,141)	(1,319,866)	(4,918,224)	(16,223,166)	(394,745)
Net cash provided by (used for) operating activities	21,047,798	(8,947,303)	2,616,973	4,175,460	18,892,928	209,706
Cash flows from non-capital financing activities:						
Transfers from other funds	-	5,296,892	-	1,203,473	6,500,365	-
Transfers to other funds	-	(55,263)	(1,716,875)	-	(1,772,138)	55,263
Net cash provided by (used for) non-capital financing activities	-	5,241,629	(1,716,875)	1,203,473	4,728,227	55,263
Cash flows from capital and related financing activities:						
Receipts from capital grants or contributions	-	3,998,263	37,380	162,095	4,197,738	-
Proceeds from disposal of capital assets	190,891	-	-	10,731	201,622	-
Acquisition and construction of capital assets	(30,637,462)	(3,596,675)	(65,352)	(3,988,188)	(38,287,677)	-
Proceeds from long-term debt issued	19,440,267	-	-	404,826	19,845,093	-
Principal paid on debt	(3,349,910)	-	(770,997)	(786,784)	(4,907,691)	-
Interest and other charges paid on debt	(2,002,444)	(526)	(67,993)	(125,126)	(2,196,089)	-
Net cash provided by (used for) capital and related financing activities	(16,358,658)	401,062	(866,962)	(4,322,446)	(21,147,004)	-
Cash flows from investing activities:						
Interest earned	1,661,232	14,061	104,444	158,488	1,938,225	288,891
Net increase (decrease) in cash and cash equivalents	6,350,372	(3,290,551)	137,580	1,214,975	4,412,376	553,860
Cash and cash equivalents:						
Beginning of year, July 1	66,719,505	3,390,822	4,495,965	9,315,146	83,921,438	13,380,314
End of year, June 30	\$ 73,069,877	\$ 100,271	\$ 4,633,545	\$ 10,530,121	\$ 88,333,814	\$ 13,934,174

(Continued)

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

City of Asheville

Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended June 30, 2018

	Major Funds			Non-major Enterprise Funds	Totals	
	Water Resources	Mass Transit	Parking Services		Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 11,549,338	\$ (10,199,042)	\$ 2,187,023	\$ (613,517)	\$ 2,923,802	\$ 125,176
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	6,674,819	943,195	546,473	1,315,507	9,479,994	-
Changes in assets, liabilities and deferred outflows and inflows of resources:						
(Increase) decrease in accounts receivable	(538,428)	(10,398)	312,762	(154,178)	(390,242)	(281,824)
(Increase) decrease in due from other governments	-	-	(6,425)	354,540	348,115	-
(Increase) decrease in inventories and prepaids	(29,808)	(2,889)	(2,959)	8,664	(26,992)	-
(Increase) decrease in due from other funds	-	-	-	-	-	-
(Increase) decrease in deferred outflows of resources for pensions	(747,371)	(21,646)	(175,670)	(442,212)	(1,386,899)	(27,771)
Increase (decrease) in accounts payable	3,207,082	246,411	(248,345)	3,107,491	6,312,639	(1,695,440)
Increase (decrease) in other accrued expenses	(31,085)	208	(64,336)	(16,432)	(111,645)	61,870
Increase (decrease) in unearned revenue	244,723	-	-	-	244,723	-
Increase (decrease) in customer deposits	(209,015)	-	-	-	(209,015)	-
Increase (decrease) in estimated claims payable	-	-	-	-	-	1,992,829
Increase (decrease) in compensated absences	128,068	(1,469)	(313)	36,874	163,160	-
Increase (decrease) in pension obligation - LGERS	895,474	31,512	144,198	488,053	1,559,237	31,313
Increase (decrease) in OPEB obligation	(232,423)	37,016	(99,834)	(107,786)	(403,027)	-
Increase (decrease) in deferred inflows of resources for pensions	136,424	29,799	24,399	198,456	389,078	3,553
Net cash provided by (used in) operating activities	\$ 21,047,798	\$ (8,947,303)	\$ 2,616,973	\$ 4,175,460	\$ 18,892,928	\$ 209,706
Reconciliation of cash and cash equivalents:						
Cash and investments:						
Unrestricted	\$ 71,431,797	\$ 100,271	\$ 4,633,045	\$ 7,540,398	\$ 83,705,511	\$ 13,934,174
Restricted	1,638,080	-	500	2,989,723	4,628,303	-
Total cash and cash equivalents	\$ 73,069,877	\$ 100,271	\$ 4,633,545	\$ 10,530,121	\$ 88,333,814	\$ 13,934,174
Non-cash investing, capital, and financing activities:						
Donated capital assets	\$ 3,829,760	\$ -	\$ -	\$ -	\$ 3,829,760	\$ -

See notes to financial statements.

Fiduciary Trust and Agency Funds
June 30, 2019

	OPEB Trust Fund	Agency Funds
Assets		
Cash and investments	\$ -	\$ 642,423
Cash and investments held by fiscal agent:		
State Treasurer's OPEB Fund	11,741,211	-
Due from customers	-	2,002,638
	<u>11,741,211</u>	<u>2,645,061</u>
Total assets	<u>11,741,211</u>	<u>2,645,061</u>
Liabilities		
Due to other governments	-	2,645,061
	<u>-</u>	<u>2,645,061</u>
Total liabilities	<u>-</u>	<u>\$ 2,645,061</u>
Net Position		
Assets held in trust for OPEB benefits	<u>\$ 11,741,211</u>	

See notes to financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Trust Fund
Year Ended June 30, 2019

	OPEB Trust Fund
<hr/>	
Additions:	
Employer contributions	\$ 5,349,739
Investment earnings	755,008
Total additions	<u>6,104,747</u>
Deductions:	
Benefits	<u>3,951,335</u>
Change in net position	2,153,412
Total net position – beginning	<u>9,587,799</u>
Total net position – ending	<u><u>\$ 11,741,211</u></u>

See notes to financial statements.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Included within the reporting entity are:

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

The ABC Board was organized under the provisions of House Bill No. 1124 of the North Carolina General Assembly and implemented by a citywide election held November 14, 1947. The local ABC Board may borrow money in accordance with North Carolina General Statute 18B-702(r) and the City’s governing body, who appoint ABC Board members, shall in no way be held responsible for the debts of the ABC Board. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the City, which represents a financial benefit to the City. Therefore, the ABC Board is reported as a discretely presented component unit. Complete financial statements for the ABC Board may be obtained from the Chief Financial Officer, Asheville Board of Alcoholic Control, Post Office Box 8834, Asheville, NC 28814.

Asheville Public Financing Corporation (the “APFC”)

The APFC is a nonprofit corporation chartered in 1991 with the specific purpose of assisting the City of Asheville in various types of financing arrangements. The APFC is governed by a board of directors whose three members serve for one year or until successors are elected. One of the three members is appointed by the City Manager. The board of directors elects the remaining directors. The APFC has no assets, liabilities, revenues or expenses. All rights, title and interest to all financing contracts with the City have been assigned to various bank trustees. All financing arrangements with the City have been disclosed in the accompanying notes to the basic financial statements. The assets and related long-term lease obligations are reported in the related governmental and business-type funds in the City’s financial statements.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity

Not included within the reporting entity are:

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 School System. The City is accountable for the School System because it appoints a majority of the governing board; however, the City is not financially accountable for the School System.

Jointly governed organization:

Greater Asheville Regional Airport Authority: On June 28, 2012, the North Carolina General Assembly adopted legislation (S.L. 2012-121) changing the governance structure of the former Asheville Regional Airport from a joint governmental agency, comprised of the City of Asheville and Buncombe County, to an independent, state-sanctioned airport authority, the Greater Asheville Regional Airport Authority. The structure of the new authority is such that Henderson County is now a “member government,” along with Asheville and Buncombe County. Each member government has two appointments to the board, with the seventh member to be appointed by the other six. The City will no longer have any fiscal responsibility for the Airport Authority.

Basis of presentation:

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

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

Fund financial statements: The fund financial statements provide information about the City’s funds, including the fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The parking services fund is displayed as a major fund for consistency and public interest, however, it does not meet the requirements to be considered a major fund. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in other funds. The primary revenue sources are ad valorem taxes, various other taxes and licenses and state-shared revenues. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, general government services, risk management and benefits, information technology, and debt service for the payment of general long-term principal, interest, and related costs.

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

The City reports the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The City has the following Special Revenue Funds: Grant Programs, Community Development, Section 108 Rehabilitation and Affordable Home Ownership, and the Sustainability fund.

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

The City reports the following major proprietary funds:

Water Resources Fund: The Water Resources Fund is an enterprise fund used to account for operations and maintenance of the City's water system including operation of three water treatment plants as well as the debt service for the payment of utility long-term debt principal, interest, and related costs. This fund also covers all system development fees assessed to new customers, which are accounted for in the Water Capital Reserve Fund per NCGS §162A Article 8. 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. Both the Water Capital Reserve Fund and the Water Capital Project Fund are combined with the Water Resources Fund (the operating fund) for financial statement purposes.

Mass Transit Fund: The Mass Transit Fund is an enterprise fund used to account for the operation and maintenance of the City's transit services which include 16 bus routes throughout the city and one to the Town of Black Mountain. Acquisition of buses and/or maintenance of transit facilities are accounted for in the Mass Transit Capital Projects Fund, which is combined with the Mass Transit Fund (the operating fund) for financial statement purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

Parking Services Fund: The Parking Services Fund is an enterprise fund used to account for the operations and maintenance of the City's public parking system, which includes four parking decks, as well as the debt service for the payment of parking long-term debt principal, interest, and related costs. This fund also covers acquisition and/or construction of major parking capital facilities and infrastructure, which are accounted for in the Parking Capital Projects Fund, which is combined with the Parking Services Fund (the operating fund) for financial statement purposes. While this fund did not qualify as major for this reporting period, it will be presented as a major fund for consistency with prior year and due to public interest.

The City reports the following non-major enterprise funds, some of which are combined with their own individual capital project funds for financial statement purposes:

Street Cut Utility Fund, Stormwater Fund and U.S. Cellular Center Fund

Additionally the City reports the following fund types:

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

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

Agency Fund: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains one agency fund, Metropolitan Sewer District Agency Fund, which accounts for the collection of various sewer fees charged to City water customers.

The U.S. Cellular Center Agency Fund, which accounts for the segregation of the U.S. Cellular Center box office activities for various promoters will no longer be reported as an agency fund. All U.S. Cellular Center box office activity will be presented with the U.S. Cellular Center fund financial statements.

Measurement focus and basis of accounting: In accordance with North Carolina General Statutes, all funds, governmental and business-type of the City are maintained during the year using the modified accrual basis of accounting.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

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

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

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

The City considers all revenues available if they are collected within 90 days of the end of the current fiscal period, except for property taxes. Ad valorem taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when motor vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Sales taxes and certain intergovernmental revenues collected and held by the state at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Asheville because the tax is levied by Buncombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

Grant proceeds received but unearned at year-end are recorded as unearned revenues. Under the terms of the grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenditures are incurred, there is both restricted and unrestricted net position available to finance the program. Excluding debt funding, it is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. In the event that debt proceeds are included, the City will spend debt proceeds first unless there is an agreement tying specific expenditures to grant proceeds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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 division 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.

Assets, liabilities, deferred outflows/inflows of recourses, and fund equity:

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

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

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The BIF is also valued at \$1 per share. The BlackRock's MSCI ACWI EQ Index Non-Lendable Class B fund is priced at \$22.562358 per share at June 30, 2019. The weighted average maturity of the STIF is 1.3 years and the weighted average maturity of the BIF is 7.81 years.

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

Ad valorem taxes receivables: In accordance with North Carolina General Statutes [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes, other than motor vehicles, on July 1, the beginning of the fiscal year. The taxes are due September 1 (lien date), but interest and penalties do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for doubtful accounts: All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and the percentage of prior year receivables collected within the current fiscal year. In addition, an allowance is provided for certain loans where collectability is uncertain.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Notes receivable: Notes receivable are recorded in governmental funds net of an allowance for uncollectible accounts.

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

City of Asheville	
Category of capital asset	Capitalization Threshold
Land	No threshold
Infrastructure	\$ 50,000
Buildings	50,000
Improvements other than buildings	50,000
Machinery and equipment	5,000
Rights of way	5,000
Software	100,000
Internally generated software	1,000,000

Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair market value at the date of the donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Costs incurred in repairing or maintaining an asset that do not extend the asset's useful life, increase its productivity, or add value to it are not capitalized. Capitalization of assets and improvements within a long-term project occur when the related asset is completed and put into use. Capitalized interest incurred during the construction phase of a project is included in the value of the asset capitalized in enterprise funds.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

City of Asheville	
Category of capital asset	Useful Life In Years
Infrastructure	20-50
Buildings	20-50
Improvements other than buildings	10-20
Machinery and equipment	5-30
Software	5

ABC Board	
Category of capital asset	Useful Life In Years
Buildings	20-30
Leasehold improvements	10-20
Furniture and equipment	5-10

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion, contributions made to the pension and OPEB plans in the 2019 fiscal year, other deferral of pension and OPEB expense and unamortized losses on bond defeasance in the General, Water Resources and Parking Funds. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has multiple items that meet the criterion for this category - prepaid taxes, property taxes receivable (less penalties), some grant revenues and deferrals of pension and OPEB expense that result from the implementation of GASB Statements 68, 73, and 75

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.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as certain bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Certain issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt related expenditures.

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

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted fund balance: This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Committed fund balance: This classification includes amounts that can only be spent for specific purposes imposed by majority vote by quorum of City's governing body, the City Council (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The amounts are committed for various capital improvements and community and economic development.

Assigned fund balance: This classification includes amounts the City intends to use for a specific purpose. Assignments may be created, amended or eliminated by the Director of Finance and Management Services. Although managed as dedicated to specific areas, amounts are available for appropriation by Council. The majority of the amounts assigned are to be used for facility and infrastructure improvements.

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

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

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

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

City of Asheville

Notes to Financial Statements

Note 2. Deposits and Investments

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

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

At June 30, 2019, the City's deposits had a carrying amount of \$9,750,978 and a bank balance of \$16,956,512. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City and ABC Board also had \$45,677 and 11,199, respectively, in petty cash at year-end. At June 30, 2019, the ABC Board's deposits had a carrying amount of \$3,320,440 and a bank balance of \$3,735,388. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. Certificates of Deposit are purchased for investment purposes and are included in the detail schedule below. All certificates held are covered by federal depository insurance and collateral held under the pooling method.

Investments: The calculation of realized gains is independent of the calculation of the net increase/decrease in the fair value of investments that have been held in more than one fiscal year and sold during the current year. The current year realized gain is recognized as an increase/decrease in the fair value of the current year investments as compared to the investments as reported in the prior year. The net increase in fair value during 2019 for the City was \$1,042,302. 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 \$143,730.

City of Asheville

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

As of June 30, 2019, the City had the following investments and maturities:

	Valuation Measurement Method	Book Value at 6/30/2018	Maturity			Rating
			0 - 6 Months	6 - 12 Months	1 - 3 Years	
U.S. Government Securities	Fair Value Level 2	\$ 55,944,564	\$ 11,048,658	\$ 29,945,404	\$ 14,950,502	AAA
U.S. Government Agencies	Fair Value Level 2	74,472,045	42,011,353	23,006,445	9,454,247	Aaa/AA+
NCCMT - Government Portfolio	Amortized Cost	3,305,602	3,305,602	-	-	AAAm
NCCMT - Term Portfolio	Fair Value Level 1	27,448,298	27,448,298	-	-	Unrated
Bank Certificates of Deposit	Amortized Cost	6,256,708	6,256,708	-	-	Unrated
Commercial Paper	Fair Value Level 2	9,868,701	2,478,376	7,390,325.00	-	A1/P1
Total		\$ 177,295,918	\$ 92,548,995	\$ 60,342,174	\$ 24,404,749	

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level 1: NCCMT – Term Portfolio is valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Level 2: Debt securities valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

As of June 30, 2019, the ABC Board had investments of \$187,440.

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

Credit risk: State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust's Term Portfolio is unrated. The City's investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2019.

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

City of Asheville

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk: The City's policy generally limits the amount of investment in any one issuer to 25 percent by security type and institution. At June 30, 2019, approximately 32 percent of the City's total investments were in US Government Securities, 14 percent were in Federal Home Loan Bank securities, 8 percent were in Federal National Mortgage Association securities, 12 percent were in Federal Home Loan Mortgage Corporation securities, 8 percent were in Federal Farm Credit Bank securities, 17 percent were in the NCCMT Government and Term accounts, 3 percent were in bank certificates of deposit and 6 percent were in commercial paper.

At June 30, 2019, the City's OPEB Trust had \$11,741,211 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 159-30.1. The State Treasurer's OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the City's OPEB Fund was invested as follows: North Carolina Non-Pension Fixed Income 46.07 percent and BlackRock's MSCI ACWI Equity Index Non-Lendable Fund B (EIF) 53.9 percent (the equities were split with 55.3% in domestic securities and 44.7% in international securities).

Level of the fair value hierarchy: Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2019 of 1.3 years.

Ownership of the BIF is determined monthly at fair value using the same Level 2 inputs as the STIF and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. On 6/30/2019 the BIF, which does not have a credit rating, was valued at \$1 per unit and had an average maturity of 7.81 years at June 30, 2019.

The BlackRock's MSCI ACWI EQ Index Non-Lendable Class B fund, authorized under G.S. 147-69.2(b)(8), is a common trust fund considered to be commingled in nature. The Fund's fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2019 the fair value of the funds was \$22.562358 per share. Fair value for this Blackrock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Valuation technique: North Carolina Department of State Treasurer OPEB trust investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

City of Asheville

Notes to Financial Statements

Note 3. Receivables – Allowances for Doubtful Accounts

Receivables presented on the statement of net position, balance sheet governmental funds, and statement of fund net position proprietary funds at year-end are net of the following allowances:

	Statement of Net Position		Balance Sheet Governmental	Fund Net Position
	Governmental Activities	Business-type Activities	Funds	Proprietary/Internal Service Funds
General Fund:				
Property Taxes Receivable	\$ 221,975	\$ -	\$ 221,975	\$ -
Accounts Receivable	2,377,920	-	2,377,920	-
Notes Receivable	45,500	-	45,500	-
Non-major Governmental Funds:				
Notes Receivable	255,125	-	39,000	-
Major Funds:				
Water Resources	-	1,197,096	-	1,197,096
Parking Services	-	1,322,757	-	1,322,757
Non-Major Enterprise Funds	-	1,056,370	-	1,056,370
Internal Services	23,515	-	-	23,515
	<u>\$ 2,924,035</u>	<u>\$ 3,576,223</u>	<u>\$ 2,684,395</u>	<u>\$ 3,599,738</u>

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Governmental Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 42,884,181	\$ 1,615,963	(57,967)	-	\$ 44,442,177
Intangibles	4,974,189	121,937	-	-	5,096,126
Construction in Progress	22,459,845	23,989,998	(100,308)	(3,837,501)	42,512,034
Totals Capital Asset, Non-depr	<u>70,318,215</u>	<u>25,727,898</u>	<u>(158,275)</u>	<u>(3,837,501)</u>	<u>92,050,337</u>
Capital Assets, Depreciable:					
Buildings and Improvements	70,382,363	-	-	321,941	70,704,304
Improvements other than Buildings	12,485,743	307,785	-	2,859,345	15,652,873
Machinery and Equipment	55,096,859	7,609,387	(1,591,342)	183,242	61,298,146
Infrastructure	251,446,806	56,165	-	461,853	251,964,824
Intangibles	569,775	-	-	-	569,775
Other Capital Assets	105,999	-	-	-	105,999
Totals Capital Asset, Depreciable	<u>390,087,545</u>	<u>7,973,337</u>	<u>(1,591,342)</u>	<u>3,826,381</u>	<u>400,295,921</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(37,151,631)	(2,397,282)	-	-	(39,548,913)
Improvements other than Buildings	(1,570,548)	(762,455)	-	-	(2,333,003)
Machinery and Equipment	(32,638,617)	(5,094,313)	1,487,340	11,120	(36,234,470)
Infrastructure	(211,474,913)	(1,783,726)	-	-	(213,258,639)
Intangibles	(569,774)	-	-	-	(569,774)
Other Capital Assets	(48,639)	(18,640)	-	-	(67,279)
Total Accumulated Depreciation	<u>(283,454,122)</u>	<u>(10,056,416)</u>	<u>1,487,340</u>	<u>11,120</u>	<u>(292,012,078)</u>
Totals Capital Asset, Depreciable, Net	<u>106,633,423</u>	<u>(2,083,079)</u>	<u>(104,002)</u>	<u>3,837,501</u>	<u>108,283,843</u>
Governmental Activities Capital Assets, Net	<u>\$ 176,951,638</u>	<u>\$ 23,644,819</u>	<u>\$ (262,277)</u>	<u>\$ -</u>	<u>\$ 200,334,180</u>

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Business-type Activities					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 16,054,414	-	(8,052)	-	\$ 16,046,362
Intangibles	12,400,291	3,897,022	-	-	16,297,313
Construction in Progress	32,206,920	33,207,523	(183,667)	(2,927,334)	62,303,442
Totals Capital Asset, Non-depr	60,661,625	37,104,545	(191,719)	(2,927,334)	94,647,117
Capital Assets, Depreciable:					
Buildings and Improvements	107,682,468	-	-	-	107,682,468
Improvements Other Than Buildings	4,331,206	447,442	-	-	4,778,648
Machinery and Equipment	40,677,825	4,602,802	(943,600)	11,120	44,348,147
Infrastructure	195,398,821	-	-	2,927,334	198,326,155
Other Capital Assets	25,000	-	-	-	25,000
Totals Capital Asset, Depreciable	348,115,320	5,050,244	(943,600)	2,938,454	355,160,418
Less Accumulated Depreciation for:					
Buildings and Improvements	(54,881,414)	(2,644,510)	-	-	(57,525,924)
Improvements Other Than Buildings	(471,083)	(193,253)	-	-	(664,336)
Machinery and Equipment	(31,084,295)	(2,951,625)	927,372	(11,120)	(33,119,668)
Infrastructure	(81,732,694)	(3,689,598)	-	-	(85,422,292)
Other Capital Assets	(3,917)	(1,008)	-	-	(4,925)
Total Accumulated Depreciation	(168,173,403)	(9,479,994)	927,372	(11,120)	(176,737,145)
Totals Capital Asset, Depreciable, Net	179,941,917	(4,429,750)	(16,228)	2,927,334	178,423,273
Business-type Activities Capital Assets, Net	\$ 240,603,542	\$ 32,674,795	\$ (207,947)	\$ -	\$ 273,070,390

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Water Resources Fund					
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 4,601,367	\$ -	\$ (8,052)	\$ -	\$ 4,593,315
Intangibles	12,092,564	3,850,260	-	-	15,942,824
Construction in Progress	30,284,473	29,958,773	(95,660)	(2,927,335)	57,220,251
Total Capital Assets, Non-Deprec	<u>46,978,404</u>	<u>33,809,033</u>	<u>(103,712)</u>	<u>(2,927,335)</u>	<u>77,756,390</u>
Capital Assets, Depreciable:					
Buildings and Improvements	67,149,490	-	-	-	67,149,490
Improvements Other Than Buildings	396,505	-	-	-	396,505
Machinery and Equipment	22,488,023	721,639	(605,426)	34,806	22,639,042
Infrastructure	179,178,415	-	-	2,927,334	182,105,749
Other Capital Assets	-	-	-	-	-
Total Capital Assets, Depreciable	<u>\$ 269,212,433</u>	<u>\$ 721,639</u>	<u>\$ (605,426)</u>	<u>\$ 2,962,140</u>	<u>\$ 272,290,786</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ (34,282,181)	\$ (1,798,033)	\$ -	\$ -	\$ (36,080,214)
Improvements Other Than Buildings	(130,093)	(19,531)	-	-	(149,624)
Machinery and Equipment	(18,685,612)	(1,323,277)	591,167	(34,805)	(19,452,527)
Infrastructure	(69,472,747)	(3,533,978)	-	-	(73,006,725)
Other Capital Assets	-	-	-	-	-
Total Accumulated Depreciation	<u>(122,570,633)</u>	<u>(6,674,819)</u>	<u>591,167</u>	<u>(34,805)</u>	<u>(128,689,090)</u>
Totals Capital Asset, Depreciable, Net	<u>146,641,800</u>	<u>(5,953,180)</u>	<u>(14,259)</u>	<u>2,927,335</u>	<u>143,601,696</u>
Water Resources Capital Assets, Net	<u>\$ 193,620,204</u>	<u>\$ 27,855,853</u>	<u>\$ (117,971)</u>	<u>\$ -</u>	<u>\$ 221,358,086</u>

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Mass Transit Fund	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 157,968	\$ -	\$ -	\$ -	\$ 157,968
Intangibles	7,544	-	-	-	7,544
Total Capital Assets, Non-Deprec	165,512	-	-	-	165,512
Capital Assets, Depreciable:					
Buildings and Improvements	1,834,513	-	-	-	1,834,513
Improvements Other Than Buildings	-	447,443	-	-	447,443
Machinery and Equipment	10,075,226	3,151,207	(288,986)	(23,685)	12,913,762
Total Capital Assets, Depreciable	\$ 11,909,739	\$ 3,598,650	\$ (288,986)	\$ (23,685)	\$ 15,195,718
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ (1,504,094)	\$ (37,995)	\$ -	\$ -	\$ (1,542,089)
Improvements Other Than Buildings	-	(5,786)	-	-	(5,786)
Machinery and Equipment	(7,093,473)	(899,414)	288,986	21,711	(7,682,190)
	(8,597,567)	(943,195)	288,986	21,711	(9,230,065)
Totals Capital Asset, Depreciable, Net	3,312,172	2,655,455	-	(1,974)	5,965,653
Mass Transit Fund Capital Assets, Net	\$ 3,477,684	\$ 2,655,455	\$ -	\$ (1,974)	\$ 6,131,165

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Parking Services Fund	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Capital Assets, Non-depreciable:					
Land and Improvements	\$ 10,631,482	\$ -	\$ -	\$ -	\$ 10,631,482
Intangibles	-	20,801	-	-	20,801
Construction in Progress	521,546	25,422	(65,442)	-	481,526
Total Capital Assets, Non-Deprec	11,153,028	46,223	(65,442)	-	11,133,809
Capital Assets, Depreciable:					
Buildings and Improvements	18,192,249	-	-	-	18,192,249
Improvements Other Than Buildings	1,052,078	-	-	-	1,052,078
Machinery and Equipment	1,012,875	15,831	-	-	1,028,706
Other Capital Assets	25,000	-	-	-	25,000
Total Capital Assets, Depreciable	\$ 20,282,202	\$ 15,831	\$ -	\$ -	\$ 20,298,033
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ (7,241,583)	\$ (404,221)	\$ -	\$ -	\$ (7,645,804)
Improvements Other Than Buildings	(65,578)	(75,284)	-	-	(140,862)
Machinery and Equipment	(855,591)	(65,968)	-	-	(921,559)
Infrastructure	-	-	-	-	-
Other Capital Assets	(3,925)	(1,000)	-	-	(4,925)
	(8,166,677)	(546,473)	-	-	(8,713,150)
Totals Capital Asset, Depreciable, Net	12,115,525	(530,642)	-	-	11,584,883
Mass Transit Fund Capital Assets, Net	\$ 23,268,553	\$ (484,419)	\$ (65,442)	\$ -	\$ 22,718,692

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Beginning Balance	Additions	Deductions	Ending Balance
Asheville ABC Board				
Capital Assets, Non-depreciable:				
Land	\$ 3,640,788	\$ -	\$ -	\$ 3,640,788
Construction in Progress	16,311	1,231,816	-	1,248,127
Total Capital Assets, Non-Deprec	<u>3,657,099</u>	<u>1,231,816</u>	<u>-</u>	<u>4,888,915</u>
Capital Assets, Depreciable:				
Buildings	7,663,938	10,329	-	7,674,267
Leasehold Improvements	180,864	-	(8,446)	172,418
Furniture and Equipment	1,726,746	97,688	(41,746)	1,782,688
Vehicles	243,123	12,807	-	255,930
Total Capital Assets, Depreciable	<u>9,814,671</u>	<u>120,824</u>	<u>(50,192)</u>	<u>9,885,303</u>
Less Accumulated Depreciation for:				
Buildings	(2,617,238)	(227,456)	-	(2,844,694)
Leasehold Improvements	(174,746)	(2,808)	8,446	(169,108)
Furniture and Equipment	(975,739)	(167,073)	40,242	(1,102,570)
Vehicles	(211,241)	(12,712)	-	(223,953)
Total Accumulated Depreciation	<u>(3,978,964)</u>	<u>(410,049)</u>	<u>48,688</u>	<u>(4,340,325)</u>
Totals Capital Asset, Depreciable, Net	<u>5,835,707</u>	<u>(289,225)</u>	<u>(1,504)</u>	<u>5,544,978</u>
Capital Assets, Net	<u>\$ 9,492,806</u>	<u>\$ 942,591</u>	<u>\$ (1,504)</u>	<u>\$ 10,433,893</u>

During the year, the City recorded capital contributions of \$3,877,857, which represents the value of water lines, easements, and rights of way. Capital contributions are a non-cash capital related financing activity for the statement of cash flows.

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

Governmental Activities	
General Government	\$ 2,228,229
Public Safety	3,137,689
Transportation	1,800,801
Environmental Protection	839,449
Economic Development	30,957
Culture & Recreation	2,019,291
Total Depreciation - Governmental Activities	<u>\$ 10,056,416</u>
Business - Type Activities	
Water Resources	\$ 6,674,819
Mass Transit Fund	943,195
Parking Services	546,473
Non-Major Enterprise Funds	1,315,507
Total Depreciation - Business Type Activities	<u>\$ 9,479,994</u>

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

The City has numerous construction projects as of June 30, 2019. The amounts the City is contractually committed to spend at June 30, 2019, are the following:

Project	Spent to Date	Remaining Commitments
Governmental Funds		
Building Maintenance	\$ 727,348	\$ 448,725
Transportation	2,395,554	4,438,128
Parks and Recreation	1,073,425	666,575
Public Safety	104,791	17,668,385
Community Development	119,350	6,096,702
RADTIP	19,234,257	428,492
Bond Projects	1,323,833	329,150
Total Governmental Funds	24,978,558	30,076,158
Proprietary Funds		
Water	12,077,436	7,102,696
North Fork Dam	23,339,756	15,937,414
Stormwater	1,208,505	796,844
US Cellular Center	786,190	4,023,617
Parking	-	682,805
Transit	245,768	52,663
Total Proprietary Funds	37,657,655	28,596,039
Total Commitments	\$ 62,636,213	\$ 58,672,197

Note 5. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2019, is as follows:

Due From Other Funds	Due to General Fund
Non-Major Governmental Funds:	
Community Development Special Revenue Fund	\$ 212,937
Total Due From Governmental Funds	\$ 212,937

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

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

City of Asheville

Notes to Financial Statements

Note 5. Interfund Receivables, Payables and Transfers (Continued)

	Transfers In							Transfers Out
	General Fund	General Capital Projects Fund	Non-major Governmental Funds	Mass Transit Fund	Parking Services Fund	Non-major Enterprise Funds	Internal Service Fund	
General Fund	\$ -	\$ 7,439,625	\$ 709,170	\$ 3,720,017	\$ -	\$ 1,203,473	\$ -	\$ 13,072,285
General Capital Projects Fund	92,604	-	780,852	-	-	-	-	873,456
Mass Transit Fund							55,263	55,263
Non-major Governmental Funds	-	230,000	6,000	-	-	-	-	236,000
Parking Services Fund	-	140,000	-	1,576,875	-	-	-	1,716,875
Internal Service Funds	-	15,075	-	-	-	-	-	15,075
Total	\$ 92,604	\$ 7,824,700	\$ 1,496,022	\$ 5,296,892	\$ -	\$ 1,203,473	\$ 55,263	\$ 15,968,954

Note 6. Long-Term Obligations

General obligation bonds, limited obligation bonds, revenue bonds and installment financing contracts: The City has issued general obligation bonds, revenue bonds, limited obligation bonds (“LOBs”), and direct placement installment financing agreements to provide funds for the acquisition and construction of major capital facilities and capital equipment related to both general and proprietary activities. All general obligation bonds are backed by the full faith, credit, and taxing power of the City. In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements. Principal and interest requirements are appropriated when due. The revenue bonds are secured by the pledge of the net revenues derived from the acquired or constructed assets of the water system. The LOBs and installment financing agreements are collateralized by the assets being financed and are not secured by the taxing power of the City. The revenue bonds and LOBs require the City to follow customary covenants including providing insurance certificates, budget data, and financial information on an annual basis. In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements. Other long-term indebtedness is further described in Note 6.

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Long-term obligations at June 30, 2019, are comprised of the following individual issues:

	Issue Date	Final Maturity	Interest Rate	Original Issue	Principal	Principal and	General Fund	Business-Type
					Balance	Unamortized		
					June 30, 2019	Balances at June 30, 2019		
1. General Obligation Bonds:								
2000 Sewer lines and fire fighting equipment	12/01/2000	12/01/2020	5.00%	\$ 1,970,000	\$ 170,000	\$ 170,000	\$ 170,000	\$ -
2018 Transportation and parks & recreation	06/12/2018	06/12/2020	Variable (1)	23,000,000	12,305,384	12,305,384	12,305,384	-
				24,970,000	12,475,384	12,475,384	12,475,384	-
2. Installment Financing Contracts:								
2010 Installment financing (Parks & Recreation)	07/12/2010	07/12/2025	4.55%	1,100,000	476,667	476,667	476,667	-
2012 Limited Obligation Bonds	06/27/2012	04/01/2032	3.00% - 5.00%	39,160,000	4,940,000	5,470,872	2,143,217	2,796,783
2013 Installment financing (Green CIP)	06/13/2013	07/01/2023	1.44%	998,000	449,100	449,100	449,100	-
2015 Installment financing (Equip. and Vehicles)	06/26/2015	05/01/2020	1.15%	3,225,000	949,980	949,980	829,130	120,850
2016 Installment financing (Equip. and Vehicles)	06/30/2016	06/01/2021	1.25%	5,520,000	2,075,490	2,075,490	1,726,067	349,423
2017 Installment financing (Equip. and Vehicles)	06/30/2017	06/01/2022	1.62%-1.70%	4,307,060	3,431,795	3,431,795	3,087,795	344,000
2017 Limited Obligation Bonds	11/09/2017	10/01/2037	3.00% - 5.00%	25,000,000	24,315,000	27,260,375	19,233,070	5,081,930
2017 Special Obligation Bonds	11/09/2017	10/01/2037	2.50% - 5.00%	17,140,000	16,280,000	17,536,349	14,082,200	2,197,800
2018 Installment financing (Equip. and Vehicles)	05/31/2018	05/01/2023	2.65%	6,220,100	5,010,751	5,010,751	4,848,626	162,125
2018 Limited Obligation Bonds	06/12/2018	06/12/2021	Variable (2)	48,000,000	20,723,364	20,723,364	20,594,788	128,576
2019 Installment financing (Equip. and Vehicles)	5/31/2019	5/01/2024	2.28%	4,330,000	4,330,000	4,330,000	3,955,000	375,000
				155,000,160	82,982,147	87,714,743	71,425,660	11,556,487
3. Revenue Bonds:								
2015 Water System Revenue Refunding Bonds	6/11/15	08/01/2032	2.0% - 5.0%	50,625,000	43,440,000	48,360,124	-	43,440,000
2018 Water System Revenue Refunding Bonds	10/10/2018	10/01/2021	Variable (3)	40,000,000	19,562,590	19,562,590	-	19,562,590
				90,625,000	63,002,590	67,922,714	-	63,002,590
4. Other Long-Term Indebtedness								
2001 Metropolitan Sewerage District	04/22/1985	06/30/2024	5.00%	615,000	113,160	113,160	113,160	-
2011 NC DENR, Drinking Water Revolving Loan	06/22/2011	05/01/2031	0.00%	198,194	118,918	118,918	-	118,918
				\$ 813,194	232,078	232,078	113,160	118,918
Total General Obligation Bonds, Limited Obligation Bonds, Revenue Bonds and Other Long-Term Obligations					\$ 158,692,199	\$ 168,344,919	\$84,014,204	\$ 74,677,995

(1) Interest is variable at SIFMA plus 32 bppa

(2) Interest is variable at SIFMA plus 38 bppa

(3) Interest is variable at (30 day LIBOR *79%) plus 32 bppa

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

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

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 12,475,384	\$ -	\$ 12,475,384
Installment Financing Contracts	71,425,660	11,556,487	82,982,147
Revenue Bonds	-	63,002,590	63,002,590
Other Long-term Indebtedness	113,160	118,918	232,078
	<u>\$ 84,014,204</u>	<u>\$ 74,677,995</u>	<u>\$ 158,692,199</u>

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

	Unamortized Premium
Limited Obligation Bonds, Series 2012	\$ 530,872
Limited Obligation Bonds, Series 2017	2,945,375
Special Obligation Bonds, Series 2017	1,256,349
Revenue Bonds:	
2015 Water System Revenue Refunding Bonds	4,920,124
	<u>\$ 9,652,720</u>

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 (1)		LOBs, SOBs and Installment Financings		Other Long-Term Obligations (See Note 6.F)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2020	100,000	354,161	6,182,717	2,061,927	26,240	5,658	6,308,957	2,421,746
2021	70,000	361,750	26,485,782	1,873,719	26,240	4,346	26,582,022	2,239,815
2022	-	360,000	5,809,651	1,343,027	26,240	3,034	5,835,891	1,706,061
2023	12,305,384	360,000	4,159,642	1,163,405	26,240	1,722	16,491,266	1,525,127
2024	-	-	3,755,640	1,018,377	8,200	451	3,763,840	1,018,828
2025-2029	-	-	10,386,014	3,513,566	-	-	10,386,014	3,513,566
2030-2034	-	-	8,967,918	1,497,043	-	-	8,967,918	1,497,043
2035-2039	-	-	5,678,296	349,220	-	-	5,678,296	349,220
	<u>\$ 12,475,384</u>	<u>\$ 1,435,911</u>	<u>\$ 71,425,660</u>	<u>\$ 12,820,284</u>	<u>\$ 113,160</u>	<u>\$ 15,211</u>	<u>\$ 84,014,204</u>	<u>\$ 14,271,406</u>
Business-type Activities								
2020	3,490,000	2,263,524	1,518,837	448,757	9,910	-	5,018,747	2,712,281
2021	3,650,000	2,103,274	1,602,623	402,140	9,910	-	5,262,533	2,505,414
2022	23,362,590	1,667,150	1,236,389	342,367	9,910	-	24,608,889	2,009,517
2023	3,970,000	1,348,338	741,276	279,340	9,910	-	4,721,186	1,627,678
2024	4,170,000	1,144,838	769,594	-	9,910	-	4,949,504	-
2025-2029	15,080,000	2,975,838	3,133,986	925,493	49,549	-	18,263,535	3,901,331
2030-2034	9,280,000	643,206	2,092,082	264,281	19,819	-	11,391,901	907,487
2035-2039	-	-	461,700	44,439	-	-	461,700	44,439
	<u>\$ 63,002,590</u>	<u>\$ 12,146,168</u>	<u>\$ 11,556,487</u>	<u>\$ 2,706,817</u>	<u>\$ 118,918</u>	<u>\$ -</u>	<u>\$ 74,677,995</u>	<u>\$ 13,708,147</u>

(1) General Obligation Bonds include a variable rate GO bond anticipation note issued in June, 2018 (2018 GO BAN) that can be further drawn down.

The 2018 GO BAN matures in June, 2020. Both principal and interest amounts are subject to change.

(2) Limited Obligation Bonds and Installment Financings include a variable rate LOB bond anticipation note issued in June, 2018 (2018 LOB BAN) that can be further drawn down.

The 2018 LOB BAN matures in June, 2021. Both principal and interest amounts are subject to change.

(3) Revenue Bonds include a variable rate Water bond anticipation note issued in October, 2018 (2018 Water BAN) that can be further drawn down.

The 2018 Water BAN matures in October, 2021. Both principal and interest amounts are subject to change.

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Installment financing contracts: In July 2010, the City entered into a direct placement installment-financing contract with BB&T to provide partial funding for the construction of a new Recreation Facility at Livingston Street. The \$1,100,000 loan is payable over 15 years with semi-annual payments of principal at an interest rate of 4.55%. The City had direct placement installment debt balance of \$476,667 as of June 30, 2019.

In June 2012, the City, through the Asheville Public Financing Corporation, a blended component unit, issued direct placement Limited Obligation Bonds in the amount of \$39,160,000 to (1) finance the 2012 Projects (as described below), (2) refinance in advance of their maturities (a) the 1997A and 1997B Certificates of Participation, the proceeds of which were used to finance and refinance improvements to various City facilities, (b) the City's obligations under a 2006 direct placement installment contract, the proceeds of which were used to finance two fire stations, vehicles and equipment, and (c) the City's obligations under a 2011 installment financing contract, the proceeds of which were used to finance the construction of and improvements to a parking facility and (3) finance the costs of the initial execution and delivery of the 2012 Limited Obligation Bonds. The 2012 Projects include (1) the acquisition and construction of and improvements to certain streets, sidewalks, greenways, sewer facilities and other improvements related thereto in the City, (2) the renovation of and improvements to the City Building and the U.S. Cellular Center and (3) the acquisition and installation of vehicles and equipment for the City's general governmental purposes.

In June 2016, the City entered into an amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation a blended component unit of the City, and the Corporation issued a direct placement limited obligation bond, designated as an Additional Bond under the 2012 Indenture and a First Supplement, purchased by Bank of America, N.A. (the Bank), in an amount not to exceed \$45,000,000. The funds will be used to pay the costs of (1) various projects in the City for affordable housing, public safety, transportation, economic development, parks and recreation and repair and renovation to City facilities and (2) the issuance of the 2016 Bond. Under the terms of the contract amendment and the first supplement to the 2012 Indenture, the Bank advances monies to the City from time-to-time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a rate of 70% of the 1 month LIBOR plus 32 bp, capped at 25%. The City does not pay a fee on unused principal portion of the loan. The Bond had a term of two years and matured on June 21, 2018.

In November 2017, the City entered into a second amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued direct placement limited obligation bonds ("2017 LOBs") in the amount of \$25,000,000. The funds were used to refinance a portion of the project costs associated with the 2016 direct placement limited obligation bonds, while the remaining amount of the 2016 project costs were refinanced through the 2017 SOBs. The 2017 direct placement LOBs also refinanced a portion of the project costs associated with the 2012 direct placement limited obligation bonds. The refinancing was accomplished by placing a series of purchased US Treasury Notes in an irrevocable trust account with an escrow agent. The principal and interest generated from the US Treasury Notes now covers the debt service payments related to the 2012 direct placement LOBs with maturity dates from 2022 to 2032. The 2017 direct placement LOBs were underwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated. The bonds have coupon rates ranging from 3.00% to 5.00% and extend out to 2037.

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

In June 2018, the City entered into a third amendment to the 2012 direct placement installment financing contract with the Asheville Public Financing Corporation, a blended component unit of the City, and the Corporation issued a direct placement limited obligation bonds ("2018 LOB") purchased by the Bank of America, N.A. (the "Bank"), in an amount not to exceed \$48,000,000. The funds will be used to pay the costs of (1) various projects in the City for affordable housing, public safety, transportation, economic development, parks and recreation and repair and renovation to City facilities and (2) issuance of the direct placement 2018 LOB. Under the terms of the contract amendment and the third supplement to the 2012 Indenture, the Bank advances monies to the City from time-to-time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of SIFMA (an alternative to LIBOR) plus 38 bps. The City does not pay a fee on unused principal portion of the loan. The City anticipates that it will issue longer-term, fixed rate limited obligation bonds to refinance the 2018 LOB once the associated projects are completed and before its maturity date of June 2021. The City a total had direct placement limited obligation bond notes payable on the June 2016 amendment of \$49,978,364 as of June 30, 2019.

In June 2013, the City entered into a direct placement installment-financing contract with TD Bank to provide funding to improve the energy efficiency of certain capital assets of the City. The \$998,000 loan is payable over ten years with semi-annual payments of principal at an interest rate of 1.44 percent. The City had direct placement installment debt balance of \$476,667 as of June 30, 2019.

In June 2015, the City entered into a direct installment-financing contract with First Bank to provide funding for the purchase of computers, vehicles and equipment. The \$3,225,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 1.15%.

In June 2016, the City entered into a direct installment contract with Wells Fargo Bank to provide funding for the purchase of computers, vehicles and equipment. The \$5,520,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 1.25%. The City had direct placement installment debt balance of \$949,980 as of June 30, 2019.

In June 2016, the City entered into a direct placement installment-financing contract with Wells Fargo Bank to provide funding for the purchase of computers, vehicles and equipment. The \$5,520,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 1.25 percent. In addition, on June 2014, the City had entered into a direct placement installment-financing contract with Wells Fargo Bank to provide funding for the purchase of computers, vehicles and equipment. The \$1,810,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed interest rate of 1.22 percent. The City had a total direct placement installment debt balance of \$2,075,490 as of June 30, 2019.

In June 2017, the City entered into a direct installment-financing contract with Regions Capital Advantage, Inc. to provide funding for the purchase of computers, vehicles and equipment. The \$4,307,060 loan is payable over 59 months with semi-annual payments of interest and annual payments of principal at fixed rates of interest of 1.62% for the 48 month component and 1.70% for the 59 month component. The City had direct placement installment debt balance of \$3,431,795 as of June 30, 2019.

In November 2017, the City issued direct placement special obligation bonds ("2017 SOBs") in the amount of \$17,140,000. The funds will be used to refinance a portion of the project costs associated with the 2016 limited obligation bonds, specifically those located within the City's established Municipal Service Districts, or Innovation districts, and meeting the criteria for special obligation debt. The 2017 SOBs were unwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated. The bonds have coupon rates ranging from 3.00% to 5.00% and extend out to 2037. The City had direct placement special obligation bonds balance of \$3,431,795 as of June 30, 2019.

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

In May 2018, the City entered into a direct installment contract with HomeTrust Bank, Inc. to provide funding for the purchase of computers, vehicles, and equipment. The \$6,220,100 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed rate of 2.65 percent. The City had direct placement installment debt balance of \$5,010,751 as of June 30, 2019.

In May 2019, the city entered into a direct installment contract with PNC Bank, N/A/ to provide funding for the purchase of vehicles and equipment. The \$4,330,000 loan is payable over 59 months with semi-annual payments of principal and interest at a fixed rate of 2.25 percent. The City had direct placement installment debt balance of \$4,330,000 as of June 30, 2019.

General obligations bonds: The City has issued direct placement 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. In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreement. On November 8, 2016, voters approved a \$74 million Bond Referendum. The bonds will be used to fund \$32 million in Transportation improvements, \$25 million for Affordable Housing initiatives and \$17 million for Parks and Recreation improvements.

On October 25, 2017, the Board entered into a direct placement financial agreement with a commercial bank providing for the advance of \$3,200,000 to finance the acquisition and renovation of facilities for warehousing and administration. This loan requires eighteen monthly payments of interest on the unpaid principal beginning November 25, 2017 using the interest rate of 4.25% and 101 monthly payments of \$20,946 beginning May 25, 2019 and one principal and interest payment of \$2,059,747 on October 25, 2027. The loan was secured by real estate and improvement at 24 Old Brevard Road and 1 Cherry Street.

In June 2018, the City issued a direct placement general obligation bond anticipation note ("2018 GO BAN") in an amount not to exceed \$23,000,000. The note was purchased by Bank of America, N.A. (the "Bank"). The funds will be used to pay the costs of (1) various projects in the City for affordable housing, transportation and parks and recreation and (2) the issuance of the 2018 GO BAN. Under the terms of the bond, the Bank advances monies to the City from time to time and the City, subject to its right of non-appropriation, repays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of SIFMA (an alternative to LIBOR) plus 32 bps. The City does not pay a fee on the unused principal portion of the loan. The City anticipates that it will issue longer-term fixed rate general obligation bonds to refinance the 2018 GO BAN once the projects are completed and before its maturity date of June 2020. The City had direct placement general obligation balance of \$12,305,384 as of June 30, 2019.

At June 30, 2019, the City had bonds authorized but unissued in the amount of \$51 million.

Refunding

Water System Revenue Refunding Bonds, Series 2005: In connection with the issuance of the Water System Revenue Refunding Bonds, Series 2015, the City advance refunded \$25,640,000 in Series 2005 bonds maturity from 2016 through 2025 by placing the proceeds of the 2015 Refunding Bonds in an irrevocable trust which was paid out to bondholders in August 2016. As with all advance refunding, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The City made its final payment of the Series in August 2015.

Note 6. Long-Term Obligations (Continued)

Water System Revenue Refunding Bonds, Series 2015: In June 2015, the City issued \$50,625,000 of Revenue Refunding Bonds to a) advance refund \$53,980,000 of the City's outstanding Water system Revenue Bonds (\$25,640,000 of the City's Water System Revenue Refunding Bonds, Series 2005 (the 2005 Bonds) maturing August 1, 2016 through August 1, 2025 and \$28,340,000 of the City's Water System Revenue Bonds, Series 2007 (the 2007 Bonds) maturing August 1, 2018 through August 1, 2032 (the 2005 Bonds and 2007 Bonds being so refunded are called the Refunded Bonds) and b) pay the fees and expenses incurred in connection with the sale and issuance of the 2015 Bonds. The refunding was accomplished by placing the proceeds of the refunding bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liabilities for the defeased bonds are included in the City's financial statements. The City had direct placement water revenue anticipation balance of \$43,440,000 as of June 30, 2019.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$50,625,000 in Revenue Refunding Bonds, Series 2015. The bonds are payable solely from water customer new revenue and are payable through 2032. At June 30, 2019, the total principal and interest remaining to be paid directly by the City on the bonds is \$54,581,231.

Revenue Bonds

Water System Revenue Bond Anticipation Notes, Series 2018: In October 2018, the City issued a direct placement water revenue bond anticipation note ("2018 Water BAN") in an amount not to exceed \$40,000,000. The note was purchased by Bank of America, N.A. (the "Bank"). The funds will be used to pay certain engineering and construction costs associated with the North Fork Dam project. Under the terms of the bond, the Bank advances monies to the City from time-to-time and the City pays the principal component of the advance at maturity while paying interest on the outstanding amount on a monthly basis and at a variable rate of 79% of 30 day LIBOR plus 32 bps. The City does not pay a fee on the unused principal portion of the loan. The City anticipates that it will issue longer-term, fixed rate general obligation bonds to refinance the 2018 Water BAN once the North Fork Dam project is completed and before its maturity date of October 2021. The City had direct placement water revenue anticipation balance of \$19,562,590 as of June 30, 2019.

The water system direct placement revenue bonds have been issued pursuant to a General Trust Indenture dated as of December 1, 2005, Series Indenture Number 2, dated as of November 1, 2007 and Series Indenture Number 3, dated as of June 1, 2015 (together the Indentures) between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. The Indentures authorize and secure all outstanding revenue bonds of the City's water system and contain several financial and operating covenants governing such matters as rates, additional bonds, reserve funds, annual budgets, maintenance of the system and insurance. The City was in compliance with all such covenants during the fiscal year ended June 30, 2019. 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.

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

The calculation for the rate covenant for the year ended June 30, 2019, is as follows:

Water revenue and expense information to come from M-40 table for consistency

Revenues	\$	39,517,318
Current Expenses	\$	21,378,375
Net Revenues Available for Debt Service	\$	18,138,943

Senior Debt Service Coverage:

Debt service, Principal and Interest Paid	\$	5,513,131
Add: 20% of Senior Debt Service	\$	1,102,626

Subordinate Debt Service:

Debt service, Principal and Interest Paid	\$	9,910
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Total Debt Service (Plus 20%)	\$	6,625,667
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Rate Coverage Test		2.74
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Other Long-Term Indebtedness: In 2001, the City agreed to assume 41 percent of a bond issued by Metropolitan Sewerage District of Buncombe County ("MSD"), Series 1985, for the Enka-Candler annexation in 1989. At June 30, 2019, the City has an outstanding balance of \$113,160.

In 2011, the City received a loan of \$198,194 from the NCDENR for improvements to the North Fork Water Treatment Plant. The loan bears interest at the rate of zero percent per annum and is payable over 20 years. At June 30, 2019, the outstanding balance is \$118,916.

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Changes in long-term liabilities:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental Activities					
Bonds and Notes Payable:					
Direct placement installment contracts	\$ 73,783,581	\$ 3,955,000	\$ 6,312,921	\$ 71,425,660	\$ 6,182,717
Direct placement general obligation bonds	7,175,384	5,400,000	100,000	12,475,384	100,000
Other long-term indebtedness	139,400	-	26,240	113,160	26,240
Unamortized bond premiums	3,797,827	-	245,000	3,552,827	244,619
Total Bonds and Loans Payable, net	84,896,192	9,355,000	6,684,161	87,567,031	6,553,576
Compensated absences payable	7,120,076	3,458,064	2,402,321	8,175,819	3,090,653
Net pension obligation - LGERS	12,662,887	7,591,849	-	20,254,736	-
Net pension obligation - LEOSSA	7,486,852	1,371,610	1,025,283	7,833,179	-
Net OPEB obligation	22,654,167	-	3,428,581	19,225,586	-
Total governmental activities	<u>\$ 142,558,795</u>	<u>\$ 21,776,523</u>	<u>\$ 13,540,346</u>	<u>\$ 143,056,351</u>	<u>\$ 9,644,229</u>
Business-type Activities					
Bonds and Notes Payable:					
Direct placement revenue bonds	\$ 46,780,000	\$ 19,562,590	\$ 3,340,000	\$ 63,002,590	\$ 3,490,000
Direct placement installment contracts	12,739,266	375,000	1,557,779	11,556,487	1,557,779
Other long-term indebtedness	128,826	-	9,908	118,918	9,908
Unamortized bond premiums	6,557,726	-	457,833	6,099,893	457,833
Total Bonds and Loans Payable, net	66,205,818	19,937,590	5,365,520	80,777,889	5,515,520
Compensated absences payable	1,239,715	505,696	342,537	1,402,874	533,274
Net pension obligation - LGERS	2,603,357	1,559,237	-	4,162,594	-
Net OPEB obligation	5,233,575	-	403,027	4,830,548	-
Total	<u>\$ 75,282,465</u>	<u>\$ 22,002,523</u>	<u>\$ 6,111,084</u>	<u>\$ 91,173,905</u>	<u>\$ 6,048,794</u>

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<u>Water System Activities</u>					
Bonds and Notes Payable:					
Revenue bonds	\$ 46,780,000	\$ 19,562,590	\$ 3,340,000	\$ 63,002,590	3,490,000
Other long-term indebtedness	128,826	-	9,908	118,918	9,910
Unamortized bond premiums	5,284,578	-	364,454	4,920,124	364,454
Total Bonds and Loans Payable, net	52,193,404	19,562,590	3,714,362	68,041,632	3,864,363
Compensated absences payable	669,862	302,681	174,613	797,930	324,973
Net Pension obligation - LGERS	1,609,386	895,474	-	2,504,860	-
Net OPEB obligation	3,169,397	-	232,423	2,936,974	-
Total business-type activities	<u>\$ 58,810,107</u>	<u>\$ 20,760,745</u>	<u>\$ 4,121,398</u>	<u>\$ 74,281,397</u>	<u>\$ 4,189,336</u>

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% of the appraised value of property subject to taxation. At June 30, 2019, such statutory limit for the City was approximately \$1,208,753,000 providing a legal debt margin of approximately \$1,019,241,000. The City does not intend to extend its debt to any amount near the legal debt limit.

Component unit debt: 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 20 year term and requires semi-annual payments including principal and interest of \$100,176 beginning July 29, 2009. The loan is secured by real estate, improvements and fixtures at 145 Tunnel Road, 337 New Leicester Highway, 131 Old Charlotte Highway and 3933 Sweeten Creek Road and bears interest at 3.96% per annum.

On October 25, 2017 the Board entered into a financing agreement with a commercial bank providing for the advance of \$3,200,000 to finance the acquisition and renovation of facilities for warehousing and administration. This loan requires eighteen monthly payments of interest on the unpaid balance beginning November 25, 2017 using the interest rate of 4.25% and 101 monthly principal and interest payments of \$20,946 beginning May 25, 2019, and one principal and interest payment of \$2,059,747 on October 25, 2027. The loan was secured by real estate and improvement at 24 Old Brevard Road and 1 Cherry Street.

Future maturities of the debt are as follows:

2020	\$	262,741
2021		273,670
2022		285,055
2023		296,913
2024		309,267
Thereafter		3,218,639
		<u>\$ 4,646,285</u>

City of Asheville

Notes to Financial Statements

Note 7. Net Position and Fund Balance

Net position: Net investment in capital assets consists of the following:

	Governmental Activities	Business-Type Activities
Capital Assets, Net of Depreciation	\$ 200,334,180	\$ 273,070,390
Less: Capital Asset-related Debt	(87,567,031)	(80,777,889)
Add: Deferred Outflows	683,774	1,140,627
Net Investment in Capital Assets	<u>\$ 113,450,923</u>	<u>\$ 193,433,128</u>

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

Total fund balance - General Fund	\$ 83,006,811
Less: Non-spendable Items	7,045,789
Less: Stabilization by State Statute	<u>15,692,122</u>
Funds Available for Appropriation	60,268,900
Less: Committed	2,166,877
Less: Assigned	34,294,290
Less: Unassigned	<u>23,807,733</u>
Remaining Fund Balance	<u>\$ -</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. As of year-end, the City's outstanding encumbrances were \$2,314,326 and \$37,812,296 in the General Fund and General Capital Projects Fund, respectively.

City of Asheville

Notes to Financial Statements

Note 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 ("SIR") programs, the City retains the services of outside third party administrators for the professional management and adjustment of claims, including estimates for claims incurred but not reported ("IBNR").

The City's SIR for liability claims is \$500,000 per occurrence. It purchases excess liability insurance with limits of \$15 million across all liability lines: general, public officials, law enforcement, employment practices, employee benefits, and automobile. The City also purchases insurance for real and personal property assets in the amount of \$308,623,744. Coverage limits include \$10 million sub-limits each for flood and earthquake. Additionally, the City purchases dam insurance with limits of \$15 million for three structures.

Because the City is in an area of the state that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase flood insurance through the National Flood Insurance Plan ("NFIP"). However, due to the self-insurance coverage and the flood coverage provided under the City's property insurance policy, the City chooses not to participate in the NFIP, with the exception of the City-owned structure located at 14 Riverside Drive.

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

In accordance with G.S. 159-29, City employees are covered by a crime insurance policy with a \$250,000 limit per occurrence. The policy provides \$250,000 in coverage for employee dishonesty/forgery as well as computer and electronic funds transfer fraud coverage and \$25,000 in theft coverage. The Director of Financial and Management Services and the Fiscal Services Manager are individually bonded for \$250,000 each.

Revenues and expenses associated with the employee health benefits program are recorded in the Health Fund. The employee health benefits program is funded by both employee and employer contributions. Employee benefits paid through this program include health, dental, life and disability insurance. The City's health benefits are self-insured for claims below a \$175,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance.

The health program annually has several cases that exceed specific stop-loss and therefore result in the recovery of excess losses. In fiscal year 2018, there were four claimants with \$214,334 in claims. In fiscal year 2019, there were 9 claimants with \$877,253 in claims.

City of Asheville

Notes to Financial Statements

Note 8. Risk Management (Continued)

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

	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 2,619,643	\$ 4,009,556
Add: Incurred Claims and Changes in IBNR	16,415,943	12,514,177
Less: Claim Payments	(14,423,115)	(13,904,090)
Ending balance	<u>\$ 4,612,471</u>	<u>\$ 2,619,643</u>

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

There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

Note 9. Pension Plan Obligations

North Carolina Local Governmental Employees' Retirement System:

Plan description: The City of Asheville and the Asheville Board of Alcoholic Control are participating employers in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers ("LEOs") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Note 9. Pension Plan Obligations (Continued)

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

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

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City and ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's and ABC Board's contractually required contribution rates for the year ended June 30, 2019, were both 8.25% of compensation for law enforcement officers and 7.60% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$5,147,263 for the year ended June 30, 2019, and the ABC Board's were \$173,956.

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

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2019, the City and ABC Board reported a liability of \$24,417,330 and \$673,037, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's and ABC Board's proportions of the net pension liability were based on a projection of the City's and ABC Board's long-term shares of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employer's, actuarially determined. At June 30, 2019, the City's proportion was 1.02925%, which was an increase of 0.02997% from its proportion measured as of June 30, 2018. The ABC Board's proportion was .02837%, which was a decrease of .00149 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City and ABC Board recognized pension expense of \$6,485,870 and \$329,003, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,767,014	\$ 126,402
Changes of assumptions	6,479,417	-
Net difference between projected and actual earnings on pension plan investments	3,351,774	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	408,831
City contributions subsequent to the measurement date	5,147,263	-
Total	<u>\$ 18,745,468</u>	<u>\$ 535,233</u>

The ABC Board reported deferred inflows and deferred outflows of resources as related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 103,833	\$ (1,481)
Changes of assumptions	178,596	-
Net difference between projected and actual earnings on pension plan investments	92,387	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	49,510	-
Board contributions subsequent to the measurement date	171,683	-
Total	<u>\$ 596,009</u>	<u>\$ (1,481)</u>

\$5,147,263 and \$171,683 reported as deferred outflows of resources related to pensions resulting from the City and ABC Board's contributions subsequent to the measurement date, respectively, will be recognized as a decrease of the net pension liability in the year ended June 30, 2020.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	City of Asheville	ABC Board
2020	\$ 6,317,906	\$ 199,026
2021	4,093,222	130,594
2022	725,937	30,683
2023	1,925,907	65,504
Thereafter	-	-
Total	<u>\$ 13,062,972</u>	<u>\$ 425,807</u>

Actuarial assumptions: The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 58,652,542	\$ 24,417,330	\$ (4,190,149)

Sensitivity of the ABC Board's proportionate share of the net pension liability to changes in the discount rate: The following presents the ABC Board's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 1,616,685	\$ 673,033	\$ (115,496)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued the CAFR for the State of North Carolina.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Law Enforcement Officers Special Separation Allowance

Plan description: The City and the ABC Board each administer a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's and the ABC Board's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% 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, 2017, the Separation Allowance membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees Receiving Benefits	46	1
Active Plan Members	203	3
Total	<u>249</u>	<u>4</u>

A separate report was not issued for the plan.

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

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

Method used to value investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

Plan contribution: The City and ABC Board are required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and have chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made, in the City's case, in the General Fund operating budget. The City and ABC Board's obligations to contribute to this plan are established and may be amended by the North Carolina General Assembly. There were no contributions made to the plan by employees of the City or the ABC Board. For the current year the City and the ABC Board paid benefits of \$720,265 and \$11,275, respectively, as benefits came due for the reporting period.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

The City's total pension liability for the current year was determined as part of the December 31, 2017 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.64% discount rate per annum compounded annually and (b) projected salary increases of 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 2.5%. The assumptions did not include post-employment benefit increases. The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2019, the City reported a total pension liability of \$7,833,179 for their proportionate share of the net pension liabilities. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$719,644.

At June 30, 2019, the ABC Board reported a total pension liability of \$107,016 for the Law Enforcement Officers Special Separation Allowance. This amount was deemed immaterial to the financial statements by the ABC Board and accordingly no actuarial valuation was performed.

The City reported deferred outflows of resources and deferred inflows of resources related to the Law Enforcement Special Separation Allowance Plan from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 723,313	\$ -
Changes of assumptions and Other Inputs	265,215	328,746
City benefit payments and plan administrative expense made subsequent to the measurement date	335,678	-
Total	<u>\$ 1,324,206</u>	<u>\$ 328,746</u>

Deferred outflows of resources for the City of \$335,678 as related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Adjustment	
2020	\$	147,238
2021		147,238
2022		152,436
2023		148,369
2024		64,501
Thereafter		-
	<u>\$</u>	<u>659,782</u>

\$332,606 paid as benefits came due and \$3,072 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Sensitivity of the City's total pension liability to changes in the discount rate: The following presents the City's total pension liability calculated using the discount rate of 3.64%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 8,485,014	\$ 7,833,179	\$ 7,242,322

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2019	
	City of Asheville	ABC Board
Beginning balance	\$ 7,486,852	\$ 102,380
Service Cost	341,057	15,911
Interest on the total pension liability	225,204	-
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	805,349	-
Changes of assumptions or other inputs	(305,018)	-
Benefit payments	(720,265)	(11,275)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 7,833,179</u>	<u>\$ 107,016</u>

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The sources of the mortality tables are as listed below:

Deaths after retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths before retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths after retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths after retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

The total pension liability is based upon an actuarial valuation date of December 31, 2017. The result was rolled forward using standard actuarial techniques to the Measurement Date. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments for the plan year and then applies interest for the year. The procedure used to determine the total pension liability as of December 31, 2018, is shown in the following table:

	TPL Roll Forward	Development of TPL for Year Ending 2018 Prior to Assumption Change	Development of TPL for Year Ending 2018 After Assumption Change
(a)	Interest Rate	3.16%	3.64%
(b)	Valuation Date for Measurement	December 31, 2017	December 31, 2017
(c)	TPL as of December 31, 2017	\$ 8,267,531	\$ 7,965,364
	Entry Age Normal Cost for the period January 1, 2018 -		
(d)	December 31, 2018 at the End of the Year	\$ 341,057	\$ 311,250
	Actual Benefit Payments for the period January 1, 2018 -		
(e)	December 31, 2018	\$ 720,265	\$ 720,265
	TPL as of December 31, 2018		
(f)	= $[c * (1 + a)] + d - [e * (1 + a * .5)]$	\$ 8,138,197	\$ 7,833,179
(g)	Experience Actual (Gain)/Loss = (2f) - (1f)	\$ 805,349	
	Discount Rate Change (Gain) / Loss:		
(g)	= (2f) - (1f)		\$ (3,050,018)

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Supplemental Retirement Income Plan:

401(k) Retirement Plan: The City and the ABC Board contribute to the Supplemental Retirement Income Plan ("Plan"), a section 401(k) defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City and the ABC Board. City Council has also extended this benefit to all regular full-time and regular part-time non-law enforcement City employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefits provisions to the North Carolina Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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% of each officer's base salary and all amounts contributed are vested immediately. In addition to the required contribution for law enforcement officers, the City makes a monthly contribution equal to five% of non-law enforcement employees' base salary. Also, both law enforcement officers and non-law enforcement employees of the City may make voluntary contributions to the Plan.

The City contribution for law enforcement officers for the year ended June 30, 2019 was \$627,211 and the officers' voluntary contributions were approximately \$543,532. The City's contribution for non-police personnel was \$2,605,768 with employee voluntary contributions of approximately \$1,520,948. The ABC Board's required contribution for the years ended June 30, 2019 and 2018 were \$9,020 and \$8,718, respectively.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Firefighters Governmental Money Purchase Plan:

401(a) Defined Contribution Plan: The City did contribute to the Firefighters Governmental Money Purchase Plan ("GMPP"), a section 401(a) defined contribution pension plan administered by ICMA-RC. The GMPP provided retirement benefits to full-time employees engaged in fire protection services who collectively have chosen to not participate in benefits defined by Title II of the Social Security Act. During fiscal year June 30, 2019, the City terminated this plan.

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 City Council has the authority to establish and amend the benefit terms and financing requirements. The plan provides post-employment healthcare benefits to employees retiring from the City with at least five years of creditable service that are eligible to receive a benefit from the North Carolina Local Governmental Employees Retirement System and do not have other insurance available. The plan has been closed for employees who were hired after June 30, 2012. The plan, which has a June 30, 2019 year-end, does not issue a stand-alone report. Management of the HCB plan is vested with the City of Asheville City Council.

For the ABC Board, the post-employment benefits provided for eligible employees who retire from the Board consist of an allowance for law enforcement officers. Due to the relative insignificance of the liability, the Board elected to accrue the entire obligations of \$107,016 and \$102,380 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, none of this cost was contributed which resulted in an unfunded net OPEB obligation of \$107,016 and \$102,380, respectively.

Plan membership of the City's HCB Plan consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

	City HCB Plan Membership
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	184
Inactive Members Entitled To But Not Yet Receiving Benefits	-
Active Employees	556
Total	<u>740</u>

Benefits paid: The benefits provided by the City include healthcare, prescription drug and vision benefits. The cost of the program is shared between plan members and the City, which pays about 60% of the cost of coverage, with a lower subsidy provided for fewer years of service. Dependent coverage is provided if enrolled at the time of the employee's retirement. In addition, if the retiree ceased to coverage or dies, dependent coverage with terminate.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

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

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

Per a City resolution, the City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. For the current year, the City contributed \$1,200,000. The Fund is accounted for as a trust fund.

Investments: The City has elected to partially pre-pay the future overall cost of coverage for these benefits by establishing a trust agreement according to General Statutes 159-30.1(b). Investments of the OPEB Trust funds are made pursuant to a Deposit Agreement with the North Carolina Department of State Treasurer. The State Treasurer has the discretion to invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). At June 30, 2019, the Plan assets totaled \$11,741,211 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 147-69.4. The State Treasurer's OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end the State Treasurer's OPEB Fund was invested as follows: State Treasurer's Long Term Investment Fund (LTIF) 46.1 percent and BlackRock's MSCI ACWI Equity Index Non-Lendable Fund B 53.9 percent. The BlackRock MSCI ACWI Equity Index Non-Lendable Fund B is priced at \$22.5624 per share at June 30, 2019.

The target asset allocation for the plan by each major class is summarized in the table below.

Asset Class	Target Allocation
Fixed Income	45%
Equity Funds	55%
Total	100%

Rate of return: For the year ended June 30, 2019, the annual money weighted rate of return of investments, net of investment expense was 3.18 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

The components of the net OPEB liability of the City as of June 30, 2019 were as follows:

Total OPEB liability	\$	35,797,343
Plan fiduciary net position		<u>11,741,211</u>
City's net OPEB liability	\$	<u><u>24,056,132</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability 32.80%

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods including the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 to 7.75 percent, including inflation
Discount rate	5.50 percent
Long-term investment rate of return	5.50 percent
Health Care Cost Trends	7.75% decreasing to 4.75% by 2028

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 115% (male) and 79% (female) for ages under 78 and by 135% (male) and 116% (female) for age 78 and older.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Discount rate: The discount rate used to measure the total OPEB liability at June 30, 2019 was 5.50%. However because the OPEB plan's fiduciary net position was not projected to be sufficient to make all future benefit payments, the discount rate incorporates a municipal bond rate which is 3.89 percent per the S&P Municipal Bond 20 Year Grade Rate Index as of June 30, 2018. The S&P Municipal Bond 20 Year High Grade rate as of June 30, 2019 was 3.50 percent.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current discount rate:

	<u>1% Decrease (4.50%)</u>	<u>Current Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Net OPEB liability	\$ 27,191,422	\$ 24,056,132	\$ 21,235,774

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 20,470,763	\$ 24,056,132	\$ 28,224,588

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2019, the City reported a net OPEB liability of \$24,056,132. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2019, utilizing update procedures incorporating the actuarial assumptions.

Changes in Total OPEB Liability

	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance as of June 30, 2018	\$ 37,475,544	\$ 9,587,799	\$ 27,887,745
Changes for the year:			
Service Cost at the end of the year	1,329,239	-	1,329,239
Interest on TOL and Cash Flows	1,477,508	-	1,477,508
Difference between expected and actual experience	614,907	-	614,907
Changes in assumptions or other inputs	(2,550,116)	-	(2,550,116)
Contributions - Employer	-	3,949,739	(3,949,739)
Net investment income	-	753,412	(753,412)
Benefit payments	(2,549,739)	(2,549,739)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net Changes	<u>(1,678,201)</u>	<u>2,153,412</u>	<u>(3,831,613)</u>
Balance as of June 30, 2019	<u>\$ 35,797,343</u>	<u>\$ 11,741,211</u>	<u>\$ 24,056,132</u>

Changes in assumptions: Changes in assumptions and other inputs reflect a change in the discount rate from 3.58 to 5.50 percent in 2018. Medical claims cost and rates were changed based on the most recent experience and changed to the current schedule. The Excise Table of 40 percent on health care plans that are above the thresholds set by the Affordable Care Act are effective in 2022 and has been reflected.

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB: For the year ended June 30, 2019, the City recognized OPEB expenses of \$1,663,336. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 692,429	\$ -
Changes in assumption or other inputs	-	3,100,013
Net difference between projected and actual earnings on plan investments	-	864,733
Total	\$ 692,429	\$ 3,964,746

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Measurement Period Ended June 30, 2019		
2020	\$	(698,172)
2021		(698,172)
2022		(698,171)
2023		(460,086)
2024		(422,467)
Thereafter		(295,249)
Total	\$	(3,272,317)

Reconciliation for deferred outflows and deferred inflows for OPEB due to change in fund allocations:

	Per Actuary	Change in Fund Allocation	Total Deferred Inflows
Deferred Outflows Reconciliation-OPEB			
Governmental activities	\$ 553,387	\$ 43,455	\$ 596,842
Water resource fund	84,538	-	84,538
Parking services fund	11,679	56,648	68,327
Mass transit fund	2,781	-	2,781
Street Cut Utility fund	5,005	-	5,005
Stormwater fund	22,803	1,382	24,185
US Cellular Center fund	12,236	-	12,236
	\$ 692,429	\$ 101,485	\$ 793,914

	Per Actuary	Change in Fund Allocation	Total Deferred Inflows
Deferred Inflows Reconciliation-OPEB			
Governmental activities	\$ 3,168,612	\$ -	\$ 3,168,612
Water resource fund	484,049	5,705	489,754
Parking services fund	66,875	-	66,875
Mass transit fund	15,923	32,313	48,236
Street Cut Utility fund	28,661	10,073	38,734
Stormwater fund	130,566	-	130,566
US Cellular Center fund	70,060	53,394	123,454
	\$ 3,964,746	\$ 101,485	\$ 4,066,231

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to change in fund allocations for OPEB will be recognized in OPEB Expense in the funds as follows:

Years ended June 30:	Deferred Outflows/(Inflows) of Resources							Total
	Governmental Activities	Water Resources	Parking Services	Mass Transit	Street Cut Utility	Stormwater	U.S. Cellular Center	
2020	\$ 10,863	\$ (1,426)	\$ 14,162	\$ (8,078)	\$ (2,518)	\$ 346	\$ (13,349)	\$ -
2021	10,863	(1,426)	14,162	(8,078)	(2,518)	346	(13,349)	-
2022	10,863	(1,426)	14,162	(8,078)	(2,518)	346	(13,349)	-
2023	10,866	(1,427)	14,162	(8,079)	(2,519)	344	(13,347)	-
2024	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-
Total	\$ 43,455	\$ (5,705)	\$ 56,648	\$ (32,313)	\$ (10,073)	\$ 1,382	\$ (53,394)	\$ -

Total pension-related deferred outflows of resources:

Total Pension-related deferred outflows of resources:	LGERS	LOESSA	OPEB	Total
Differences between expected and actual experience	\$ 3,767,014	\$ 723,313	\$ 793,914	\$ 5,284,241
Changes of assumptions	6,479,417	265,215	-	6,744,632
Net difference between project and actual earnings on pension plan investments	3,351,774	-	-	3,351,774
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-	-	-
City contributions subsequent to the measurement date	5,147,263	335,678	-	5,482,941
Total	\$ 18,745,468	\$ 1,324,206	\$ 793,914	\$ 20,863,588

Total pension-related deferred inflows of resources:

Total pension-related deferred inflows of resources:	LGERS	LOESSA	OPEB	Total
Differences between expected and actual experience	\$ 126,402	\$ -	\$ -	\$ 126,402
Changes of assumptions	-	328,746	3,100,013	3,428,759
Net difference between project and actual earnings on pension plan investments	-	-	966,218	966,218
Changes in proportion and differences between City contributions and proportionate share of contributions	408,831	-	-	408,831
Total	\$ 535,233	\$ 328,746	\$ 4,066,231	\$ 4,930,210

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

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

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

Note 10. Deferred Outflows and Inflows of Resources

The City has several deferred outflows and inflows of resources. The City's deferred outflows at June 30, 2019 comprised of the following:

	Governmental Activities	Business-Type Activities
	<u> </u>	<u> </u>
Contributions to the pension plans subsequent the measurement date	\$ 4,605,902	\$ 877,039
Other Pension and OPEB related deferrals	12,866,581	2,514,066
Deferred charge on refunding	683,774	1,140,626
Total Deferred Outflows	<u>\$ 18,156,257</u>	<u>\$ 4,531,731</u>

Deferred inflows of resources are comprised of the following:

	Governmental Activities	Business-Type Activities
	<u> </u>	<u> </u>
General fund:		
Prepaid Ad Valorem taxes	\$ 202,354	\$ -
Taxes receivable, less penalties	49,456	-
General capital projects fund:		
Grant funds receivable	2,888,698	-
Non-major governmental funds:		
Grant funds receivable	30,285	-
Total governmental funds deferred inflows	<u>3,170,793</u>	<u>-</u>
OPEB and Pension related deferrals	3,941,392	988,818
Revenue recognized on the governmental activities	(2,968,439)	-
Total deferred inflows	<u>\$ 4,143,746</u>	<u>\$ 988,818</u>

City of Asheville

Notes to Financial Statements

Note 11. Unearned Revenue

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

General fund:	
General Revenue	\$ 1,470
BC 911 Communications	675,737
Capital Projects Fund:	
Grants	10,000
Non-major governmental funds:	
Grants	60,220
Total government activities	<u>\$ 747,427</u>
Water resources fund:	
Prepaid water charges	\$ 395,267
Total business-type activities	<u>\$ 395,267</u>

Note 12. Commitments and Contingent Liabilities

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

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.

Note 13. Pending GASB Pronouncements

The City has not yet evaluated the effect of implementation of the following GASB pronouncements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 13. Pending GASB Pronouncements (Continued)

In August 2018, GASB issued Statement No. 90, Majority Equity Interests – *An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. This Statement is effective for fiscal years beginning after December 15, 2020.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Changes in Total OPEB Liability
- Schedule of Net OPEB Liability
- OPEB Schedule of Investment Returns
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability

City of Asheville

Required Supplementary Information
 Schedule of Changes in the Net OPEB Liability and Related Ratios
 Last Ten Fiscal Years*
 June 30, 2019

	2019	2018	2017
Total OPEB liability:			
Service cost at end of year	\$ 1,329,239	\$ 1,387,138	\$ 1,484,673
Interest on the total OPEB liability	1,477,508	1,357,441	1,193,537
Changes of benefit terms	-	-	-
Difference between expected and actual experience	614,907	229,013	-
Changes of assumptions or other inputs	(2,550,116)	(1,260,476)	(1,834,783)
Benefit payments*	(2,549,739)	(1,833,676)	(1,796,639)
Net change in total OPEB liability	(1,678,201)	(120,560)	(953,212)
Total OPEB liability – beginning	37,475,544	37,596,104	38,549,316
Total OPEB liability – ending (a)	35,797,343	37,475,544	37,596,104
Plan fiduciary net position:			
Contributions – employer***	3,949,739	1,833,676	2,796,639
Net investment income	753,413	1,628,683	647,620
Benefit payments**	(2,549,740)	(1,833,676)	(1,796,639)
Administrative expense	-	(18,222)	-
Net change in plan fiduciary net position	2,153,412	1,610,461	1,647,620
Plan fiduciary net position – beginning	9,587,799	7,977,338	6,329,718
Plan fiduciary net position – ending (b)	11,741,211	9,587,799	7,977,338
Net OPEB liability – ending (a) - (b)	\$ 24,056,132	\$ 27,887,745	\$ 29,618,766

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

Fiscal Year	Rate
2018	3.50%
2019	3.18%

* This schedule will not present ten years' worth of information until available.

** Benefit payments are net of participant contributions. Net benefit payments of \$2,549,740 paid directly from the employer are also included.

*** Employer contributions include 3,949,739 paid directly from the employer.

City of Asheville

Required Supplementary Information
 Schedule of Net OPEB Liability
 Last Ten Fiscal Years*
 June 30, 2019

	2019	2018	2017	2016
Total OPEB liability	\$ 35,797,346	\$ 37,475,544	\$ 37,596,104	\$ 38,549,316
Plan fiduciary net position	11,741,211	9,587,799	7,977,338	6,329,717
Net OPEB liability	\$ 24,056,135	\$ 27,887,745	\$ 29,618,766	\$ 32,219,599
Plan fiduciary net position as a percentage of the total OPEB liability	32.80%	25.58%	21.22%	16.42%
Covered payroll**	\$ 31,230,511	\$ 51,490,890	\$ 51,490,890	\$ 51,490,890
Net OPEB liability as percentage of covered payroll	77.03%	54.16%	57.52%	62.57%

* This schedule will not present ten years' worth of information until available.

** For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation

City of Asheville

**Required Supplementary Information
OPEB Schedule of Investment Returns
Last Ten Fiscal Years*
June 30, 2019**

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	3.18%	3.18%	3.10%

* This schedule will not present ten years' worth of information until available.

City of Asheville

**Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability (Asset) for
 Local Government Employees' Retirement System
 Last Six Fiscal Years*
 June 30, 2019**

	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) (%)	1.03%	0.99%	0.98%	1.02%	0.99%	1.02%
City's proportion of the net pension liability (asset) (\$)	\$ 24,417,330	\$ 15,266,244	\$ 20,765,576	\$ 4,563,170	\$ (5,818,381)	\$ 12,314,203
City's covered employee payroll	\$ 57,979,959	\$ 55,124,606	\$ 54,033,708	\$ 52,814,551	\$ 47,243,636	\$ 49,979,929
City's proportion of the net pension liability (assets) as a percentage of its covered-employee payroll	42.11%	27.69%	38.43%	8.64%	-12.32%	24.64%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

* This schedule will not present ten years' worth of information until available.

City of Asheville

**Required Supplementary Information
 Schedule of Contributions to
 Local Government Employees' Retirement System
 Last Six Fiscal Years*
 June 30, 2019**

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,147,263	\$ 4,714,508	\$ 4,317,255	\$ 3,725,217	\$ 3,792,738	\$ 3,568,128
Contribution in relation to the contractually required contribution	5,147,263	4,714,508	4,317,255	3,725,217	3,792,738	3,568,128
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 60,642,521	\$ 57,979,959	\$ 55,124,606	\$ 54,033,708	\$ 52,814,551	\$ 47,243,636
Contributions as percentage of covered-employee payroll	8.49%	8.13%	7.83%	6.89%	7.18%	7.55%

* This schedule will not present ten years' worth of information until available.

City of Asheville

**Required Supplementary Information
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officer's Special Separation Allowance
 As of and for the Year Ended June 30, 2019**

	2019	2018	2017
Total pension liability:			
Service cost at end of year	\$ 341,057	\$ 270,136	\$ 293,341
Interest	225,204	263,231	254,404
Difference between expected and actual experience	805,349	89,765	-
Changes of assumptions or other inputs	(305,018)	408,573	(158,932)
Benefit payments	(720,265)	(728,632)	(662,420)
Net change in total pension liability	346,327	303,073	(273,607)
Total pension liability – beginning	7,486,852	7,183,779	7,457,386
Total pension liability – ending	\$ 7,833,179	\$ 7,486,852	\$ 7,183,779
Covered payroll	\$ 11,649,921	\$ 10,663,986	\$ 11,005,974
Total pension liability as a percentage of covered payroll	67.24%	70.21%	

* This schedule will not present ten years' worth of information until available.

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the plan provide pay related benefits.

December 31, 2017 Measurement Date: The Municipal Bond Index Rate Decreased from 3.86% to 3.16%.

December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%

The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from 0.5% to 1.0%.

Supplementary Information - Major Funds

Capital Project Funds are used to account for the acquisition and construction of capital assets other than those recorded and used by proprietary funds and trust funds.

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

Governmental Fund Type:

General Capital Projects Fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition and/or construction of major capital facilities and other capital assets.

Proprietary Fund Type:

Water Resources Fund – This fund accounts for the revenues and expenses related to the operations and maintenance of the City's water system.

Mass Transit Fund – This fund accounts for the revenues and expenses related to the City's mass transportation system.

Parking Services Fund – This fund accounts for the revenues and expenses related to the City's public parking system.

City of Asheville

General Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

– Governmental Fund

From Inception and for the Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Intergovernmental revenue	\$ 57,850,467	\$ 19,820,366	\$ 7,812,467	\$(1,812,039)	\$ 25,820,794	\$ (32,029,673)
Licenses and permits	544,668	1,402,017	1,069	-	1,403,086	858,418
Charges for services	1,423,540	1,459,572	371,031	(13,188)	1,817,415	393,875
Investment earnings	182,360	236,363	18,916	-	255,279	72,919
Miscellaneous	2,560,141	1,220,243	636,232	(77,791)	1,778,684	(781,457)
Total revenues	62,561,176	24,138,561	8,839,715	(1,903,018)	31,075,258	(31,485,918)
Expenditures:						
General Government	46,480,824	15,403,623	4,092,766	(846,062)	18,650,327	27,830,497
Public Safety	18,795,727	8,411,286	4,778,758	(1,195,662)	11,994,382	6,801,345
Environmental Services	3,284,827	2,862,304	284,362	-	3,146,666	138,161
Community Development	24,382,790	6,982,767	273,322	(276,171)	6,979,918	17,402,872
Transportation	135,871,176	44,526,895	18,329,935	(3,227,359)	59,629,471	76,241,705
Culture and Recreation	41,397,811	14,024,161	6,714,816	(2,082,750)	18,656,227	22,741,584
Total expenditures	270,213,155	92,211,036	34,473,959	(7,628,004)	119,056,991	151,156,164
Revenues over (under) expenditures	(207,651,979)	(68,072,475)	(25,634,244)	5,724,986	(87,981,733)	119,670,246
Other financing sources (uses):						
Long-term debt issued	185,619,847	78,400,637	9,255,288	(4,573,828)	83,082,097	(102,537,750)
Premiums on long-term debt issued	-	708,342	-	-	708,342	708,342
Transfers from other funds	23,135,352	12,309,761	7,824,700	(1,179,808)	18,954,653	(4,180,699)
Transfers to other funds	(1,103,220)	2,261,943	(873,456)	28,650	1,417,137	2,520,357
Total other financing sources (uses)	207,651,979	93,680,683	16,206,532	(5,724,986)	104,162,229	(103,489,750)
Net change in fund balance	\$ -	\$ 25,608,208	(9,427,712)	-	\$ 16,180,496	\$ 16,180,496
Fund balance – beginning			25,608,208			
Fund balance – ending			<u>\$ 16,180,496</u>			

City of Asheville

**Water Resources Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 39,294,885	\$ 39,480,645	\$ 185,760
Other operating revenue	-	36,674	36,674
Interest earned	400,000	1,661,232	1,261,232
Total revenues	39,694,885	41,178,551	1,483,666
Expenditures:			
Administration	1,272,849	1,108,019	(164,830)
Operations	21,345,607	19,917,451	(1,428,156)
Capital outlay	772,503	721,639	(50,864)
Debt service:			
Principal	3,349,910	3,349,910	-
Interest and other charges	2,640,953	2,173,131	(467,822)
Total expenditures	29,381,822	27,270,150	(2,111,672)
Revenue under expenditures	10,313,063	13,908,401	3,595,338
Other financing sources (uses):			
Transfers to Water Capital Projects Fund	(11,379,481)	(11,379,481)	-
Proceeds from disposal of capital assets	35,000	190,891	155,891
Debt issuance cost	(15,000)	-	15,000
Cost of loan servicing	(8,500)	(4,075)	4,425
Cost of issuance	(4,800)	-	4,800
Appropriated fund balance	1,059,718	-	(1,059,718)
Total other financing sources (uses)	(10,313,063)	(11,192,665)	(879,602)
Net change in fund balance	\$ -	2,715,736	\$ 2,715,736
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in fund balance:			
Revenues over expenditures and other financing sources:			
Water Capital Projects Fund		914,034	
Total		3,629,770	
Reconciling items:			
Change in allowance for doubtful accounts		(130,598)	
Reduction of long-term debt principal		3,349,910	
Amortization of premium on long-term debt issued		364,454	
Amortization of refunding loss		(82,420)	
Capitalized assets		30,637,462	
Capitalized interest		(38,289)	
Proceeds from issuance of debt		(19,440,267)	
Debt issuance cost		(122,323)	
Increase in deferred outflows of resources - OPEB		60,333	
Decrease in deferred outflows of resources - pensions		687,038	
Increase in deferred inflows of resources - OPEB		(240,512)	
Decrease in deferred inflows of resources - pensions		104,087	
Increase in OPEB liability		232,423	
Decrease in net pension liability		(758,153)	
Depreciation		(6,674,819)	
Donated assets		3,829,760	
Loss on assets disposed		(16,232)	
Change in interest payable		44,162	
Change in compensated absences		(92,151)	
Pension expense		(140,268)	
Change in net position		\$ 15,203,367	

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, 2019**

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ 60,900	\$ 71,315	\$ -	\$ -	\$ 71,315	\$ 10,415
Interest earned	-	78,724	-	-	78,724	78,724
Other revenue	40,017,303	727,607	-	-	727,607	(39,289,696)
Total revenues	40,078,203	877,646	-	-	877,646	(39,200,557)
Expenditures:						
Distribution System Projects	16,535,574	21,687,440	416,240	(8,933,751)	13,169,929	3,365,645
NC Department of Transportation Projects	2,280,000	342,946	-	-	342,946	1,937,054
Neighborhood Water Line Replacement Projects	40,027,248	17,616,008	7,233,533	(986,047)	23,863,494	16,163,754
Water Production Projects	66,682,607	19,990,688	18,682,725	(357,639)	38,315,774	28,366,833
Water System Master Plan Project	21,851,981	1,407,528	3,659,121	-	5,066,649	16,785,332
Craven Street Improvements	390,761	366,430	-	-	366,430	24,331
Azalea Road Improvements	383,245	437,977	-	-	437,977	(54,732)
RADTIP	100,176	91,230	(85,905)	-	5,325	94,851
Total expenditures	148,251,592	61,940,247	29,905,714	(10,277,437)	81,568,524	66,683,068
Revenues over (under) expenditures	(108,173,389)	(61,062,601)	(29,905,714)	10,277,437	(80,690,878)	27,482,511
Other financing sources (uses):						
Transfer from the Water Fund	108,173,389	95,589,498	11,379,481	(10,277,437)	96,691,542	(11,481,847)
Transfers from other funds	-	160,780	-	-	160,780	160,780
Transfers to other funds	-	(158,090)	-	-	(158,090)	(158,090)
Proceeds from issuance of debt	-	-	19,440,267	-	19,440,267	19,440,267
Total other financing sources (uses)	108,173,389	95,592,188	30,819,748	(10,277,437)	116,134,499	7,961,110
Net change in fund balance	\$ -	\$ 34,529,587	\$ 914,034	\$ -	\$ 35,443,621	\$ 35,443,621

City of Asheville

Parking Services Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 5,914,938	\$ 5,983,685	\$ 68,747
Rents	16,000	18,733	2,733
Other operating revenue	600,200	709,429	109,229
Interest earned	20,000	104,444	84,444
Total revenues	6,551,138	6,816,291	265,153
Expenditures:			
Operations	4,064,689	3,378,300	686,389
Capital Outlay	60,000	15,831	44,169
Debt service:			
Principal	835,000	770,997	64,003
Interest and other charges	221,175	193,019	28,156
Total expenditures	5,180,864	4,358,147	822,717
Revenues over expenditures	1,370,274	2,458,144	1,087,870
Other financing sources (uses):			
Transfers to other funds	(2,416,875)	(2,416,875)	-
Appropriated fund balance	1,046,601	-	(1,046,601)
Total other financing sources (uses)	(1,370,274)	(2,416,875)	(1,046,601)
Net change in fund balance	\$ -	41,269	\$ 41,269
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Net change in fund balance:			
Revenues over expenditures and other financing sources:			
Parking Services Capital Projects Fund		709,558	
Total		750,827	
Reconciling items:			
Bad debt expense		(625,008)	
Reduction of principal on long-term debt		770,997	
Amortization of premium on long-term debt		65,324	
Amortization of refunding loss on long term debt		(4,244)	
Depreciation		(546,473)	
Capitalized assets		65,352	
Capitalized interest payable		(60,618)	
Capital contributions		20,801	
Increase in deferred outflows of resources - OPEB		64,462	
Decrease in deferred outflows of resources - pensions		115,452	
Increase in deferred inflows of resources - OPEB		(27,067)	
Decrease in deferred inflows of resources - pensions		2,668	
Decrease in OPEB liability		99,834	
Decrease in net pension liability		(125,891)	
Change in compensated absences		4,702	
Pension Expense		(30,467)	
Change in net position	\$	540,651	

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, 2019**

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Charges for services	\$ -	\$ 44,046	\$ -	\$ -	\$ 44,046	\$ 44,046
Interest earned	60	1,304	-	-	1,304	1,244
Capital grants and contributions	85,503	85,503	-	-	85,503	-
Total revenues	85,563	130,853	-	-	130,853	45,290
Expenditures:						
Craven Street	615,092	617,428	-	-	617,428	(2,336)
French Broad River W. Greenway	45,518	45,518	-	-	45,518	-
Battery Park Parking Deck	20,899,915	4,046,632	-	-	4,046,632	16,853,283
General Parking Reserve	60	2,030	-	-	2,030	(1,970)
Biltmore Avenue Garage	13,884,206	13,765,173	-	-	13,765,173	119,033
RADTIP	160,676	152,067	-	-	152,067	8,609
Parking Elevator Rehabilitation	925,000	386,338	20,914	-	407,252	517,748
Structural Maint Civic Center Parking	750,000	66,948	4,508	-	71,456	678,544
Civic Center Garage Lighting	155,663	154,368	-	-	154,368	1,295
Rankin Structural Maintenance	95,000	36,075	2,400	-	38,475	56,525
Wall Structural Maintenance	95,000	29,277	-	-	29,277	65,723
Parc Gate Equipment	750,000	-	-	-	-	750,000
Debt Service Interest	215,879	215,794	-	-	215,794	85
Total expenditures	38,592,009	19,517,648	27,822	-	19,545,470	19,046,539
Revenues under expenditures	(38,506,446)	(19,386,795)	(27,822)	-	(19,414,617)	19,091,829
Other financing sources (uses):						
Proceeds from issuance of debt	33,388,422	11,198,827	37,380	-	11,236,207	(22,152,215)
Transfers from other funds	5,118,024	4,946,268	700,000	-	5,646,268	528,244
Total other financing sources (uses)	38,506,446	16,145,095	737,380	-	16,882,475	(21,623,971)
Net change in fund balance	\$ -	\$ (3,241,700)	\$ 709,558	\$ -	\$ (2,532,142)	\$ (2,532,142)

City of Asheville

Mass Transit Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Charges for services	\$ 720,000	\$ 673,700	\$ (46,300)
Other operating revenue	350,000	356,040	6,040
Interest earned	-	14,061	14,061
Intergovernmental revenue	2,353,500	2,675,562	322,062
Total revenues	3,423,500	3,719,363	295,863
Operating expenditures:			
Administration	672,805	635,400	37,405
Operations	7,928,617	7,955,744	(27,127)
Interest and other charges	-	526	(526)
Total expenditures	8,601,422	8,591,670	9,752
Revenues over (under) expenditures	(5,177,922)	(4,872,307)	305,615
Other financing sources (uses)			
Transfer from other funds	5,101,892	5,101,892	-
Transfer to other funds	-	-	-
Proceeds from the sale of capital assets	-	18,272	-
Appropriated fund balance	76,030	-	-
Total other financing sources (uses)	5,177,922	5,120,164	-
Net change in fund balance	\$ -	247,857	\$ 305,615
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources:			
Mass Transit Capital Projects Fund		(1,365,855)	
Total		(1,117,998)	
Reconciling items:			
Depreciation		(943,195)	
Capitalized assets		3,596,675	
Pension expense		822	
Increase in deferred outflows of resources - OPEB		2,277	
Decrease in deferred outflows of resources - pensions		19,368	
Increase in deferred inflows of resources - OPEB		(43,043)	
Decrease in deferred inflows of resources - pensions		13,245	
Decrease in OPEB liability		(37,016)	
Decrease in net pension liability		(28,332)	
Change in compensated absences		1,751	
Change in net position		\$ 1,464,554	

City of Asheville

Mass Transit Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ 17,857,343	\$ 4,614,213	\$ 3,732,870	\$ (290,406)	\$ 8,056,677	\$ (9,800,666)
Total revenues	17,857,343	4,614,213	3,732,870	(290,406)	8,056,677	(9,800,666)
Expenditures:						
ARRA - FTA Bus Purchases	2,660,229	2,577,334	-	-	2,577,334	82,895
RIDE New Freedom Grant	208,512	208,000	-	-	208,000	512
Transit Garage Project	177,000	162,415	-	-	162,415	14,585
Transit Security Cameras	150,000	74,167	-	-	74,167	75,833
Transit AVL System	450,000	432,001	1,300	-	433,301	16,699
Transit Shelters and Signage	40,000	28,101	-	-	28,101	11,899
Transit Center Maintenance	365,000	41,457	298,949	-	340,406	24,594
JARC Mountain Mobility	439,600	118,065	82,648	-	200,713	238,887
New Freedom	358,715	222,350	-	(222,350)	-	358,715
Bus Purchase FY13	400,000	391,849	-	-	391,849	8,151
Henderson Van Purchase	59,161	55,513	-	(55,513)	-	59,161
Henderson County Bus Purchase	148,600	145,863	-	-	145,863	2,737
Transit Bench and Shelters FY 15	37,992	10,965	-	-	10,965	27,027
Transit Buses	10,977,300	3,000	3,845,087	-	3,848,087	7,129,213
Transit Bus Batteries and Security Cam	390,910	107,617	281,993	-	389,610	1,300
FTA 5339-Hybrid Bus Batteries	267,500	-	-	-	-	267,500
FTA-Enhanced Mobility	152,505	-	3,822	-	3,822	148,683
Transit Pass-Through Grants	2,406,141	-	638,873	-	638,873	1,767,268
Montford Bus Shelter	25,086	25,086	-	(25,086)	-	25,086
5310 Enhanced Mobility	598,023	234,257	83,638	-	317,895	280,128
Transit Master Plan	120,000	117,261	2,152	-	119,413	587
Bus Purchase FY16	113,000	-	-	-	-	113,000
Street Furniture 2	60,000	-	-	-	-	60,000
Transit Capital Reserve	390,790	-	-	-	-	390,790
Total expenditures	20,996,064	4,955,301	5,238,462	(302,949)	9,890,814	11,105,250
Revenues under expenditures	(3,138,721)	(341,088)	(1,505,592)	12,543	(1,834,137)	1,304,584
Other financing sources:						
Transfers from other funds	3,138,721	1,233,946	195,000	(12,543)	1,441,489	(1,697,232)
Transfers to other funds	-	-	(55,263)	-	(55,263)	
Total other financing sources	3,138,721	1,233,946	139,737	(12,543)	1,386,226	(1,697,232)
Net change in fund balance	\$ -	\$ 892,858	\$ (1,365,855)	\$ -	\$ (447,911)	\$ (392,648)

Non-Major Governmental Funds Combining Statements and Schedules

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

Special Revenue Funds:

Grant Programs Fund – This fund is used to account for grant revenues and related expenditures of various federal, state, and local grants.

Community Development Fund – This fund is used to account for the City’s Community Development Block Grant (CDBG) received from the U.S. Department of Housing and Urban Development.

Affordable Home Ownership Fund – This fund is used to account for HOME grant expenditures and the related revenue received from the U.S. Department of Housing and Urban Development.

Section 108 Rehabilitation Fund – This fund is used to account for revenues, expenditures and revolving loans by grants from the U.S. Department of Housing and Urban Development.

Sustainability Fund – This fund is used to account for revenues and expenditures related to the sustainability and green projects.

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, 2019**

	Special Revenue Funds						Total Non-major Governmental Funds
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation	Sustainability	Permanent Fund	
Assets							
Cash and investments	\$ 627,706	\$ -	\$ 343,081	\$ 406,936	\$ 859,645	\$ 24,797	\$ 2,262,165
Cash and investments – restricted	-	-	-	-	-	307,743	307,743
Receivables:							
Due from other governments	315,704	4,746	-	-	-	-	320,450
Other receivable	25,000	-	-	-	-	1,748	26,748
Prepaid expenses	48,025	-	-	-	-	-	48,025
Notes receivable	-	1,637,958	1,078,914	794,611	-	-	3,511,483
Total assets	\$ 1,016,435	\$ 1,642,704	\$ 1,421,995	\$ 1,201,547	\$ 859,645	\$ 334,288	\$ 6,476,614
Liabilities							
Accounts payable	\$ 55,420	\$ 48,796	\$ 22,119	\$ -	\$ 35,036	\$ -	\$ 161,371
Other accrued liabilities	4,285	7,546	4,184	-	6,141	-	22,156
Due to other funds	-	212,937	-	-	-	-	212,937
Unearned revenue	9,132	-	51,088	-	-	-	60,220
Total liabilities	68,837	269,279	77,391	-	41,177	-	456,684
Deferred inflows of resources							
Unavailable revenue	30,284	-	-	-	-	-	30,284
Total deferred inflows of resources	30,284	-	-	-	-	-	30,284
Fund balances							
Nonspendable:							
Prepays	48,025	-	-	-	-	-	48,025
Notes receivable	-	1,637,958	1,078,914	794,611	-	-	3,511,483
Perpetual maintenance	-	-	-	-	-	334,288	334,288
Restricted:							
Grant programs	869,289	35,030	265,690	406,936	-	-	1,576,945
Committed	-	-	-	-	818,468	-	818,468
Unassigned	-	(299,563)	-	-	-	-	(299,563)
Total fund balances	917,314	1,373,425	1,344,604	1,201,547	818,468	334,288	5,989,646
Total liabilities, deferred inflows of resources and fund balances	\$ 1,016,435	\$ 1,642,704	\$ 1,421,995	\$ 1,201,547	\$ 859,645	\$ 334,288	\$ 6,476,614

City of Asheville

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2019**

	Special Revenue Funds					Permanent Fund	Total Non-major Governmental Funds
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation	Sustainability		
Revenues:							
Intergovernmental revenue	\$ 1,059,149	\$ 714,887	\$ 833,195	\$ -	\$ -	\$ -	\$ 2,607,231
Charges for services	-	56,727	-	-	-	-	56,727
Investment earnings	-	-	-	-	-	19,824	19,824
Miscellaneous	140,406	152,257	288,353	28,742	-	-	609,758
Total revenues	1,199,555	923,871	1,121,548	28,742	-	19,824	3,293,540
Expenditures:							
Current:							
General government	31,145	-	-	-	378,273	-	409,418
Public safety	925,964	-	-	-	-	-	925,964
Community development	235,211	923,871	896,180	450,224	-	-	2,505,486
Transportation	106,243	-	-	-	-	-	106,243
Culture and recreation	51,088	-	-	-	-	326	51,414
Debt service:							
Principal	-	142,719	230,115	4,690	-	-	377,524
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	1,349,651	1,066,590	1,126,295	454,914	378,273	326	4,376,049
Revenues over (under) expenditures	(150,096)	(142,719)	(4,747)	(426,172)	(378,273)	19,498	(1,082,509)
Other financing sources (uses):							
Transfers from other funds	336,852	-	-	450,000	709,170	-	1,496,022
Transfers to other funds	-	-	-	-	(236,000)	-	(236,000)
Total other financing sources (uses)	336,852	-	-	450,000	473,170	-	1,260,022
Net change in fund balances	186,756	(142,719)	(4,747)	23,828	94,897	19,498	177,513
Fund balances – beginning	730,558	1,516,144	1,349,351	1,177,719	723,571	314,790	5,812,133
Fund balances – ending	\$ 917,314	\$ 1,373,425	\$ 1,344,604	\$ 1,201,547	818,468	\$ 334,288	\$ 5,989,646

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, 2019**

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Restricted intergovernmental	\$ 8,880,682	\$ 6,130,226	\$ 1,059,149	\$ -	\$ 7,189,375	\$ (1,691,307)
Charges for services	128,008	126,509	-	-	126,509	(1,499)
Investment earnings	66,161	66,160	-	-	66,160	(1)
Private donations	1,282,136	990,078	140,406	-	1,130,484	(151,652)
Total revenues	10,356,987	7,312,973	1,199,555	-	8,512,528	(1,844,459)
Expenditures:						
General government	185,234	156,421	31,145	-	187,566	(2,332)
Public safety	7,028,647	3,946,191	925,964	-	4,872,155	2,156,492
Environmental services	36,139	139	-	-	139	36,000
Community development	1,935,428	2,204,351	235,211	-	2,439,562	(504,134)
Transportation	2,591,452	716,345	106,243	-	822,588	1,768,864
Culture and recreation	287,210	194,233	51,088	-	245,321	41,889
Total expenditures	12,064,110	7,217,680	1,349,651	-	8,567,331	3,496,779
Revenues over expenditures	(1,707,123)	95,293	(150,096)	-	(54,803)	1,652,320
Other financing sources (uses):						
Transfers from other funds	2,067,661	1,030,762	336,852	-	1,367,614	(700,047)
Transfers to other funds	(360,538)	(395,497)	-	-	(395,497)	(34,959)
Total other financing sources (uses)	1,707,123	635,265	336,852	-	972,117	(735,006)
Net change in fund balance	\$ -	\$ 730,558	186,756	\$ -	\$ 917,314	\$ 917,314
Fund balance – beginning			<u>730,558</u>			
Fund balance – ending			<u>\$ 917,314</u>			

City of Asheville

**Community Development Special Revenue Fund
 Schedule of Revenues, Expenditures
 and Changes in Fund Balance – Budget and Actual (Non-GAAP)
 From Inception and for the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Intergovernmental revenue	\$ 17,465,150	\$ 15,719,541	714,887	\$ -	\$ 16,434,428	\$ (1,030,722)
Charges for services	376,624	357,685	56,727	-	414,412	37,788
Miscellaneous	2,947,101	2,080,367	152,257	-	2,232,624	(714,477)
Total revenues	<u>20,788,875</u>	<u>18,157,593</u>	<u>923,871</u>	<u>-</u>	<u>19,081,464</u>	<u>(1,707,411)</u>
Expenditures:						
Community development	20,099,184	18,036,128	923,871	-	18,959,999	1,139,185
Total expenditures	<u>20,099,184</u>	<u>18,036,128</u>	<u>923,871</u>	<u>-</u>	<u>18,959,999</u>	<u>1,139,185</u>
Revenues over expenditures	<u>689,691</u>	<u>121,465</u>	<u>-</u>	<u>-</u>	<u>121,465</u>	<u>(568,226)</u>
Other financing sources (uses)						
Transfer to other funds	(918,856)	(948,274)	-	-	(948,274)	(29,418)
Proceeds from sale of capital assets	229,165	564,289	-	-	564,289	335,124
Total other financing sources (uses)	<u>(689,691)</u>	<u>(383,985)</u>	<u>-</u>	<u>-</u>	<u>(383,985)</u>	<u>305,706</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (262,520)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (262,520)</u>	<u>\$ (262,520)</u>
Reconciliation of budgetary basis (Non-GAAP) to modified accrual basis:						
Reconciling items:						
Loan repayments			<u>(142,719)</u>			
Change in fund balance			<u>(142,719)</u>			
Fund balance – beginning			<u>1,516,144</u>			
Fund balance – ending			<u>\$ 1,373,425</u>			

City of Asheville

**Affordable Home Ownership Special Revenue Fund
 Schedule of Revenues, Expenditures
 and Changes in Fund Balance – Budget and Actual (Non-GAAP)
 From Inception and for the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Intergovernmental revenue	\$ 19,222,390	\$ 15,462,142	\$ 833,195	\$ -	\$ 16,295,337	\$ (2,927,053)
Miscellaneous	882,295	675,711	288,353	-	964,064	81,769
Total revenues	20,104,685	16,137,853	1,121,548	-	17,259,401	(2,845,284)
Expenditures:						
Community development	20,104,685	16,107,267	896,180	-	17,003,447	3,101,238
Total expenditures	20,104,685	16,107,267	896,180	-	17,003,447	3,101,238
Net change in fund balance	\$ -	\$ 30,586	225,368	\$ -	\$ 255,954	\$ 255,954
Reconciliation of budgetary basis (Non-GAAP) to modified accrual basis:						
Reconciling items						
Loan repayments			(230,115)			
Change in fund balance			(4,747)			
Fund balance – beginning			1,349,351			
Fund balance – ending			<u>\$ 1,344,604</u>			

City of Asheville

Section 108 Rehabilitation Special Revenue Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balance – Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Intergovernmental revenue	\$ 2,300,000	\$ 2,300,006	\$ -	\$ -	\$ 2,300,006	\$ 6
Miscellaneous	1,370,665	1,642,403	28,742	-	1,671,145	300,480
Total revenues	3,670,665	3,942,409	28,742	-	3,971,151	300,486
Expenditures:						
Current:						
Community development						
Loan 1	1,502,575	1,502,479	-	-	1,502,479	96
Loan 2	773,687	278,817	450,224	-	729,041	44,646
Debt service:						
Principal	1,900,908	1,850,908	-	-	1,850,908	50,000
Interest and other charges	556,052	538,793	-	-	538,793	17,259
Total expenditures	4,733,222	4,170,997	450,224	-	4,621,221	112,001
Revenues over (under) expenditures	(1,062,557)	(228,588)	(421,482)	-	(650,070)	188,485
Other financing sources:						
Transfers from other funds	1,062,557	607,006	450,000	-	1,057,006	(5,551)
Net change in fund balance	\$ -	\$ 378,418	28,518	\$ -	\$ 406,936	\$ 406,936
Reconciliation of budgetary basis (Non-GAAP) to modified accrual basis:						
Reconciling items:						
Loan repayments			(4,690)			
Change in fund balance			23,828			
Fund balance – beginning			1,177,719			
Fund balance – ending			<u>\$ 1,201,547</u>			

City of Asheville

**Sustainability Special Revenue Fund
 Schedule of Revenues, Expenditures
 and Changes in Fund Balance – Budget and Actual (Non-GAAP)
 From Inception and for the Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental revenue	\$ -	\$ -	\$ -
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Operations	1,018,636	378,279	640,357
Total expenditures	<u>1,018,636</u>	<u>378,279</u>	<u>640,357</u>
Revenues over (under) expenditures	(1,018,636)	(378,279)	(640,357)
Other financing sources (uses):			
Transfers to other funds	(236,000)	(236,000)	-
Transfers from other funds	650,865	709,176	(58,311)
Appropriated fund balance	603,771	-	603,771
Total other financing sources (uses)	<u>1,018,636</u>	<u>473,176</u>	<u>545,460</u>
Net change in fund balance	<u>\$ -</u>	<u>94,897</u>	<u>\$ (94,897)</u>
Fund balance – beginning		<u>723,571</u>	
Fund balance – ending		<u>\$ 818,468</u>	

Proprietary Funds, Non-Major Enterprise Funds

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

Street Cut Utility Fund – This fund accounts for the revenues and expenses related to the City's street cut repair program.

Stormwater Fund – This fund accounts for the revenues and expenses related to the City's stormwater drainage program.

U.S. Cellular Center Fund – This fund accounts for the revenues and expenses related to the City's U.S. Cellular Center operations.

City of Asheville

Combining Statement of Net Position Non-Major Enterprise Funds June 30, 2019

	Street Cut Utility	Stormwater	U.S. Cellular Center	Total Non-major Enterprise Funds
Assets				
Current assets:				
Cash and investments	\$ 176,967	\$ 3,725,393	\$ 3,638,038	\$ 7,540,398
Cash and investments - restricted	-	-	2,989,723	2,989,723
Accounts receivable (net of allowance for uncollectibles)	380,269	320,994	91,177	792,440
Due from other governments	-	-	498	498
Inventories and prepaids	-	-	73,325	73,325
Total current assets	557,236	4,046,387	6,792,761	11,396,384
Non-current assets:				
Capital assets:				
Assets not being depreciated	-	3,701,625	1,889,781	5,591,406
Assets being depreciated, net	582,024	7,907,939	8,781,078	17,271,041
Total noncurrent assets	582,024	11,609,564	10,670,859	22,862,447
Total assets	1,139,260	15,655,951	17,463,620	34,258,831
Deferred outflows of resources				
Employer contributions subsequent to the measurement date	38,355	150,137	77,890	266,382
Differences between expected and actual experience	33,076	132,680	69,243	234,999
Change in assumptions and other inputs	48,282	188,993	98,048	335,323
Net difference between projected and actual earnings on pension plan investments	24,976	99,146	50,720	174,842
Total deferred outflows of resources	144,689	570,956	295,901	1,011,546
Liabilities				
Current liabilities:				
Accounts payable	58,433	168,741	3,172,871	3,400,045
Interest payable	1,726	19,156	27,748	48,630
Other accrued liabilities	27,787	126,554	113,131	267,472
Current portion of long-term liabilities	123,226	534,073	329,420	986,719
Total current liabilities	211,172	848,524	3,643,170	4,702,866
Non-current liabilities:				
Long-term liabilities, less current portion	587,102	4,224,940	2,837,503	7,649,545
Total liabilities	798,274	5,073,464	6,480,673	12,352,411
Deferred inflows of resources				
Differences between expected and actual experience	7,168	32,137	17,219	56,524
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,554	114,041	114,334	263,929
Total deferred inflows of resources	42,722	146,178	131,553	320,453
Net position				
Net investment in capital assets	292,757	8,631,658	8,317,126	17,241,541
Unrestricted	150,196	2,375,607	2,830,169	5,355,972
Total net position	\$ 442,953	\$ 11,007,265	\$ 11,147,295	\$ 22,597,513

City of Asheville

**Combining Statement of Revenues, Expenses
and Changes in Net Position
Non-Major Enterprise Funds
Year Ended June 30, 2019**

	Street Cut Utility	Stormwater	U.S. Cellular Center	Total Non-major Enterprise Funds
Operating revenues:				
Charges for services	\$ 1,674,741	\$ 6,295,989	\$ 774,703	\$ 8,745,433
Rents	-	-	907,458	907,458
Concessions	-	-	1,304,849	1,304,849
Other operating revenue	4,728	2,428	432,914	440,070
Total operating revenues	1,679,469	6,298,417	3,419,924	11,397,810
Operating expenses:				
Administration	1,596,171	1,561,329	1,713,212	4,870,712
Operations	-	3,459,290	2,305,245	5,764,535
Other operating expenses	-	-	60,573	60,573
Depreciation	118,483	620,003	577,021	1,315,507
Total operating expenses	1,714,654	5,640,622	4,656,051	12,011,327
Operating income (loss)	(35,185)	657,795	(1,236,127)	(613,517)
Non-operating revenues (expenses):				
Interest earned	-	85,541	72,947	158,488
Interest and other charges	(4,810)	(82,971)	(16,296)	(104,077)
Total non-operating revenues (expenses)	(4,810)	2,570	56,651	54,411
Income (loss) before transfers and capital grants and contributions	(39,995)	660,365	(1,179,476)	(559,106)
Transfers:				
Transfers from other funds			1,203,473	1,203,473
Proceeds from sale of capital assets	-	10,731	-	10,731
Capital grants and contributions	-	-	162,098	162,098
Changes in net position	(39,995)	671,096	186,095	817,196
Total net position –beginning	482,948	10,336,169	10,961,200	21,780,317
Total net position – ending	\$ 442,953	\$ 11,007,265	\$ 11,147,295	\$ 22,597,513

City of Asheville

**Combining Statement of Cash Flows
Non-Major Enterprise Funds
Year Ended June 30, 2019**

	Street Cut Utility	Stormwater	U.S. Cellular Center	Total Non-major Enterprise Funds
Cash flows from operating activities:				
Cash received from customers, users and others	\$ 1,528,158	\$ 6,556,563	\$ 6,503,174	\$ 14,587,895
Cash paid for goods and services	(849,924)	(2,063,752)	(2,580,535)	(5,494,211)
Cash paid to employees	(725,008)	(2,836,706)	(1,356,510)	(4,918,224)
Net cash provided by (used for) operating activities	(46,774)	1,656,105	2,566,129	4,175,460
Cash flows from non-capital financing activities:				
Transfers (to)/from other funds	-	-	1,203,473	1,203,473
Net cash provided by (used for) non-capital financing activities	-	-	1,203,473	1,203,473
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	-	-	162,095	162,095
Proceeds from disposal of capital assets	-	10,731	-	10,731
Acquisition and construction of assets	(192,839)	(2,963,978)	(831,371)	(3,988,188)
Proceeds from long-term debt issued	-	411,832	-	411,832
Amortization Premiums on long-term debt issued	-	(7,006)	-	(7,006)
Principal paid on debt	(96,814)	(442,001)	(247,969)	(786,784)
Interest and other charges paid on debt	(4,810)	(82,971)	(37,345)	(125,126)
Net cash provided by (used for) capital and related financing activities	(294,463)	(3,073,393)	(954,590)	(4,322,446)
Cash flows from investing activities:				
Interest earned	-	85,541	72,947	158,488
Net increase in cash and cash equivalents	(341,237)	(1,331,747)	2,887,959	1,214,975
Cash and cash equivalents:				
Beginning of year, July 1	518,204	5,057,140	3,739,802	9,315,146
End of year, June 30	\$ 176,967	\$ 3,725,393	\$ 6,627,761	\$ 10,530,121

(Continued)

City of Asheville

Combining Statement of Cash Flows (Continued)
Non-Major Enterprise Funds
Year Ended June 30, 2019

	Street Cut Utility	Stormwater	U.S. Cellular Center	Total Non-major Enterprise Funds
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (35,185)	\$ 657,795	\$ (1,236,127)	\$ (613,517)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	118,483	620,003	577,021	1,315,507
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	(151,311)	(68,302)	65,435	(154,178)
(Increase) decrease in due from other governments	-	326,448	28,092	354,540
(Increase) decrease in prepaids and inventories	-	-	8,664	8,664
(Increase) decrease in deferred outflows of resources for pensions	(55,123)	(244,590)	(142,499)	(442,212)
Increase (decrease) in accounts payable	34,625	49,373	3,023,493	3,107,491
Increase (decrease) in accrued expenses	(1,232)	26,045	(41,245)	(16,432)
Increase (decrease) in compensated absences	(13,803)	28,306	22,371	36,874
Increase (decrease) in pension obligation - LGERS	61,130	262,068	164,855	488,053
Increase (decrease) in OPEB obligation	(28,964)	(86,378)	7,556	(107,786)
Increase (decrease) in deferred inflows of resources for pensions	24,606	85,337	88,513	198,456
Net cash provided by (used for) operating activities	\$ (46,774)	\$ 1,656,105	\$ 2,566,129	\$ 4,175,460
Reconciliation of cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 176,967	\$ 3,725,393	\$ 3,638,038	\$ 7,540,398
Restricted	-	-	2,989,723	2,989,723
Total cash and cash equivalents	\$ 176,967	\$ 3,725,393	\$ 6,627,761	\$ 10,530,121

City of Asheville

Street Cut Utility Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 1,741,728	\$ 1,674,741	\$ (66,987)
Intergovernmental revenue	60	4,728	4,668
Total revenues	<u>1,741,788</u>	<u>1,679,469</u>	<u>(62,319)</u>
Expenditures:			
Operations	1,679,625	1,608,911	70,714
Capital outlay	196,000	192,840	3,160
Debt service:			-
Principal	96,814	96,814	-
Interest and other charges	5,149	5,149	-
Total expenditures	<u>1,977,588</u>	<u>1,903,714</u>	<u>73,874</u>
Revenues over (under) expenditures	<u>(235,800)</u>	<u>(224,245)</u>	<u>(136,193)</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	-	-	-
Proceeds from long-term debt issued	190,000	-	(190,000)
Transfer to other funds	-	-	-
Appropriated fund balance	45,800	-	(45,800)
Total other financing sources (uses)	<u>235,800</u>	<u>-</u>	<u>(235,800)</u>
Net change in net position	<u>\$ -</u>	<u>(224,245)</u>	<u>\$ (224,245)</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Proceeds from issuance of long term debt		-	
Depreciation		(118,483)	
Capitalized assets		192,840	
Change in compensated absences		16,282	
Reduction of principal on long-term debt		96,814	
Change in interest payable		339	
Increase in deferred outflows of resources - OPEB		3,661	
Increase in deferred outflows of resources - pensions		51,462	
Increase in deferred inflows of resources - OPEB		(24,887)	
Decrease in deferred inflows of resources - pensions		281	
Increase in OPEB liability		28,964	
Increase in net pension liability		(51,156)	
Pension expense		(11,867)	
Change in net position		<u>\$ (39,995)</u>	

City of Asheville

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 6,264,113	\$ 6,295,989	\$ 31,876
Other operating revenue	-	2,428	2,428
Interest earned	12,000	85,541	73,541
Total revenues	6,276,113	6,383,958	107,845
Expenditures:			
Administration	2,280,451	1,561,329	719,122
Operations	3,179,550	3,406,352	(226,802)
Capital outlay	25,000	23,781	1,219
Debt service:			
Principal	402,036	442,001	(39,965)
Interest and other charges	89,927	83,581	6,346
Total expenditures	5,976,964	5,517,044	459,920
Revenues over (under) expenditures	299,149	866,914	567,765
Other financing sources (uses):			
Transfer to Stormwater Capital Projects Fund	(961,638)	(961,638)	-
Proceeds from disposal of capital assets	10,000	10,731	731
Appropriated fund balance	652,489	-	(652,489)
Total other financing sources (uses)	(299,149)	(950,907)	(651,758)
Net change in net position	\$ -	(83,993)	\$ (83,993)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources:			
Stormwater Capital Projects Fund		(1,489,363)	
Total		(1,573,356)	
Reconciling items:			
Change in allowance for uncollectible accounts		(93,419)	
Proceeds from long term-debt		(411,832)	
Amortization of bond premium/discount		7,006	
Capital contributions		25,794	
Reduction of principal on long-term debt		442,001	
Depreciation		(620,003)	
Increase in deferred outflows of resources - OPEB		17,629	
Decrease in deferred outflows of resources - pensions		226,961	
Increase in deferred inflows of resources - OPEB		(63,063)	
Decrease in deferred inflows of resources - pensions		(22,274)	
Decrease in OPEB liability		86,379	
Decrease in net pension liability		(204,689)	
Capitalized assets		2,939,036	
Capitalized interest		(850)	
Change in interest payable		1,460	
Increase in compensated absences		(15,886)	
Pension expense		(69,798)	
Change in net position		\$ 671,096	

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, 2019

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ 4,112,186	\$ 3,381,656	\$ -	\$ (101,709)	\$ 3,279,947	\$ (832,239)
Charges for services	-	32,066	-	(32,066)	-	-
Total revenues	4,112,186	3,413,722	-	(133,775)	3,279,947	(832,239)
Expenditures:						
Craven Street Improvement	2,294,944	2,266,577	-	-	2,266,577	28,367
Azalea Road Improvements	2,216,132	1,883,084	-	-	1,883,084	333,048
FEMA Parks and Streets Debris Cleanup	6,125	6,125	-	-	6,125	-
FEMA Stormwater Repairs	347,684	302,942	-	-	302,942	44,742
FEMA Sweepers	37,869	34,337	-	-	34,337	3,532
FEMA Skyview Place	48,689	48,689	-	-	48,689	-
Victoria Road	488,900	161,350	2,942	-	164,292	324,608
Westover Drive Stormwater System	450,289	428,612	-	(428,612)	-	450,289
Westwood Avenue Stormwater System	258,352	219,306	-	(219,306)	-	258,352
RADTIP	635,415	618,456	-	-	618,456	16,959
Five Points Roundabout	13,387	13,387	-	-	13,387	-
French Broad River W. Greenway	48,662	48,662	-	-	48,662	-
Biltmore Avenue Bridge	750,000	315,681	280,400	-	596,081	153,919
White Labs Sinkhole Repair	141,700	141,700	-	(141,700)	-	141,700
Morris Street	1,077,318	42,873	808,436	-	851,309	226,009
Stormwater Fleet Replacement	447,450	424,028	-	(424,028)	-	447,450
Edwin/Celia/Canterbury	692,300	238,505	149,388	-	387,893	304,407
Lakeshore Drive	129,000	15,399	-	-	15,399	113,601
McCormick Phase 1	210,000	-	69,990	-	69,990	140,010
Dingle Creek	150,000	-	-	-	-	150,000
Stormwater Fleet Replacement - FY18	138,167	138,167	-	-	138,167	-
Resurfacing/Pipe Replacement - FY18	1,288,423	-	1,138,572	-	1,138,572	149,851
Stormwater Fleet Replacement - FY19	422,995	-	413,105	-	413,105	9,890
Edwin/Celia Phase 1	1,700,000	-	-	-	-	1,700,000
SW Resurfacing/Pipe Replacement	800,000	-	-	-	-	800,000
Pebble Creek	175,000	-	-	-	-	175,000
Total expenditures	14,968,801	7,347,880	2,862,833	(1,213,646)	8,997,067	5,971,734
Revenues under expenditures	(10,856,615)	(3,934,158)	(2,862,833)	(1,079,871)	(5,717,120)	5,139,495
Other financing sources:						
Proceeds from long-term debt	4,725,148	2,378,293	411,832	(190,000)	2,600,125	(2,125,023)
Transfers from Stormwater Fund	6,131,467	4,850,542	961,638	(889,871)	4,922,309	(1,209,158)
Total other financing sources	10,856,615	7,228,835	1,373,470	(1,079,871)	7,522,434	(3,334,181)
Net change in net position	\$ -	\$ 3,294,677	\$ (1,489,363)	\$ -	\$ 1,805,314	\$ 1,805,314

City of Asheville

U.S. Cellular Center Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 623,000	\$ 774,703	\$ 151,703
Rents	832,600	907,458	74,858
Concessions	1,550,000	1,304,849	(245,151)
Other operating revenue	563,820	359,687	(204,133)
Interest earned	15,000	72,947	57,947
Total revenues	3,584,420	3,419,644	(164,776)
Expenditures:			
Administration	1,752,641	1,713,212	39,429
Operations	2,565,003	2,164,285	400,718
Capital outlay	9,260	8,625	635
Debt service:			
Principal	260,000	247,969	12,031
Interest and other charges	64,350	57,455	6,895
Total expenditures	4,651,254	4,191,546	459,708
Revenues under expenditures	(1,066,834)	(771,902)	294,932
Other financing sources (uses):			
Transfers from other funds	1,066,834	1,066,834	-
Transfers to U.S. Cellular Capital Projects	(1,200,000)	(1,200,000)	-
Appropriated fund balance	1,200,000	-	(1,200,000)
Total other financing sources (uses)	1,066,834	(133,166)	(1,200,000)
Net change in net position	\$ -	(905,068)	\$ (905,068)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues under expenditures and other financing sources (uses):			
U.S. Cellular Center Capital Projects Fund		688,478	
Total		(216,590)	
Reconciling items:			
Depreciation		(577,021)	
Reduction of principal on long-term debt		247,969	
Amortization of premium on long-term debt		21,049	
Capitalized assets		831,371	
Change in interest payable		20,110	
Increase in deferred outflows of resources - OPEB		9,210	
Decrease in deferred outflows of resources - pensions		133,289	
Increase in deferred inflows of resources - OPEB		(92,298)	
Decrease in deferred inflows of resources - pensions		3,785	
Increase in OPEB liability		(7,555)	
Decrease in net pension liability		(137,072)	
Change in compensated absences		(17,361)	
Pension expense		(32,791)	
Change in net position		\$ 186,095	

City of Asheville

U.S. Cellular Center Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ 7,924,128	\$ 6,291,469	\$ 162,098	\$ (5,680,570)	\$ 772,997	\$ (7,151,131)
Other revenue	740,000	580,000	73,227	(580,000)	73,227	(666,773)
Total revenues	8,664,128	6,871,469	235,325	(6,260,570)	846,224	(7,817,904)
Expenditures:						
Southern Conference Renovations Phase 2	7,447,964	7,447,964	-	(7,447,964)	-	7,447,964
Southern Conference Renovations Phase 3	3,760,394	3,686,357	-	(3,686,357)	-	3,760,394
Thomas Wolfe Fire Exits	90,000	10,108	1,334	-	11,442	78,558
General Improvements	98,374	90,667	-	-	90,667	7,707
Center Maintenance	690,000	352,614	135,012	-	487,626	202,374
Thomas Wolfe Roof	185,000	179,953	-	-	179,953	5,047
TPDF Theater Project	5,165,600	702,525	662,272	-	1,364,797	3,800,803
Thomas Wolfe Renovations	660,000	40,116	66,998	-	107,114	552,886
Water Mitigation	224,088	-	17,870	-	17,870	
Total expenditures	18,321,420	12,510,304	883,486	(11,134,321)	2,259,469	15,855,733
Revenues over (under) expenditures	(9,657,292)	(5,638,835)	(648,161)	4,873,751	(1,413,245)	8,244,047
Other financing sources:						
Proceeds from long-term debt issued	4,847,376	3,217,976	-	(3,217,976)	-	(4,847,376)
Premium on long-term debt	339,977	339,977	-	(339,977)	-	(339,977)
Transfer to Civic Center Fund	(60,000)	-	-	-	-	60,000
Transfers from U.S. Cellular Center Fund	1,710,334	450,334	1,200,000	(612,086)	1,038,248	(672,086)
Transfers from other funds	2,819,605	2,905,447	136,639	(703,712)	2,338,374	(481,231)
Total other financing sources	9,657,292	6,913,734	1,336,639	(4,873,751)	3,376,622	(6,280,670)
Net change in net position	\$ -	\$ 1,274,899	\$ 688,478	\$ -	\$ 1,963,377	\$ 1,963,377

Proprietary Funds, Internal Service Funds

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

General Insurance Fund – This fund is used to account for other insurance related items not specifically accounted for in the other internal service funds.

Health Fund - This fund is used to account for costs associated with insurance for employee and family medical, dental, and life benefits.

Workers' Compensation Fund – This fund is used to account for the costs associated with workers' compensation claims.

Property and Casualty Fund – This fund is used to account for the accumulation and allocation of costs associated with property and casualty insurance and claims for the City.

City of Asheville

Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	General Insurance	Health	Workers' Compensation	Property and Casualty	Total Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 1,193,802	\$ 5,326,784	\$ 3,725,573	\$ 3,672,940	\$ 13,919,099
Accounts receivable (net of allowance for uncollectibles)	-	904,950	59,842	377,767	1,342,559
Total current assets	1,193,802	6,231,734	3,785,415	4,050,707	15,261,658
Total assets	1,193,802	6,231,734	3,785,415	4,050,707	15,261,658
Deferred outflows of resources					
Pension deferrals	-	74,686	-	17,721	92,407
Total deferred outflows of resources	-	74,686	-	17,721	92,407
Liabilities					
Current liabilities:					
Accounts payable	-	1,286,452	253,303	87,340	1,627,095
Other accrued liabilities	-	-	-	3,253	3,253
Estimated claims payable, current	-	-	-	-	-
Total current liabilities	-	1,286,452	253,303	90,593	1,630,348
Non-current liabilities:					
Net pension liability	-	97,283	-	23,083	120,366
Estimated claims payable, long-term	-	-	1,781,679	2,830,792	4,612,471
Total liabilities	-	1,383,735	2,034,982	2,944,468	6,363,185
Deferred inflows of resources					
Pension deferrals	-	2,132	-	506	2,638
Total deferred inflows of resources	-	2,132	-	506	2,638
Net position					
Unrestricted	\$ 1,193,802	\$ 4,920,553	\$ 1,750,433	\$ 1,123,454	\$ 8,988,242

City of Asheville

Combining Statement of Revenues, Expenses

and Changes in Fund Net Position

Internal Service Funds

Year Ended June 30, 2019

	General Insurance	Health	Workers' Compensation	Property and Casualty	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ -	\$ 15,055,595	\$ 1,386,426	\$ 2,190,449	\$ 18,632,470
Other operating revenue	-	1,232,796	227,980	833,693	2,294,469
Total operating revenues	-	16,288,391	1,614,406	3,024,142	20,926,939
Operating expenses:					
Administration	-	749,554	45,275	256,975	1,051,804
Benefits	-	15,174,334	1,791,912	2,783,713	19,749,959
Total operating expenses	-	15,923,888	1,837,187	3,040,688	20,801,763
Operating income	-	364,503	(222,781)	(16,546)	125,176
Non-operating revenues:					
Interest earned	-	133,128	82,288	73,475	288,891
Total non-operating revenues	-	133,128	82,288	73,475	288,891
Income before transfers and capital grants and contributions	-	497,631	(140,493)	56,929	414,067
Transfers from other funds	-	-	-	55,263	55,263
Transfers to other funds	-	-	-	(15,075)	(15,075)
Change in net position	-	497,631	(140,493)	97,117	454,255
Total net position – beginning	1,193,802	4,422,922	1,890,926	1,026,337	8,533,987
Total net position – ending	\$ 1,193,802	\$ 4,920,553	\$ 1,750,433	\$ 1,123,454	\$ 8,988,242

City of Asheville

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2019

	General Insurance	Health	Workers' Compensation	Property and Casualty	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers, users and others	\$ -	\$ 16,176,268	\$ 1,810,206	\$ 2,658,641	\$ 20,645,115
Cash paid for goods and services	-	(15,981,836)	(1,321,002)	(2,737,826)	(20,040,664)
Cash paid to employees	-	(310,179)	-	(84,566)	(394,745)
Net cash provided (used) by operating activities	-	(115,747)	489,204	(163,751)	209,706
Cash flows from non-capital financing activities:					
Transfers to other funds	-	-	-	55,263	55,263
Net cash used for non-capital financing activities	-	-	-	55,263	55,263
Cash flows from investing activities:					
Interest earned	-	133,128	82,288	73,475	288,891
Net change in cash and cash equivalents	-	17,381	571,492	(35,013)	553,860
Cash and cash equivalents:					
Beginning of year, July 1	1,193,802	5,309,403	3,154,081	3,723,028	13,380,314
End of year, June 30	\$ 1,193,802	\$ 5,326,784	\$ 3,725,573	\$ 3,688,015	\$ 13,934,174
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ -	\$ 364,503	\$ (222,781)	\$ (16,546)	\$ 125,176
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Changes in assets, liabilities and deferred outflows and inflows of resources:					
(Increase) decrease in accounts receivable	-	(112,123)	195,800	(365,501)	(281,824)
(Increase) decrease in deferred outflows of resources for pensions	-	(20,456)	-	(7,315)	(27,771)
Increase (decrease) in accounts payable	-	(434,936)	(11,688)	(1,248,816)	(1,695,440)
Increase (decrease) in other accrued liabilities	-	61,503	-	367	61,870
Increase (decrease) in estimated claims payable	-	-	527,873	1,464,956	1,992,829
Increase (decrease) in pension obligation - LGERS	-	21,789	-	9,524	31,313
Increase (decrease) in deferred inflows of resources for pensions	-	3,973	-	(420)	3,553
Net cash provided (used) by operating activities	\$ -	\$ (115,747)	\$ 489,204	\$ (163,751)	\$ 209,706

City of Asheville

Health Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 15,239,367	\$ 15,055,595	\$ (183,772)
Other operating revenue	900,000	1,232,796	332,796
Interest earned	-	133,128	133,128
Total revenues	16,139,367	16,421,519	282,152
Expenditures:			
Administration	967,417	744,248	223,169
Benefits	15,211,058	15,174,334	36,724
Total expenditures	16,178,475	15,918,582	259,893
Revenues over (under) expenditures	(39,108)	502,937	22,259
Other financing sources (uses):			
Appropriated fund balance	39,108	-	(39,108)
Net change in net position	\$ -	502,937	\$ (502,937)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Pension expense		(5,306)	
Change in estimate for claims incurred but not reported		-	
Change in net position		\$ 497,631	

City of Asheville

Workers' Compensation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 1,385,783	\$ 1,386,426	\$ 643
Other operating revenue	120,000	227,980	107,980
Interest earned	15,000	82,288	67,288
Total revenues	<u>1,520,783</u>	<u>1,696,694</u>	<u>175,911</u>
Expenditures:			
Administration	96,000	45,275	50,725
Benefits	1,424,783	1,264,040	160,743
Total expenditures	<u>1,520,783</u>	<u>1,309,315</u>	<u>211,468</u>
Revenues over expenditures	-	387,379	(35,557)
Other financing sources:			
Appropriated fund balance	-	-	-
Net change in net position	<u>\$ -</u>	<u>387,379</u>	<u>\$ (35,557)</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Change in estimate for claims incurred but not reported		<u>(527,872)</u>	
Change in net position		<u>\$ (140,493)</u>	

City of Asheville

Property and Casualty Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 2,219,117	\$ 2,190,449	\$ (28,668)
Other operating revenue	419,195	833,693	414,498
Interest earned	4,000	73,475	69,475
Total revenues	<u>2,642,312</u>	<u>3,097,617</u>	<u>455,305</u>
Expenditures:			
Administration	572,346	256,975	315,371
Benefits	2,054,990	1,316,969	738,021
Total expenditures	<u>2,627,336</u>	<u>1,573,944</u>	<u>1,053,392</u>
Revenues over expenditures	14,976	1,523,673	1,508,697
Other financing sources (uses):			
Appropriated fund balance	99	-	(99)
Transfers In	-	55,263	55,263
Transfers out	15,075	(15,075)	(30,150)
Total other financing sources (uses)	<u>(14,976)</u>	<u>40,188</u>	<u>(30,150)</u>
Net change in net position	<u>\$ -</u>	<u>1,563,861</u>	<u>\$ 1,478,547</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Pension expense		(1,789)	
Change in estimate for claims incurred but not reported		(1,464,955)	
Change in net position		<u>\$ 97,117</u>	

Agency Funds

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

Metropolitan Sewerage District ('MSD') Agency Fund – This fund is used to account for the collection of various sewer fees charged to the City's water customers.

City of Asheville

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2019

	Balance			Balance
	July 1, 2018	Additions	Deletions	June 30, 2019
<hr/> Metropolitan Sewer District Agency Fund:				
Assets				
Cash and investments	\$ 682,424	\$ 25,863,856	\$ 25,903,857	\$ 642,423
Due from customers	1,791,133	26,595,065	26,383,560	2,002,638
	<hr/>			
Total assets	\$ 2,473,557	\$ 52,458,921	\$ 52,287,417	\$ 2,645,061
	<hr/> <hr/>			
Liabilities				
Due to other governments	\$ 2,473,558	\$ 26,452,149	\$ 26,280,646	\$ 2,645,061
	<hr/> <hr/>			

Other Supplementary Information (Unaudited)

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy and Secondary Market Disclosures

City of Asheville

**Schedule of Ad Valorem Taxes Receivable
June 30, 2019**

	Taxes Receivable July 1, 2018	Additions	Collections and Other Reductions	Taxes Receivable June 30, 2018
Fiscal years ended June 30:				
2009 and prior	\$ 69,231	\$ -	\$ 32,497	\$ 36,734
2010	33,201	-	94	33,107
2011	32,727	-	719	32,008
2012	36,996	-	2,263	34,733
2013	42,077	-	3,540	38,537
2014	43,844	-	2,815	41,029
2015	11,757	-	2,781	8,976
2016	7,199	-	2,899	4,300
2017	10,037	-	6,293	3,744
2018	37,997	-	30,857	7,140
2019	-	65,010,646	64,980,323	30,323
	<u>\$ 325,066</u>	<u>\$ 65,010,646</u>	<u>\$ 65,065,081</u>	270,631
Less allowance for uncollectable ad valorem tax receivable				<u>(221,975)</u>
Ad valorem taxes receivable, net				<u><u>\$ 48,656</u></u>
Ad valorem taxes receivable, net				\$ 48,656
Motor vehicle licenses and taxes collected, but due from the State				<u>543,926</u>
General Fun Property taxes receivable per the fund financial statement (exhibit C)				<u><u>\$ 592,582</u></u>
Reconciliation to revenues collected:				
Revenue, general fund				\$ 65,295,336
Motor vehicle licenses and taxes receivable from the State				(543,926)
Increase (decrease) in allowance for uncollectible taxes				(2,652)
Other adjustments				<u>316,323</u>
Collections and other reductions				<u><u>\$ 65,065,081</u></u>

City of Asheville

Analysis of Current Tax Levy and Secondary Market Disclosures
City-Wide Levy
Year Ended June 30, 2019

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 15,128,896,246	\$ 0.4289	\$ 64,887,836	\$ 61,698,319	\$ 3,189,517
Discoveries	62,005,529	Various	271,062	271,062	-
Releases	(34,565,633)	0.4289	(148,252)	(148,252)	-
Total property valuation	\$ 15,156,336,142				
Net levy			65,010,646	61,821,129	3,189,517
Uncollected taxes at June 30, 2019			(30,323)	(30,323)	-
Current year's taxes collected			\$ 64,980,323	\$ 61,790,806	\$ 3,189,517
Current levy collection percentage			99.95%	99.95%	100.00%
Secondary market disclosures:					
Assessed valuation:					
Assessment ratio				100%	
Real property				\$ 13,252,639,905	
Personal property				941,465,975	

Statistical Section (Unaudited)

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

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

Debt Capacity

These schedules present information to help the reader access the affordability of the government's current levels of outstanding debt and 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 the city's financial activities take place.

Operation Information

These schedules contain service, water system, and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the government provides and the activities it performs.

Continuing Disclosures

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

**Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)**

	2010	2011	2012	2013
Governmental activities:				
Net investment in capital assets	\$ 164,710	\$ 154,318	\$ 145,401	\$ 139,093
Restricted	3,904	13,358	16,287	13,044
Unrestricted	32,114	19,880	19,810	24,067
Total governmental activities net position	\$ 200,728	\$ 187,556	\$ 181,498	\$ 176,204
Business-type activities:				
Net investment in capital assets	\$ 124,758	\$ 125,135	\$ 126,834	\$ 130,733
Restricted	-	-	-	-
Unrestricted	40,800	45,807	50,947	52,999
Total business-type activities net position	\$ 165,558	\$ 170,942	\$ 177,781	\$ 183,732
Primary government:				
Net investment in capital assets	\$ 289,468	\$ 279,453	\$ 272,235	\$ 269,826
Restricted	3,904	13,358	16,287	13,044
Unrestricted	72,914	65,687	70,757	77,066
Total primary government net position	\$ 366,286	\$ 358,498	\$ 359,279	\$ 359,936

(Continued)

	2014	2015	2016	2017	2018	2019
\$	134,534	\$ 141,191	\$ 131,310	\$ 106,280	\$ 92,930	\$ 113,451
	15,967	13,577	26,269	59,437	61,829	62,152
	25,131	28,112	38,261	4,275	13,188	12,240
\$	175,632	\$ 182,880	\$ 195,840	\$ 169,992	\$ 167,947	\$ 187,843
\$	138,358	\$ 135,964	\$ 146,854	\$ 153,910	\$ 175,742	\$ 193,433
	-	-	-	-	-	-
	55,313	68,114	73,315	82,152	73,246	73,581
\$	193,671	\$ 204,078	\$ 220,169	\$ 236,062	\$ 248,988	\$ 267,014
\$	272,892	\$ 277,155	\$ 278,164	\$ 260,190	\$ 268,672	\$ 306,884
	15,967	13,577	26,269	59,437	61,829	62,152
	80,444	96,226	111,576	86,427	86,434	85,821
\$	369,303	\$ 386,958	\$ 416,009	\$ 406,054	\$ 416,935	\$ 454,857

(Continued)

City of Asheville

Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	2010	2011	2012	2013
Expenses:				
Governmental activities:				
General government	\$ 21,245	\$ 18,381	\$ 17,924	\$ 15,049
Public safety	44,282	44,323	46,574	49,988
Environmental services	17,481	10,111	9,834	9,869
Community development	6,016	6,493	5,193	5,389
Transportation	9,328	14,233	16,154	14,693
Culture and recreation	7,359	10,932	11,708	10,665
Interest on long-term debt	930	861	975	662
Total governmental activities expenses	106,641	105,334	108,362	106,315
Business-type activities:				
Water resources	27,490	31,045	30,810	31,539
Parking services	1,669	1,920	2,177	2,446
Street cut utility	-	1,073	1,423	1,337
Stormwater	3,055	2,771	2,618	2,596
U.S. cellular center	2,147	2,510	2,855	3,137
Mass transit	5,542	5,751	6,042	7,654
Golf course	1,031	979	925	2,081
Festivals	758	654	-	-
Total business-type activities expenses	41,692	46,703	46,850	50,790
Total primary government expenses	\$ 148,333	\$ 152,037	\$ 155,212	\$ 157,105

(Continued)

	2014	2015	2016	2017	2018	2019
\$	17,909	\$ 18,461	\$ 19,710	\$ 32,078	\$ 15,618	\$ 14,402
	45,206	46,311	46,350	52,690	61,135	53,705
	6,083	6,099	5,848	5,676	6,928	6,043
	8,682	8,054	8,065	9,337	11,486	11,036
	17,456	14,654	6,533	7,996	6,503	20,342
	9,923	10,423	11,765	11,156	14,752	10,507
	856	757	791	724	1,431	2,225
	106,115	104,759	99,062	119,657	117,853	118,260
	28,107	28,733	27,536	27,470	27,903	30,262
	3,121	3,288	3,550	3,870	4,692	4,678
	1,417	1,407	1,464	1,477	1,625	1,719
	3,318	4,069	4,614	5,240	5,131	5,724
	3,636	3,726	3,598	3,977	4,839	4,672
	7,293	7,143	6,993	7,552	9,515	11,248
	-	-	-	-	-	-
	-	-	-	-	-	-
	46,892	48,366	47,755	49,586	53,705	58,303
\$	153,007	\$ 153,125	\$ 146,817	\$ 169,243	\$ 171,558	\$ 176,563

(Continued)

City of Asheville

Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	2010	2011	2012	2013
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 10,974	\$ 7,999	\$ 9,849	\$ 7,682
Public safety	4,382	3,750	4,385	4,572
Other activities	3,239	3,149	3,874	4,116
Operating grants and contributions	6,152	5,422	6,762	7,275
Capital grants and contributions	8,942	8,616	6,159	4,474
Total governmental activities				
program revenues	33,689	28,936	31,029	28,119
Business-type activities:				
Charges for services:				
Water resources	31,276	33,617	34,354	33,634
Parking services	2,802	2,928	3,253	3,876
Street cut utility	-	40	1,388	1,446
Stormwater	3,188	3,131	3,036	3,172
U.S. cellular center	1,418	2,594	1,696	2,320
Mass transit	1,145	1,253	1,152	1,121
Golf course	728	742	794	255
Festivals	638	492	-	-
Operating grants and contributions	3,049	2,983	3,541	2,840
Capital grants and contributions	640	3,310	2,991	6,198
Total business-type activities				
program revenues	44,884	51,090	52,205	54,862
Total primary government				
program revenues	\$ 78,573	\$ 80,026	\$ 83,234	\$ 82,981
Net expense (revenue):				
Governmental activities	\$ (72,952)	\$ (76,398)	\$ (77,333)	\$ (78,196)
Business-type activities	3,192	4,387	5,355	4,072
Total primary government				
net expense	\$ (69,760)	\$ (72,011)	\$ (71,978)	\$ (74,124)

(Continued)

	2014	2015	2016	2017	2018	2019
\$	8,262	\$ 9,414	\$ 8,595	\$ 22,300	\$ 9,552	\$ 10,514
	1,622	1,348	1,468	1,472	3,306	738
	8,402	8,452	9,650	11,626	11,140	12,527
	6,092	7,325	5,184	5,600	3,245	4,217
	3,240	7,887	4,209	3,526	7,443	5,902
	27,618	34,426	29,106	44,524	34,686	33,898
	34,186	35,564	37,765	38,659	39,204	39,517
	4,385	5,221	5,311	5,251	6,030	6,712
	1,350	1,461	1,625	1,722	1,733	1,679
	3,149	5,036	5,329	5,614	5,852	6,298
	2,418	1,622	2,236	2,997	4,104	3,420
	1,281	1,215	1,139	997	1,051	1,026
	-	-	-	-	-	-
	-	-	-	-	-	-
	2,504	2,818	2,789	2,828	836	6,408
	4,973	3,760	4,166	3,760	7,570	4,029
	54,246	56,697	60,360	61,828	66,380	69,089
\$	81,864	\$ 91,123	\$ 89,466	\$ 106,352	\$ 101,066	\$ 102,987
\$	(78,497)	\$ (70,333)	\$ (69,956)	\$ (75,133)	\$ (83,167)	\$ (84,362)
	7,355	8,331	12,605	12,242	11,841	10,786
\$	(71,142)	\$ (62,002)	\$ (57,351)	\$ (62,891)	\$ (71,326)	\$ (73,576)

(Continued)

City of Asheville

Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	2010	2011	2012	2013
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 45,238	\$ 45,979	\$ 46,521	\$ 46,836
Sales taxes	14,173	14,718	15,752	16,569
Other taxes	389	956	735	741
Unrestricted grants and contributions	8,308	8,511	8,661	10,415
Investment earnings and miscellaneous	232	585	784	775
Transfers out	(125)	(2,333)	(1,179)	(2,434)
Total general revenues, transfers and special item	68,215	68,416	71,274	72,902
Business-type activities:				
Miscellaneous	403	200	305	254
Transfers in	125	2,333	1,179	2,434
Total business-type activities change in net position	528	2,533	1,484	2,688
Total primary government	\$ 68,743	\$ 70,949	\$ 72,758	\$ 75,590
Changes in net position:				
Governmental activities	\$ (4,737)	\$ (7,982)	\$ (6,059)	\$ (5,294)
Business-type activities	3,720	6,920	6,839	6,760
Total primary government	\$ (1,017)	\$ (1,062)	\$ 780	\$ 1,466

	2014	2015	2016	2017	2018	2019
\$	52,052	\$ 51,783	\$ 52,407	\$ 55,473	\$ 62,957	\$ 65,094
	17,250	21,372	20,941	22,455	24,876	26,123
	890	540	669	684	688	927
	8,682	13,058	11,200	11,408	8,980	14,637
	1,337	1,199	782	(284)	8,166	2,206
	(2,286)	(3,133)	(3,083)	(5,125)	(5,153)	(4,728)
	77,925	84,819	82,916	84,611	100,514	104,259
	298	450	404	361	745	2,510
	2,286	3,133	3,082	5,125	5,153	4,728
	2,584	3,583	3,486	5,486	5,898	7,238
\$	80,509	\$ 88,402	\$ 86,402	\$ 90,097	\$ 106,412	\$ 111,497
\$	(572)	\$ 14,486	\$ 12,960	\$ 9,478	\$ 17,347	\$ 19,897
	9,939	11,914	16,091	17,728	17,739	18,024
\$	9,367	\$ 26,400	\$ 29,051	\$ 27,206	\$ 35,086	\$ 37,921

City of Asheville

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)**

	2010	2011 (a)	2012	2013
General fund:				
Reserved	\$ 10,150	\$ -	\$ -	\$ -
Unreserved	11,163	-	-	-
Non-spendable	-	465	448	471
Restricted	-	5,995	6,663	7,196
Committed	-	-	-	893
Assigned	-	73	1,052	-
Unassigned	-	13,102	13,626	15,485
Total general fund	\$ 21,313	\$ 19,635	\$ 21,789	\$ 24,045
All other governmental funds:				
Reserved	\$ 5,931	\$ -	\$ -	\$ -
Unreserved as reported in:				
Special revenue funds	(694)	-	-	-
Capital project funds	4,582	-	-	-
Non-spendable	-	324	324	317
Restricted	-	3,978	5,489	5,530
Committed	-	4,006	14,920	8,921
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other government funds	\$ 9,819	\$ 8,308	\$ 20,733	\$ 14,768

(a) The presentation of fund balance changed in 2011 as a result of the implementation of GASB 54.

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

2014	2015 (b)	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
469	7,407	7,558	8,660	8,081	7,046
9,426	12,394	15,039	13,659	16,238	15,692
623	842	1,134	1,541	1,632	2,167
6,545	8,683	16,605	20,493	33,484	34,294
15,040	16,647	18,010	20,091	18,289	23,808
\$ 32,103	\$ 45,973	\$ 58,346	\$ 64,444	\$ 77,724	\$ 83,007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
317	4,613	4,585	317	314	6,272
6,224	866	1,185	45,460	45,999	46,126
915	-	-	-	-	818
-	-	-	-	-	-
-	(3,535)	(61)	(30,099)	(14,894)	(31,047)
\$ 7,456	\$ 1,944	\$ 5,709	\$ 15,678	\$ 31,419	\$ 22,169

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)**

	2010	2011	2012	2013
Revenues:				
Taxes	\$ 59,814	\$ 61,595	\$ 63,024	\$ 64,202
Intergovernmental	19,681	17,637	16,938	15,064
Licenses and permits	4,290	5,224	4,542	5,213
Charges for services	7,828	6,114	7,491	7,182
Private donations	-	-	-	-
Investment earnings	77	116	151	85
Miscellaneous	2,003	2,467	2,222	1,947
Total revenues	93,693	93,153	94,368	93,693
Expenditures:				
Current:				
General government	11,196	13,851	13,459	10,502
Public safety	41,734	41,743	42,038	47,174
Environmental services	5,231	9,734	13,286	9,504
Community development	7,547	6,457	5,127	5,349
Planning	-	-	-	-
Engineering	-	-	-	-
Transportation	7,359	4,246	2,241	4,542
Culture and recreation	8,320	9,253	9,973	9,048
Capital outlay	11,707	5,740	6,892	6,288
Debt service:				
Principal	4,313	3,654	3,168	4,093
Interest	959	841	1,010	723
Total expenditures	98,366	95,519	97,194	97,223
Revenues over/under expenditures	(4,673)	(2,366)	(2,826)	(3,530)
Other financing sources (uses):				
Transfer from other funds	6,041	3,651	3,570	1,936
Transfer to other funds	(6,166)	(5,984)	(4,749)	(4,369)
Long-term debt issued	131	64	28,758	2,143
Payment to defease long-term debt	-	-	(10,506)	-
Sale of capital assets	1,300	1,100	332	111
Total other financing sources (uses)	1,306	(1,169)	17,405	(179)
Net change in fund balance	\$ (3,367)	\$ (3,535)	\$ 14,579	\$ (3,709)
Debt service as a percentage of non-capital expenditures	6.08%	5.01%	4.63%	5.30%

	2014	2015	2016	2017	2018	2019
\$	70,192	\$ 71,901	\$ 77,901	\$ 56,196	\$ 87,836	\$ 92,346
	14,697	20,519	19,626	23,138	20,824	21,974
	5,585	5,974	4,526	21,518	5,078	5,739
	9,055	9,459	10,405	5,957	12,485	13,065
	-	-	-	12,533	-	-
	173	142	331	221	517	2,179
	2,017	2,457	2,178	2,925	3,179	4,976
	101,719	110,452	114,967	122,488	129,919	140,279
	13,177	18,427	16,266	15,551	9,875	7,428
	45,721	44,840	44,233	49,224	52,502	55,667
	5,609	5,669	5,422	5,668	5,845	6,399
	6,081	8,524	8,132	9,565	13,697	10,096
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,267	6,826	4,867	5,287	16,473	17,256
	8,314	9,072	10,297	9,718	9,782	9,554
	9,837	15,458	16,809	19,292	26,043	33,521
	3,516	3,906	4,150	5,712	5,058	6,817
	1,201	1,105	1,133	1,063	1,371	2,225
	100,723	113,827	111,309	121,080	140,646	148,963
	996	(3,375)	3,658	1,408	(10,727)	(8,684)
	1,152	1,107	913	2,719	4,040	9,413
	(3,343)	(3,788)	(3,932)	(7,727)	(9,038)	(14,182)
	1,591	2,815	27,525	7,288	7,250	9,255
	-	-	-	-	-	-
	351	347	38	315	37,497	232
	(249)	481	24,544	2,595	39,749	4,718
\$	747	\$ (2,894)	\$ 28,202	\$ 4,003	\$ 29,022	\$ (3,966)
	5.19%	5.09%	5.59%	6.66%	5.61%	7.83%

City of Asheville

**General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)**

	Ad Valorem Taxes	Local Option Sales Taxes	Other Taxes	Total
Fiscal years ended June 30:				
2010	45,253	14,105	691	60,049
2011	46,223	14,637	704	61,564
2012	46,537	15,752	735	63,024
2013	46,892	16,569	741	64,202
2014	52,053	17,250	890	70,193
2015	51,888	19,473	540	71,901
2016	54,449	22,841	611	77,901
2017	56,196	22,515	623	79,334
2018	62,960	24,175	701	87,836
2019	65,295	26,192	859	92,346

Note: Classification changes affect comparability across fiscal years.

City of Asheville

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)**

Fiscal Year	Real Property			Personal Property		
	Residential Property (a)	Commercial Property (a)	Less Tax Exempt Real Property	Total Taxable Valuation of Real Property	Motor Vehicles (a)	Other (a)
2010	5,598,929	3,857,533	(77,453)	9,379,009	520,998	707,473
2011	5,665,896	3,984,758	(85,700)	9,564,954	480,112	699,285
2012	5,647,459	4,085,999	(98,739)	9,634,719	513,711	673,731
2013	5,787,870	4,062,869	(153,899)	9,696,840	551,327	688,439
2014	5,719,358	4,078,583	(144,639)	9,653,302	597,911	731,028
2015	5,680,302	4,306,928	(346,839)	9,640,391	584,183	742,083
2016	5,775,981	4,370,666	(347,430)	9,799,217	632,842	761,919
2017	6,052,609	4,334,722	(343,165)	10,044,166	676,644	867,846
2018	7,833,194	5,283,179	(460,421)	12,655,952	719,248	869,386
2019	7,741,610	5,495,130	-	13,236,741	743,651	892,630

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

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

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

Note:

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

Public Service Assessed Value	Total Taxable Assessed Value (a)	Total City Direct Tax Rate (b)	Sales Assessment Ratio (c)
193,434	10,800,914	0.42	93.56%
186,956	10,931,307	0.42	93.53%
191,230	11,013,391	0.42	99.00%
190,235	11,126,841	0.42	96.91%
185,757	11,167,998	0.46	95.17%
181,201	11,147,858	0.46	90.00%
217,134	11,411,112	0.475	84.55%
213,802	11,680,060	0.475	98.73%
213,978	11,458,564	0.475	91.67%
218,580	15,091,601	0.475	86.25%

City of Asheville

**Property Tax Rates
Direct and Overlapping (a) Governments
Last Ten Fiscal Years**

Fiscal Year	City of Asheville			Buncombe County	Asheville City Schools	Total Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Total Millage	Total County Millage (b)	Total District Millage (b)	
2010	0.397	0.023	0.420	0.525	0.150	1.095
2011	0.400	0.020	0.420	0.525	0.150	1.095
2012	0.402	0.018	0.420	0.525	0.150	1.095
2013	(1.242)	1.662	0.420	0.525	0.150	1.095
2014	(1.403)	1.863	0.460	0.569	0.150	1.179
2015	0.438	0.022	0.460	0.604	0.150	1.214
2016	0.452	0.023	0.475	0.604	0.150	1.229
2017	0.448	0.027	0.475	0.604	0.150	1.229
2018	0.409	0.020	0.430	0.539	0.120	1.078
2019	0.405	0.024	0.429	0.529	0.120	1.078

Source: NC Department of Revenue
"Property Tax Rates and Latest Year of Revaluation for North Carolina Counties and Municipalities"

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

(b) Operating and debt service millage are not available for Buncombe County and Asheville City Schools.

City of Asheville

**Principal Property Taxpayers
Current and Nine Years Ago
(Amounts in Thousands)**

	June 30, 2018			June 30, 2010		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
MH Mission Hospital LLLP	\$ 900,178	1	5.71%	\$ -		
Linamar North Caroline Inc	169,796	2	1.08%	-		
GPI Resort Holdings LLC	121,526	3	0.77%	-		
New Belgium Brewing Company Inc	116,419	4	0.74%			
Asheville Mall CMBS LLC	95,657	5	0.61%	94,514	3	0.33%
Ingles Markets	91,904	6	0.58%	-		
Town Square West LLC	86,185	7	0.55%	106,662	1	0.37%
MHG Asheville	66,751	8	0.42%	-		
Asheville Retail Associates LLC	63,970	9	0.41%	-		
Unison Engine Components	43,921	10	0.28%	41,996		0.15%
Day International Inc				41,573		0.14%
Jack Tar Hotel				102,512	3	0.36%
Progress Energy/CP & L				90,970	5	0.32%
Bellsouth Telephone Co. dba AT&T North Carolina				47,806	6	0.17%
Asheville LLC				78,472	8	0.27%
Power Development				28,922	9	0.10%
Biltmore Commercial Properties				25,801	10	0.09%
	<u>\$ 1,756,307</u>		<u>11.15%</u>	<u>\$ 659,228</u>		<u>2.30%</u>

City of Asheville

Property Tax Levies and Collections
 Last Ten Fiscal Years
 (Amounts in Thousands)

	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Current Outstanding Balance	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2010	\$ 45,310	\$ 44,749	98.80%	\$ 5	\$ 556	\$ 45,305	100.00%
2011	45,857	45,556	99.30%	11	290	45,846	100.00%
2012	46,175	46,166	100.00%	9	-	46,166	100.00%
2013	46,837	46,532	99.30%	43	262	46,794	99.90%
2014	52,284	51,604	98.70%	12	668	52,272	100.00%
2015	50,677	50,605	99.90%	19	53	50,658	100.00%
2016	54,221	54,173	99.90%	36	12	54,185	99.90%
2017	56,093	56,057	99.90%	36	-	56,057	99.90%
2018	62,861	62,823	99.94%	32	6	62,829	99.95%
2019	65,011	64,980	99.95%	32	-	64,980	99.95%

City of Asheville

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds	Installment Financing Contracts and Other Long-Term Debt	Total Governmental Activities		
2010	\$ 1,652,000	\$ 19,303,000	\$ 20,955,000	19.00%	\$ 251
2011	1,230,000	17,171,000	18,401,000	17.00%	216
2012	960,000	29,671,000	30,631,000	28.00%	355
2013	770,000	27,917,000	28,687,000	26.00%	326
2014	670,000	26,092,000	26,762,000	24.00%	305
2015	570,000	27,011,000	27,581,000	25.00%	309
2016	470,000	50,160,950	50,630,958	44.00%	557
2017	370,000	51,547,375	51,917,375	44.00%	565
2018	7,175,384	77,777,836	84,953,220	58.00%	923
2019	12,745,384	75,091,653	87,837,037	58.00%	949

Business-Type Activities

General Obligation Bonds	Revenue Bonds	Installment Financing Contracts and Other Long-Term Debt	Total Primary Government	Percentage of Personal Income	Debt per Capita
998,000	\$ 73,570,000	\$ 1,093,000	\$ 96,616,000	3.51%	1,156
60,000	71,005,000	7,403,000	96,869,000	3.33%	1,138
-	68,340,000	14,228,000	113,199,000	3.63%	1,313
-	65,570,000	13,353,000	107,610,000	3.30%	1,223
-	62,685,000	12,682,000	102,129,000	3.19%	1,162
-	57,499,000	18,647,000	103,727,000	2.86%	1,162
-	59,218,640	15,441,970	125,291,568	3.30%	1,378
-	55,687,416	14,811,271	122,416,062	3.08%	1,332
-	52,064,578	14,091,862	151,109,660	3.80%	1,642
-	67,922,714	12,855,171	168,344,922	4.14%	1,825

City of Asheville

**Direct and Overlapping Governmental Activities Debt
June 30, 2019
(Amounts in Thousands)**

	Outstanding Debt		Percentage Applicable to City (b)	Amount Applicable to City
Direct debt:				
City of Asheville	\$ 87,567	(a)	100.00%	\$ 87,567
Overlapping debt (b):				
Buncombe County	<u>435,279</u>		39.98%	<u>174,012</u>
Total direct and overlapping debt	<u><u>\$ 522,846</u></u>			<u><u>\$ 261,579</u></u>

Notes:

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

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

(b) Allocation based on assessed valuation.

City of Asheville

**Legal Debt Margin Information
Last Ten Fiscal Years
(Amounts in Thousands)**

Fiscal Year	Total Taxable Assessed Value	Debt Limit (8% of Total Assessed Value)	Outstanding Debt (a)	Legal Debt Margin	Net Debt as a % of Debt Limit
2010	\$ 10,800,914	\$ 864,073	\$ 20,955	\$ 843,118	2.43%
2011	10,880,727	870,458	24,576	845,882	2.82%
2012	11,013,390	881,071	43,922	837,149	4.99%
2013	11,126,843	890,147	41,262	848,885	4.64%
2014	11,167,999	893,440	38,826	854,614	4.35%
2015	11,010,345	880,828	40,482	840,346	4.60%
2016	11,411,112	912,889	85,636	827,253	9.38%
2017	11,810,567	944,845	156,827	788,018	16.60%
2018	14,654,367	1,172,349	193,288	979,061	16.49%
2019	15,156,336	1,212,507	189,512	1,022,995	15.63%

(a) Excludes debt not applicable to the limit.

Notes:

	2018	2019
(1) Calculation for net debt applicable to debt limit:		
Governmental general obligation bonds (includes related premium & discount)	\$ 23,270	\$ 23,170
General obligation bonds authorized, not issued (2)	51,000	51,000
Installment financing contracts	118,878	114,991
Other debt agreements	268	232
Gross outstanding debt	193,416	189,393

Statutory deductions:

City of Asheville

**Pledged Revenue Coverage – Per Indenture
Water Revenue Bonds
Last Ten Fiscal Years
(Amounts in Thousands)**

Fiscal Year	Revenues	Current Expenses	Net Revenues Available for Debt Service	Revenue Bond Debt Service	
				Principal	Interest
2010	\$ 31,586	\$ 17,088	\$ 14,498	\$ 2,480	\$ 3,467
2011	33,808	20,652	13,156	2,565	3,374
2012	34,638	20,022	14,616	2,665	3,274
2013	33,881	21,091	12,790	2,770	3,163
2014	34,394	17,795	16,599	2,885	3,048
2015	35,994	18,135	17,859	3,005	2,921
2016	37,764	18,649	19,115	3,145	2,466
2017	38,659	19,209	19,450	3,150	2,208
2018	39,204	19,907	19,297	3,250	2,109
2019	39,517	21,378	18,139	3,340	2,173

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expense.

Total Revenue Bond Debt Service	Coverage	Subordinated Debt Service	Total System Debt Service	Total System Debt Service Coverage
\$ 5,947	2.44	\$ 1,702	\$ 7,649	1.90
5,939	2.22	1,170	7,109	1.85
5,939	2.46	254	6,193	2.36
5,933	2.16	492	6,425	1.99
5,933	2.80	492	6,425	2.58
5,926	3.01	175	6,101	2.93
5,611	3.41	170	5,781	3.31
5,358	3.63	165	5,523	3.52
5,359	3.60	10	5,369	3.59
5,513	3.29	10	5,523	3.28

City of Asheville

**Pledged Revenue Coverage
Special Obligation Bonds
Last Ten Fiscal Years
(amounts in thousands)**

	Pledged Funds	Special Obligation		Parity Obligation	
Fiscal Year	Pledged Funds	Principal	Interest	Principal	Interest
Utility Taxes	8,898				
Article 39	12,237				
Article 40	4,379				
Article 42	5,931				
Article 44	3,180				
FY19 Total Pledged Funds	34,625				
2018	31,643	-	260	-	-
2019	34,625	860	641	-	-

*Pledged funds as defined by the Revenue Bond Order

*Bonds originated in fiscal year 2018

<u>Total SOB & Parity</u>	<u>Pledged Funds minus</u>	<u>Subordinate Debt</u>		<u>Total Subordinat e Debt</u>	<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>		
260	260	0	0	0	N/A
1,501	641	0	0	0	23.07

City of Asheville

**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	City Population (a)	Per Capita Personal Income (b)	Personal Income (Expressed in in Thousands)	School Enrollment (c)	Unemployment Rate (d)
2010	83,393	\$ 32,928	\$ 2,751,431	3,834	8.90%
2011	83,471	34,122	2,905,318	3,958	8.50%
2012	84,455	36,125	3,114,228	4,048	7.70%
2013	85,329	37,029	3,258,663	4,360	6.40%
2014	86,367	36,470	3,205,057	4,377	5.10%
2015	87,855	38,445	3,377,585	4,422	4.80%
2016	89,378	40,591	3,628,308	4,553	4.00%
2017	91,145	41,779	3,807,947	4,570	3.60%
2018	91,978	43,235	3,968,887	4,559	3.10%
2019	92,452	(e)	(e)	4,460	3.30%

Sources:

- (a) State Office of Budget and Management and US Census Bureau
- (b) US Department of Commerce, Bureau of Economic Analysis; for the Asheville Metropolitan Statistical Area
- (c) Asheville City Schools
- (d) Department of Labor Statistics
- (e) Information not available

City of Asheville

Principal Employers Current and Nine Years Ago

Employer	Industry	2019			2010		
		Rank	Range	Percent of Employees Total Employed	Rank	Range	Percent of Employees Total Employed
Memorial Mission Hospitals, Inc.	Education & Health Services	1	1000+	0.70%	1	1000+	0.88%
Buncombe County Board of Education	Education & Health Services	2	1000+	0.70%	2	1000+	0.88%
Ingles Markets, Inc.	Trade, Transportation, & Utilities	3	1000+	0.70%	3	1000+	0.88%
Veterans Administration	Public Administration	4	1000+	0.70%	4	1000+	0.88%
Biltmore Workforce Management, Inc.	Leisure & Hospitality	5	1000+	0.70%	10	500-999	0.66%
County of Buncombe	Public Administration	6	1000+	0.70%	5	1000+	0.88%
City of Asheville	Public Administration	7	1000+	0.70%	6	1000+	0.88%
Wal-Mart Associates, Inc.	Trade, Transportation, & Utilities	8	1000+	0.70%	7	1000+	0.88%
Eaton Corporation	Manufacturing	9	1000+	0.70%	9	500-999	0.0066
Chicago Bridge & Iron Delaware	Professional & Business Services	10	1000+	0.70%			
Mission Medical Associates, Inc.	Education & Health Services	11	1000+	0.70%			
A-B Technical Community College	Education & Health Services	12	1000+	0.70%	8	1000+	0.88%
Community Carepartners, Inc.	Education & Health Services	13	500-999	0.53%	11	500-999	0.66%
UNC Asheville	Education & Health Services	14	500-999	0.53%			
Asheville City Schools	Education & Health Services	15	500-999	0.53%	13	500-999	0.66%
Omni Hotels Management Corp.	Leisure & Hospitality	16	500-999	0.53%	12	500-999	0.66%
NC Dept Of Health & Human Services	Public Administration	17	500-999	0.53%	14	500-999	0.66%
Kendro Laboratory Products LP	Manufacturing	18	500-999	0.53%	17	500-999	0.66%
Lowes Home Centers, Inc.	Trade, Transportation, & Utilities	19	500-999	0.53%	24	500-999	0.66%
M B Haynes Corp.	Construction	20	500-999	0.53%			

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

<http://d4.nccommerce.com/QCEWLargestEmployers.aspx>

City of Asheville

Full-Time Equivalent City Government Employees by Function Last Ten Fiscal Years

Service Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Primary government:										
General government	227	223	103	110	122	134	149	158	170	168
Public safety:	489	482								
Fire department	-	-	258	244	259	257	261	261	261	271
Police department	-	-	251	242	241	279	283	284	300	301
Building safety	-	-	42	40	41	-	-	-		
Environmental services	29	-	58	47	38	37	38	44	45	46
Community and economic development			28	24	21	64	75	78	71	78
Transportation	58	97	42	47	54	65	52	54	54	52
Culture and recreation	157	92	96	83	100	94	91	93	95	95
Business type:										
Water resources	148	142	139	139	143	148	149	155	155	155
Parking services	-	-	15	17	20	22	22	23	26	27
Street cut utility	-	-	12	9	9	10	11	11	11	11
Stormwater	-	-	27	22	27	30	39	39	46	47
U.S. Cellular Center	-	-	16	14	15	16	17	23	23	22
Mass transit	-	-	3	3	3	3	3	4	4	4
Golf course (b)	-	-	10	-	-	-	-	-	-	-
Total city government employees	1,108	1,036	1,100	1,041	1,093	1,159	1,190	1,227	1,259	1,277

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

- (a) Function classification was modified to correspond with financial statements in fiscal year 2012. Data is not comparable to prior years by function.
- (b) The City turned over operations of the golf course to an external management company on October 1, 2012.
- (c) Building Safety (Development Services Department) moved to Community and Economic Development classification in fiscal year 2015.
- (d) Capital Projects and Sustainability moved from Transportation to General Government and Economic Development moved from Community and Economic Development to General Government in fiscal year 2016.

City of Asheville

Operating Indicators by Function Last Ten Fiscal Years

Function	2010	2011	2012	2013
Police:				
Number of police personnel and officers	259	254	251	242
Number of calls for service	110,353	110,059	111,230	115,348
Number of law violations:				
Uniform crime report part I crimes reported	4,210	3,804	5,194	5,304
Uniform crime report part II crimes reported	3,720	3,518	5,076	5,172
Accidents investigated	6,554	6,240	6,565	6,771
Number of physical arrests	5,661	5,904	6,352	628
Number of traffic violations	13,157	9,304	7,278	5,056
Number of incident reports	8,000	7,308	10,280	10,476
Fire:				
Number of fire personnel and officers	239	239	258	244
Number of calls answered	13,585	14,110	14,216	15,012
Inspections	6,569	10,480	11,215	8,077
Water:				
Number of service connections	55,538	55,921	56,419	56,900
Maximum daily capacity of plants in gallons	43,500,000	43,500,000	43,500,000	43,500,000
Daily average consumption in gallons	21,600,000	20,600,000	21,050,000	20,130,000
Education:				
Number of preschool instructors	15	13	12	11
Number of elementary school instructors	167	152	176	158
Number of middle school instructors	67	63	71	65
Number of secondary school instructors	88	83	112	97
Miscellaneous:				
Number of full-time equivalent employees	1,108	1,063	1,100	1,041
Area in square miles	45.25	45.52	45.79	45.73

Sources: Various City departments and Asheville City Schools.

(a) Not available

2014	2015	2016	2017	2018	2019
241	283	283	293	205	301
113,448	113,702	116,977	118,773	123,108	136,904
5,597	4,701	4,859	4,677	5,042	5,879
4,756	5,019	5,716	5,928	6,708	6,067
5,025	6,859	6,294	6,586	6,586	7,002
5,453	5,622	4,911	4,728	4,479	4,527
3,693	10,005	9,869	7,651	4,672	6,078
10,353	9,720	10,575	10,717	11,665	11,946
259	261	261	261	261	270
15,012	16,897	17,979	18,793	20,019	20,290
3,397	9,112	10,137	8,022	8,094	7,643
57,516	58,289	58,570	60,916	63,252	63,980
43,500,000	43,500,000	43,500,000	43,500,000	43,500,000	43,500,000
19,700,000	20,400,000	19,900,000	20,160,000	20,080,000	20,300,000
11	10	24	9	16	12
186	190	157	180	195	191
75	74	68	72	90	86
118	128	118	113	121	91
1,093	1,155	1,188	1,227	1,261	1,276
45.73	45.25	45.25	45.25	45.25	45.53

City of Asheville

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	2010	2011	2012	2013
Public safety:				
Police stations/resource center	1/6	1/6	1/6	1/6
Police patrol districts	3	3	3	3
Police patrol units (beats)	13	13	13	13
Fire stations	12	12	12	12
Highways and streets:				
Streets (miles)	401	402	403	404
Street lights	9,885	9,868	9,872	9,810
Traffic lights	295	295	295	295
Culture and recreation:				
Parks acreage	769	872	874	874
Parks and playgrounds	59	59	59	59
Swimming pools	3	3	3	3
Tennis courts	28	26	26	26
Community centers	11	11	11	11
Water:				
Water mains (miles)	1,658	1,661	1,666	1,673
Fire hydrants	6,530	6,644	6,736	6,780
Number of treatment plans	3	3	3	3
City schools (a):				
Number of preschools	1	1	1	1
Number of elementary schools	5	5	5	5
Number of middle schools	1	1	1	1
Number of secondary schools	1	1	1	1
Number of community colleges	1	1	1	1
Number of colleges/universities	2	2	2	2
Hospitals:				
Number of hospitals	2	2	2	2
Number of patient beds (includes VA nursing home)	1,054	1,054	1,054	1,057

Sources: Various City departments and Asheville City Schools.

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

2014	2015	2016	2017	2018	2019
1/6	1/6	1/6	1/6	1/6	1/6
3	3	3	3	3	3
13	13	13	13	13	13
12	12	12	12	12	12
404	404	405	405	405	405
9,804	10,189	10,200	10,250	10,250	10,251
295	295	300	300	300	316
874	874	874	874	874	874
59	59	59	59	59	59
3	3	3	3	3	3
26	26	26	26	26	26
11	11	11	11	11	11
1,674	1,681	1,691	1,695	1,699	1,702
6,846	6,916	6,977	7,070	7,230	7,400
3	3	3	3	3	3
1	2	2	1	1	1
5	5	5	5	6	6
1	1	1	1	2	2
1	1	1	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	3
1,052	1,039	1,002	1,039	1,039	1,088

City of Asheville

**Outstanding General Obligation Debt
Principal Outstanding for Last Five Fiscal Years
(Amounts in Thousands)**

	2015	2016	2017	2018	2019
Water bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Street and sidewalk bonds	-	-	-	-	-
Refunding bonds	-	-	-	-	-
GO Anticipation Notes	-	-	-	6,905	12,305
General government bonds	570	470	370	270	170
Total debt outstanding	\$ 570	\$ 470	\$ 370	\$ 7,175	\$ 12,475

City of Asheville

**General Obligation Debt Ratios
Last Ten Fiscal Years**

Fiscal Year	Total GO Debt (in thousands)	Assessed Valuation (in thousands) (a)	Percent of Valuation	Population (b)	Total GO Debt Per Capita (c)	Total Assessed Value Per Capita
2009	4,680	10,435,046	0.0450%	79,395	59	131,432
2010	2,640	10,800,914	0.0240%	83,559	32	129,261
2011	1,290	10,880,727	0.0120%	85,145	15	127,791
2012	960	11,013,390	0.0090%	86,207	11	127,755
2013	770	11,126,843	0.0070%	88,003	9	126,437
2014	670	11,167,999	0.0060%	87,882	8	127,079
2015	570	11,010,345	0.0050%	89,248	6	123,368
2016	470	11,411,112	0.0040%	90,918	5	125,510
2017	370	11,810,567	0.0030%	91,929	4	128,475
2018	7,175	14,654,367	0.0490%	92,000	78	159,287
2019	12,475	15,156,336	0.0820%	92,245	135	164,305

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

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

(c) Total General Obligation Debt divided by Population.

City of Asheville

General Obligation Debt Service Requirements and Maturity Schedule
As of June 30, 2019

Fiscal Year	Sewer Lines		Firefighting Equipment		Bond Anticipation Notes		Total	
	Existing Debt		Existing Debt		Existing Debt		Existing Debt	
	Principal	& Interest	Principal	& Interest	Principal	& Interest	Principal	& Interest
2000-01		\$ 32,022		\$ 16,503				\$ 48,525
2001-02	\$ 65,990	128,466	\$ 34,010	66,209			\$ 100,000	194,675
2002-03	65,990	125,315	34,010	64,585			100,000	189,900
2003-04	65,990	122,114	34,010	62,936			100,000	185,050
2004-05	65,990	118,881	34,010	61,269			100,000	180,150
2005-06	65,990	115,647	34,010	59,603			100,000	175,250
2006-07	65,990	112,414	34,010	57,936			100,000	170,350
2007-08	65,990	109,180	34,010	56,270			100,000	165,450
2008-09	65,990	105,947	34,010	54,603			100,000	160,550
2009-10	65,990	102,713	34,010	52,937			100,000	155,650
2010-11	65,990	99,480	34,010	51,270			100,000	150,750
2011-12	65,990	96,246	34,010	49,604			100,000	145,850
2012-13	65,990	93,013	34,010	47,937			100,000	140,950
2013-14	65,990	89,746	34,010	46,254			100,000	136,000
2014-15	65,990	86,447	34,010	44,553			100,000	131,000
2015-16	65,990	83,147	34,010	42,853			100,000	126,000
2016-17	65,990	79,848	34,010	41,152			100,000	121,000
2017-18	65,990	76,548	34,010	39,452			100,000	116,000
2018-19	65,990	73,249	34,010	37,751		\$ 144,469	100,000	255,469
2019-20	65,990	69,949	34,010	36,051	\$ 12,305,384	12,545,384	12,405,384	12,651,384
2020-21	46,193	47,348	23,807	24,402	-	-	70,000	71,750
	\$ 1,300,003	\$ 1,967,720	\$ 669,997	\$ 1,014,130	\$ 12,305,384	\$ 12,689,853	\$ 14,275,384	\$ 15,671,703

City of Asheville

**Schedule of Payments for Outstanding Financings
As of June 30, 2019**

Fiscal Year	Principal	Total Principal and Interest Payments
2019-20	6,308,957	21,827,085
2020-21	26,582,022	28,461,837
2021-22	5,835,891	6,461,952
2022-23	16,491,266	6,071,009
2023-24	3,763,840	3,991,668
2024-25	2,123,740	3,033,609
2025-26	2,095,360	2,899,165
2026-27	2,054,368	2,754,512
2027-28	2,057,655	2,654,998
2028-29	2,054,893	2,557,298
2029-30	2,052,130	2,475,543
2030-31	2,041,081	2,394,684
2031-32	2,035,557	2,324,313
2032-33	1,419,575	1,656,504
2033-34	1,419,575	1,613,917
2034-35	1,419,575	1,571,329
2035-36	1,419,575	1,528,742
2036-37	1,419,575	1,485,693
2037-38	1,419,575	1,441,756
Total remaining payments	\$ 84,014,208	\$ 97,205,614

This table summarizes seven financings with fixed interest rates ranging from 0.92% to 5.64%, payable semi-annually.

City of Asheville

**Compiled Budget – Annually Budgeted Funds
For the Year Ended June 30, 2020**

	General Fund	Enterprise Funds
Estimated revenues:		
Ad valorem taxes	\$ 68,976,196	\$ -
Other taxes	28,461,565	-
Intergovernmental revenues	12,992,818	2,472,464
Licenses and permits	5,667,140	760,000
Sales and services	12,578,624	52,450,789
Investment earning	550,000	482,000
Miscellaneous revenues	3,093,400	6,788,560
Total estimated revenues	132,319,743	62,953,813
Appropriations:		
Current:		
General government	23,729,770	-
Public safety	55,973,441	-
Transportation	6,574,312	5,923,066
Environmental services	6,730,749	5,673,960
Economic and physical development	10,967,326	-
Culture and recreation	10,813,746	-
Civic Center	-	4,517,583
Water	-	23,627,268
Mass transit	-	10,158,452
Debt service	9,218,214	7,556,335
Total appropriations	124,007,558	57,456,664
Estimated revenues over (under) appropriations	8,312,185	5,497,149
Other financing sources (uses):		
Operating transfers from other funds:		
General fund	-	6,219,222
Enterprise funds	-	1,576,875
Grant fund	-	-
Capital project fund	92,620	-
Operating transfers to other funds:		
General fund	-	-
Enterprise funds	(6,219,222)	(1,576,875)
Grant fund	-	-
Capital project fund	(1,083,375)	(12,406,371)
Other funds	(1,102,208)	-
Proceeds of capital leases	-	190,000
Appropriated fund balances	-	500,000
Total other financing sources (uses)	(8,312,185)	(5,497,149)
Estimated revenues and other sources over appropriations and other uses	\$ -	\$ -

City of Asheville

**Current Water Rate Information
Effective July 1, 2018**

Consumption Charge Rate Increase

Per CCF (Hundred Cubic Feet or 748 gallons per unit of water)	Current CCF Rate
Singe family residential	\$ 4.21
Irrigation	\$ 5.20
Multi-family	\$ 3.70
Commercial (<=1,000 CCF monthly)	\$ 3.56
Commercial (>1,000 CCF monthly)	\$ 2.21
Commercial (<=2,000 CCF bi-monthly)	\$ 3.56
Commercial (>2,000 CCF bi-monthly)	\$ 2.21
Manufacturer (<=1,000 CCF monthly)	\$ 3.56
Manufacturer (>1,000 CCF monthly)	\$ 2.02
Manufacturer (<=2,000 CCF bi-monthly)	\$ 3.56
Manufacturer (>2,000 CCF bi-monthly)	\$ 2.02
Whole Consumption Capacity	\$ 1.23 \$184.00 per 10,000 gallons/day

All water accounts are charged a \$6.34 base fee per bill.

Capital Improvement (CIP) Charge (Monthly Charge)

Meter Size	Fee	Meter Size	Fee
5/8 inch	\$ 4.26	3 inch	\$ 535.87
3/4 inch	\$ 4.87	4 inch	\$ 937.77
1 inch	\$ 58.46	6 inch	\$ 1,205.71
1 1/2 inch	\$ 97.43	8 inch	\$ 1,473.64
2 inch	\$ 170.50	10 inch	\$ 1,741.59

Note: All Single Family Residential customers are charged \$4.26 per month for their Capital Improvement Fee Regardless of their meter size. If a Single Family Residential customer has an irrigation account, they will be charged a CIP Fee according to their meter size as provided above.

Fee for Water Availability (application/letter of commitment)

Single Tap Single-Family Residential	Single Tap All Other User Classes	Multiple Services
\$ 50.00	\$ 75.00	\$ 300.00

City of Asheville

**Water Systems Statistics (a)
Water Customers and Historical Demand
Last Ten Fiscal Years**

	2010	2011	2012	2013
Total number of accounts:				
Residential single family	46,329	46,683	47,149	47,589
Residential multi-family	1,576	1,580	1,537	1,487
Non-residential	4,573	4,633	4,712	4,763
Total number of accounts	52,478	52,896	53,398	53,839
Total number of bills:				
Residential single family	280,518	282,423	282,330	290,669
Residential multi-family	10,262	10,242	9,562	9,474
Non-residential	28,437	28,572	28,104	28,757
Total number of bills	319,217	321,237	319,996	328,900
Annual usage volume (in thousands of gallons):				
Residential single family	2,663,582	2,699,304	2,757,400	2,774,177
Residential multi-family	987,162	983,663	936,952	946,852
Non-residential	2,479,587	2,669,466	2,669,541	2,691,711
Total annual usage volume	6,130,331	6,352,433	6,363,893	6,412,740

(a) City of Asheville Water Resources Department

2014	2015	2016	2017	2018	2019
47,810	48,498	49,057	49,858	50,393	50,583
1,451	1,467	1,473	1,503	1,681	1,722
4,860	4,961	5,220	5,212	5,315	5,685
54,121	54,926	55,750	56,573	57,389	57,990
288,535	293,579	297,389	301,459	304,791	314,001
8,692	8,956	9,038	9,136	10,049	10,538
29,907	30,442	31,522	31,803	32,852	33,678
327,134	332,977	337,949	342,398	347,692	358,217
2,746,714	2,776,912	2,854,189	2,933,571	2,823,451	2,030,142
958,903	996,330	1,038,574	1,044,508	1,112,452	846,855
2,722,144	2,875,165	3,083,139	3,380,859	3,238,271	2,446,214
6,427,761	6,648,407	6,975,902	7,358,938	7,174,174	5,323,211

City of Asheville

**Water System Historical Operating Data
Statement of Revenues, Expenses, Debt Service and Debt Service Coverage
Last Six Fiscal Years
(Amounts in Thousands)**

	2014	2015	2016	2017	2018	2019
Operating revenues	\$ 34,186	\$ 35,564	\$ 37,764	\$ 38,659	\$ 39,204	\$ 39,517
Operation and maintenance expense	(17,795)	(18,135)	(18,649)	(19,209)	(19,907)	(21,378)
Operating income before depreciation	16,391	17,429	19,115	19,450	19,297	18,139
Depreciation	(7,386)	(7,376)	(7,292)	(6,932)	(7,164)	(6,675)
Operating income	9,005	10,053	11,823	12,518	12,133	11,464
Non-operating revenues (expenses):						
Investment income	177	175	349	206	552	1,661
Non-operating income (expenses)	31	256	11	104	(48)	(16)
Bond interest expense	(2,926)	(3,222)	(1,595)	(1,330)	(832)	(1,889)
Net income	6,287	7,262	10,588	11,498	11,805	11,220
Adjustments to net income:						
Depreciation	7,386	7,376	7,292	6,932	7,164	6,675
Non-operating expenses	2,926	3,222	1,595	1,330	832	1,889
Net revenues (revenue available for debt service)	\$ 16,599	\$ 17,860	\$ 19,475	\$ 19,760	\$ 19,801	\$ 19,784
Debt service coverage:						
Total senior lien obligations debt service	\$ 5,933	\$ 5,925	\$ 5,611	\$ 5,358	\$ 5,359	\$ 5,513
Senior debt service coverage	2.80	3.01	3.47	3.69	3.69	3.59
Subordinated debt service	\$ 487	\$ 175	\$ 170	\$ 165	\$ 10	\$ 10
Subordinated debt service coverage	19.47	61.43	74.95	80.79	1,337.02	1,316.84
Total system debt service	\$ 6,420	\$ 6,100	\$ 5,781	\$ 5,523	\$ 5,369	\$ 5,523
Total system debt service coverage	2.59	2.93	3.37	3.58	3.69	3.58

(a) Calculated as the ratio of the sum of net revenues less 1.20 times senior debt service, divided by subordinate debt.

Compliance Section

**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***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Asheville, North Carolina (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2019. Our report includes a reference to other auditors who audited the financial statements of the Asheville ABC Board, the City's discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Asheville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Morehead City, North Carolina
November 1, 2019

**Report On Compliance For Each Major Federal Program;
Report On Internal Control Over Compliance; And Report On Schedule
Of Expenditures Of Federal Awards Required By The Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Asheville, North Carolina (the City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Our audit, described below, did not include the operations of the Asheville ABC Board, the City's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of other auditors. We are not aware of any material federal and State awards for the Asheville ABC Board that would subject the Asheville ABC Board to have an audit performed in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the State Single Audit Implementation Act of North Carolina. Accordingly, this report does not include reporting on compliance or internal control over compliance for the Asheville ABC Board.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Audit Guide. Accordingly, this report is not suitable for any other purposes.

RSM US LLP

Morehead City, North Carolina
November 1, 2019

**Report On Compliance For Each Major State Program;
Report On Internal Control Over Compliance; And Report On Schedule
Of Expenditures Of State Awards Required By The Uniform Guidance**



Independent Auditor's Report

RSM US LLP

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

Report on Compliance for Each Major State Program

We have audited the City of Asheville, North Carolina (the City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2019. The City's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Our audit, described below, did not include the operations of the Asheville ABC Board, the City's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of other auditors. We are not aware of any material federal and State awards for the Asheville ABC Board that would subject the Asheville ABC Board to have an audit performed in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the State Single Audit Implementation Act of North Carolina. Accordingly, this report does not include reporting on compliance or internal control over compliance for the Asheville ABC Board.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliances and the results of that testing based on the requirements of the Uniform Guidance and the Audit Guide. Accordingly, this report is not suitable for any other purposes.

RSM US LLP

Morehead City, North Carolina
November 1, 2019

City of Asheville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2019

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness identified?	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency identified?	Yes	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal control over major programs:

Material weakness identified?	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency identified?	Yes	<input checked="" type="checkbox"/>	None Reported

Type of auditor's report issued on compliance for major Federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes	<input checked="" type="checkbox"/>	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants Cluster
14.239	HOME Investment Partnership Program
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/>	Yes	No
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(Continued)

City of Asheville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2019

Section I. SUMMARY OF AUDITOR'S RESULTS (Continued)

State Awards

Internal control over major State programs:

Material weakness identified?	Yes	✓	No
Significant deficiency identified?	Yes	✓	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act?	Yes	✓	No
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Identification of major State programs:

<u>State ID Number</u>		<u>Name of Federal Program or Cluster</u>
DOT-4	Powell Bill	

(Continued)

City of Asheville
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2019

Section II. FINANCIAL STATEMENT FINDINGS

None reported.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

Section IV. FINDINGS AND QUESTIONED COSTS FOR STATE AWARDS

None reported.



**City of Asheville, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018**

2018-001 – Financial Closing and Reporting

Status: The prior year's corrective action plan was followed. The City has updated its month-end and year-end close processes to ensure variances are found and corrected on a timelier basis. This includes the reconciliation of general ledger accounts on a more regular basis, either monthly or quarterly. Finding has been corrected

2018-002 – Cut-off Procedures

Status: The prior year's corrective action plan was followed. With the addition of new staff and more timely account reconciliations, the financial reporting team was able to ensure revenue and expenses were reported in the correct period. We will continue to improve our procedures for year-end cutoff. Finding has been corrected.

CITY OF ASHEVILLE
 SCHEDULE OF FEDERAL AND STATE AWARDS
 JUNE 30, 2019

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Subrecipients</u>
FEDERAL AWARDS					
<u>U.S. Department of Agriculture and Consumer Services</u>					
Passed through NC Dept. of Health & Human Services					
Summer Camp and Afterschool Food Service	10.559	7197	10,959	-	-
Total U.S. Department of Agriculture and Consumer Services			<u>10,959</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>					
Direct Programs					
Community Development Block Grants	14.218	N/A	923,871	-	759,621
HOME Investment Partnerships Program	14.239	N/A	896,179	-	761,877
Passed Through NC Department of Health and Human Services:					
Emergency Solutions Grant Program	14.231	00031610	111,790	-	107,948
Continuum of Care Program	14.267	NC0292L4F011200	62,114	-	26,131
Continuum of Care Program Planning	14.267	NC0292L4F011200	31,065	-	-
Total U.S. Department of Housing and Urban Development			<u>2,025,019</u>	<u>-</u>	<u>1,655,577</u>
<u>U.S. Department of Justice</u>					
Direct Programs					
Bulletproof Vest Partnership 2017	16.607	N/A	1,720	-	-
Bulletproof Vest Partnership 2018	16.607	N/A	22,493	-	-
Justice Assistance Grant - BJA - 2016	16.738	N/A	43,902	-	-
Justice Assistance Grant - BJA - 2017	16.738	N/A	23,982	-	-
Justice Assistance Grant - BJA - 2018	16.738	N/A	46,494	-	-
Total U.S. Department of Justice			<u>138,590</u>	<u>-</u>	<u>-</u>

**CITY OF ASHEVILLE
SCHEDULE OF FEDERAL AND STATE AWARDS
JUNE 30, 2019**

U.S. Department of Transportation

Direct Programs

Metropolitan Transportation Planning and State Non-Metropolitan Planning & Research

20.505	N/A	78,356	7,499	-
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Federal Transit Cluster:

Federal Transit Administration Formula Grants

20.507	N/A	4,504,784	387,674	638,873
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Total Federal Transit Cluster

4,504,784	387,674	638,873
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Transit Services Cluster:

Enhanced Mobility of Seniors and Individuals with Disabilities

20.513	N/A	237,463	-	87,465
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Job Access and Reverse Commute

20.516	N/A	123,988	-	82,648
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Total Transit Services Cluster

361,451	-	170,113
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National Infrastructure Investments Discretionary Grants (Tiger IV)

20.933	N/A	5,270,863	-	-
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Total U.S. Department of Transportation Direct Programs

10,215,454	395,173	808,986
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Passed through NC Department of Transportation

Highway Planning and Construction Cluster:

STPDA Moving Ahead for Progress (MAP 21)

20.205	U-5019	531,879		
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LPMO - Greenway Connectors

20.205	2000004590	11,930		
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Total Highway Planning and Construction Cluster

543,809	-	-
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Highway Safety Cluster:

State and Community Highway Safety

20.600		79,575	-	34,192
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Total Highway Safety Program Cluster

79,575	-	34,192
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Total Passed through NC Department of Transportation

623,384	-	34,192
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Total U.S. Department of Transportation

10,838,838	395,173	843,178
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**CITY OF ASHEVILLE
SCHEDULE OF FEDERAL AND STATE AWARDS
JUNE 30, 2019**

Executive Office of the President

Passed through Office of National Drug Control Policy High Intensity Drug Trafficking Areas Program	95.001	G15GA0006A	148,366	-	-
Total Executive Office of the President			<u>148,366</u>	<u>-</u>	<u>-</u>

U.S. Department of Homeland Security

Passed through NC Dept. of Public Safety Staffing for Adequate Fire and Emergency Response (SAFR)	97.083		186,874		
Presidential Declared Disaster Assistance - Disaster Housing Operation for Individuals and Households	97.049		131,664		
Total U.S. Dept. of Homeland Security			<u>318,538</u>	<u>-</u>	<u>-</u>

Total Federal Awards Expended			<u>13,480,311</u>	<u>395,173</u>	<u>2,498,755</u>
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STATE AWARDS

N.C. Department of Transportation

Direct Programs: Powell Bill		2000003703	-	2,410,271	-
State Maintenance Assistance Program		13-SM-002	-	1,115,417	-
Bike/Ped Planning Grant_2017		PL-00PL (068)	-	36,000	-
Apprentice/Intern Grant		36223.4.4.1	-	-	-
Total N.C. Department of Transportation			<u>-</u>	<u>3,561,688</u>	<u>-</u>

N.C. Department of Health and Human Services

Passed through Land of Sky Regional Council: Senior Center Gen'l Purpose - Senior Opportunity		HB-1473	-	3,565	-
Senior Center Gen'l Purpose - Harvest House		HB-1473	-	3,565	-
Total N.C. Department of Health and Human Services			<u>-</u>	<u>7,130</u>	<u>-</u>

N.C. Department of Public Safety

Direct Programs: RRT6 2015 Operating Allotment		1901-536902-1506-8064	-	92,929	-
Total N.C. Department of Public Safety			<u>-</u>	<u>92,929</u>	<u>-</u>

Total State Awards Expended			<u>-</u>	<u>3,661,747</u>	<u>-</u>
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Total Federal and State Awards Expended			<u>13,480,311</u>	<u>4,056,920</u>	<u>2,498,755</u>
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**CITY OF ASHEVILLE
SCHEDULE OF FEDERAL AND STATE AWARDS
JUNE 30, 2019**

NOTES TO THE PRECEDING SCHEDULE

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Asheville, North Carolina (the "City") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and State Single Audit Implementation Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Asheville has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. THE CITY AS A GRANT SPONSOR

The U.S. Department of Transportation: Federal Aviation Administration annually awards "Airport Improvement Grant(s)" to the Greater Asheville Regional Airport Authority (the "Authority"). The City of Asheville is the official sponsor of the Authority, recognized by the FAA to accept the grant. The Authority receives funding directly from the granting agency and assumes all compliance obligations.