

City of Asheville, North Carolina

Comprehensive Annual Financial Report
June 30, 2020

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Introductory Section

(Unaudited)



March 16, 2021

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, 2020.

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 US LLP has audited the City's financial statements. The objective of the audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on their audit, RSM US LLP concluded that the City's financial statements, for the fiscal year ended June 30, 2020, are presented fairly in accordance with GAAP in all material respects. The report of the 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 93,000. The City is the largest city in Western North Carolina, the county seat of Buncombe County, and the eleventh 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 kept 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.

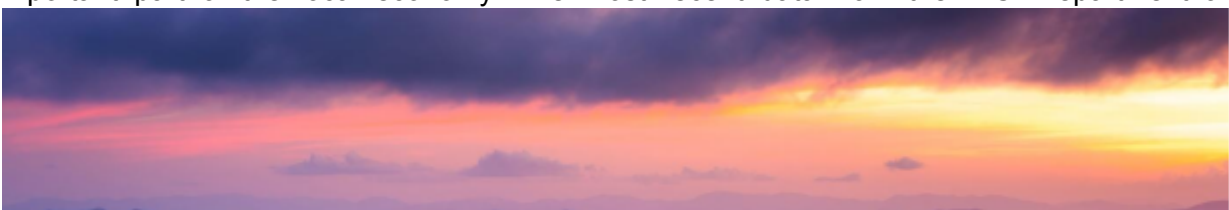


View of Asheville from Beaucatcher Mountain (facing southwest)

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 nine-percent growth in population from 2010 to 2019, 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



Commerce indicate that domestic tourism in Buncombe County generates an economic impact of over \$1.2 billion annually. Over 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 increased significantly as the local and regional economy recovered from the recession, but sales declined in FY 2019-20 due to the impacts of the COVID-19 pandemic. Year over year changes are shown below.²

Fiscal Year	Taxable Sales	Increase (Decrease)	Percentage Change
2012-13	\$ 3,632,106,651		
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%
2017-18	5,437,492,143	303,222,682	5.9%
2018-19	5,754,439,712	316,947,569	5.8%
2019-20	\$ 5,490,195,247	\$ (264,244,465)	(4.6%)

Another key economic indicator is the area unemployment rate, which speaks directly to the relative strength of the local economy. In February 2020 prior to the onset of the COVID-19 pandemic, Buncombe County's unemployment rate of 2.9% was the lowest amongst North Carolina's 100 counties. By June of 2020, however, the Buncombe County rate had risen to 9.8% and was the fifth highest amongst the State's counties. This dramatic increase reflects the economic impact of COVID-19 on the local tourism and restaurant industries.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

¹ <https://partners.visitnc.cc>

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

³ <https://www.bls.gov/lau/>

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.

Through the adoption of a 3-cent property tax rate increase in June 2013, Council expanded the scope of the CIP and directed a portion of 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 debt proceeds. The adopted CIP includes completion of work on the North Fork Dam project, 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 debt for the improvements, with an estimated cost of \$40 million.



View of North Fork Reservoir

In the next five-year CIP, funding will be also included for the Advanced Metering Infrastructure (AMI) project. This project will replace existing "smart water meters" that have reached the

end of their lifecycle. The meters will be replaced with meters that provide greater customer interaction, and have a greater lifecycle. This project, which will cost an estimated \$20 million will also be funded with capital reserve funds and the issuance of debt.

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 (unassigned) 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. Over the last five years, the City's unassigned fund balance has remained relatively stable between 15 percent and 19 percent of General Fund expenditures and transfers out. As of June 30, 2020, the unassigned fund balance was approximately 14.5 percent of FY 2020 General Fund expenditures and transfers out.

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 \$200,000 specific stop-loss coverage limit. Claims are covered above the specific limit through the purchase of specific stop-loss insurance. 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. 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 with a total insured value of \$326,367,525. 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.

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, 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, 2019. 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, 2019. 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 US LLP, in its preparation. This report would not have been possible without the efficient and dedicated service of staff in the City's Finance and Management Services Department as well as the cooperation of all other departments and divisions of the City. We would also like to thank the members of Council for their interest and support.

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

Respectfully submitted,



Debra D. Campbell
City Manager



Tony McDowell
Interim Chief Financial Officer



Government Finance Officers Association

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

Presented to

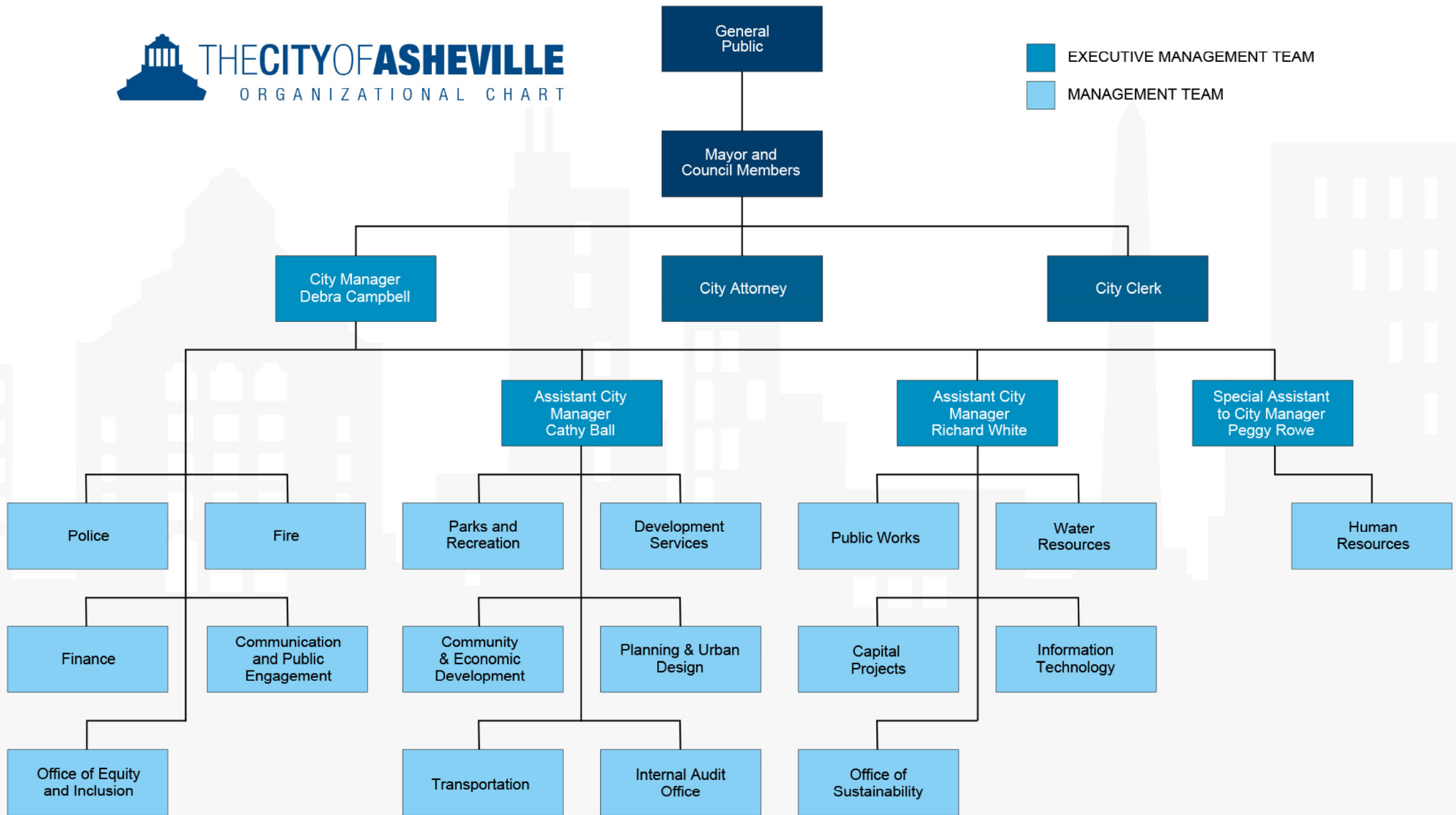
**City of Asheville
North Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

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*



Financial Section

Independent Auditor's Report

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, 2020, 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 which represents 100% of the assets and deferred outflows, liabilities and deferred inflows, net position, revenues and expenses of the 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 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, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Asheville, North Carolina as of June 30, 2020, 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 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 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 based on our audit, the procedures performed as described above and the report of another auditor, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, other supplementary information, 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 March 16, 2021, 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

Greensboro, North Carolina
March 16, 2021

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020

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, 2020. 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 \$479 million (net position). Of this amount, \$79.2 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 \$49.8 million represents an increase of \$24.9 million over fiscal year 2019's net position of approximately \$455 million.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of over \$99 million, a decrease of \$6 million in comparison with the prior year's amount of \$105 million. The unassigned portion of the General Fund balance is approximately \$18 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 \$116.0 million.
- The City's total long-term liabilities increased by \$19.1 million during the current fiscal year. This increase is primarily attributable to the General Obligation Bond Anticipation Note issued in 2020, in the amount of \$24 million, of which an additional \$35.8 million was drawn down. In FY2019, the city issued interim construction debt for the North Fork Dam project, Water Revenue Bonds, Series 2018, in the amount of \$40 million, of which an additional \$10.2 million has been drawn in FY2020. Annually, the City enters into an installment financing agreement (59-month debt) for vehicles and equipment. In FY2020, the agreement was for a total of \$4.65 million, of which \$4.443 million is for governmental activities and \$207,251 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.

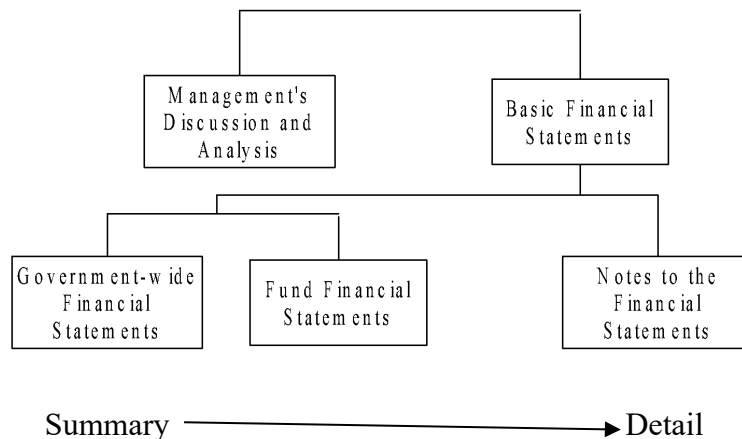
CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020

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.

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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 post-employment 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 Harrah's Cherokee Center - Asheville (HCCA), 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

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
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governmental fund statements, 2) the proprietary fund statements, and 3) the fiduciary fund statements.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Resources Fund, 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,

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
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assets and deferred outflows exceed liabilities and deferred inflows by \$477 million as of June 30, 2020 (Figure 2).

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

- The increases in both governmental and business-type non-current liabilities (approximately \$22 million), is related to the General Obligation Bond Anticipation Note issued in 2020, noted above.

Government-Wide Financial Analysis City of Asheville Net Position (amounts expressed in thousands) Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$130,796	\$134,321	\$90,424	\$97,297	\$221,220	\$231,618
Capital assets	231,569	200,334	298,870	273,070	530,439	377,286
Total Assets	362,365	334,655	389,294	370,367	751,659	608,904
Deferred outflows of resources	16,728	18,156	4,156	4,532	20,884	29,334
Total assets and deferred outflows of resources	379,093	352,811	393,450	374,899	772,543	638,238
Non-current liabilities	156,885	143,056	96,474	91,174	253,359	234,230
Other liabilities	21,736	17,769	13,557	15,723	35,293	33,492
Total Liabilities	178,621	160,825	110,031	106,897	288,652	267,722
Deferred inflows of resources	3,124	4,144	971	989	4,095	5,133
Total liabilities and deferred inflows of resources	181,745	164,969	111,002	107,886	292,747	272,855
Net position:						
Net investment in capital assets	130,826	113,451	213,000	193,433	343,826	306,884
Restricted	56,744	62,152	-	-	56,744	62,152
Unrestricted	9,778	12,240	69,488	73,581	79,266	85,821
Total net position	\$197,348	\$187,843	\$282,488	\$267,014	\$479,836	\$454,857

By far the largest portion of the City's net position (\$345.7 million or 72 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 City of Asheville's net position, \$56.7 million, represents resources that are subject to external restrictions such as state statute requirements, community development activities, and cemetery maintenance. The remaining balance of \$74.3 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.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
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- ***Enhancing customer value*** to ensure efficient service delivery that improves the customer experience.
- ***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 consistently comes in under the adopted budget. 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.
- 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 by 8.7% in fiscal year 2019 and then despite a drop in the final quarter due to the COVID-19 pandemic, still increased by 2.9% in fiscal year 2020.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020

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

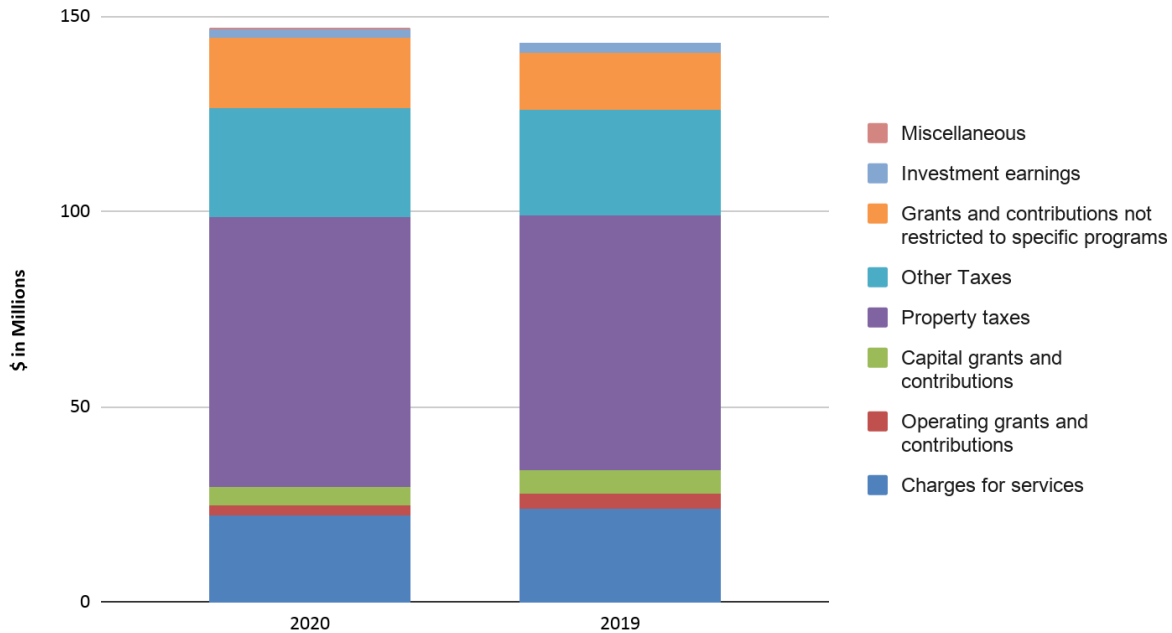
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$22,426	\$23,779	57,988	58,652	\$80,414	\$82,431
Operating grants and contributions	2,442	4,217	2,415	6,408	4,857	10,625
Capital grants and contributions	4,682	5,902	6,985	4,030	11,667	9,932
General revenues:						
Property taxes	69,096	65,094	-	-	69,096	65,094
Other taxes	27,964	27,050	-	-	27,964	27,050
Grants and contributions not restricted to specific programs	17,860	14,637	-	-	17,860	14,637
Investment earnings	2,151	2,468	1,774	1,938	3,925	4,406
Miscellaneous	584	(262)	492	572	1,076	310
Total revenues	<u>147,205</u>	<u>142,885</u>	<u>69,654</u>	<u>71,600</u>	<u>216,859</u>	<u>214,485</u>
Expenses:						
General government	14,352	14,402	-	-	14,352	14,402
Public safety	56,600	53,705	-	-	56,600	53,705
Environmental services	5,645	6,043	-	-	5,645	6,043
Community development	21,243	11,036	-	-	21,243	11,036
Transportation	22,714	20,342	-	-	22,714	20,342
Culture and recreation	7,820	10,507	-	-	7,820	10,507
Interest on long-term debt	2,551	2,225	-	-	2,551	2,225
Water resources	-	-	33,101	30,262	33,101	30,262
Parking services	-	-	3,919	4,678	3,919	4,678
Street Cut Utility	-	-	1,708	1,719	1,708	1,719
Stormwater	-	-	5,157	5,724	5,157	5,724
Harrah's Cherokee Center - Asheville	-	-	4,871	4,672	4,871	4,672
Mass transit	-	-	12,237	11,248	12,237	11,248
Total expenses	<u>130,926</u>	<u>118,260</u>	<u>60,993</u>	<u>58,303</u>	<u>191,918</u>	<u>176,563</u>
Increase (decrease) in net position before transfers	16,276	24,625	8,662	13,297	24,938	37,922
Transfers	(6,772)	(4,728)	6,772	4,728	-	-
Increase (decrease) in net position	9,504	19,897	15,434	18,025	24,938	37,922
Net position, beginning of year	187,843	167,946	267,014	248,989	454,857	416,935
Net position, end of year	<u>\$197,347</u>	<u>\$187,843</u>	<u>282,448</u>	<u>267,014</u>	<u>\$479,795</u>	<u>\$454,857</u>

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020**

Government-wide Analysis

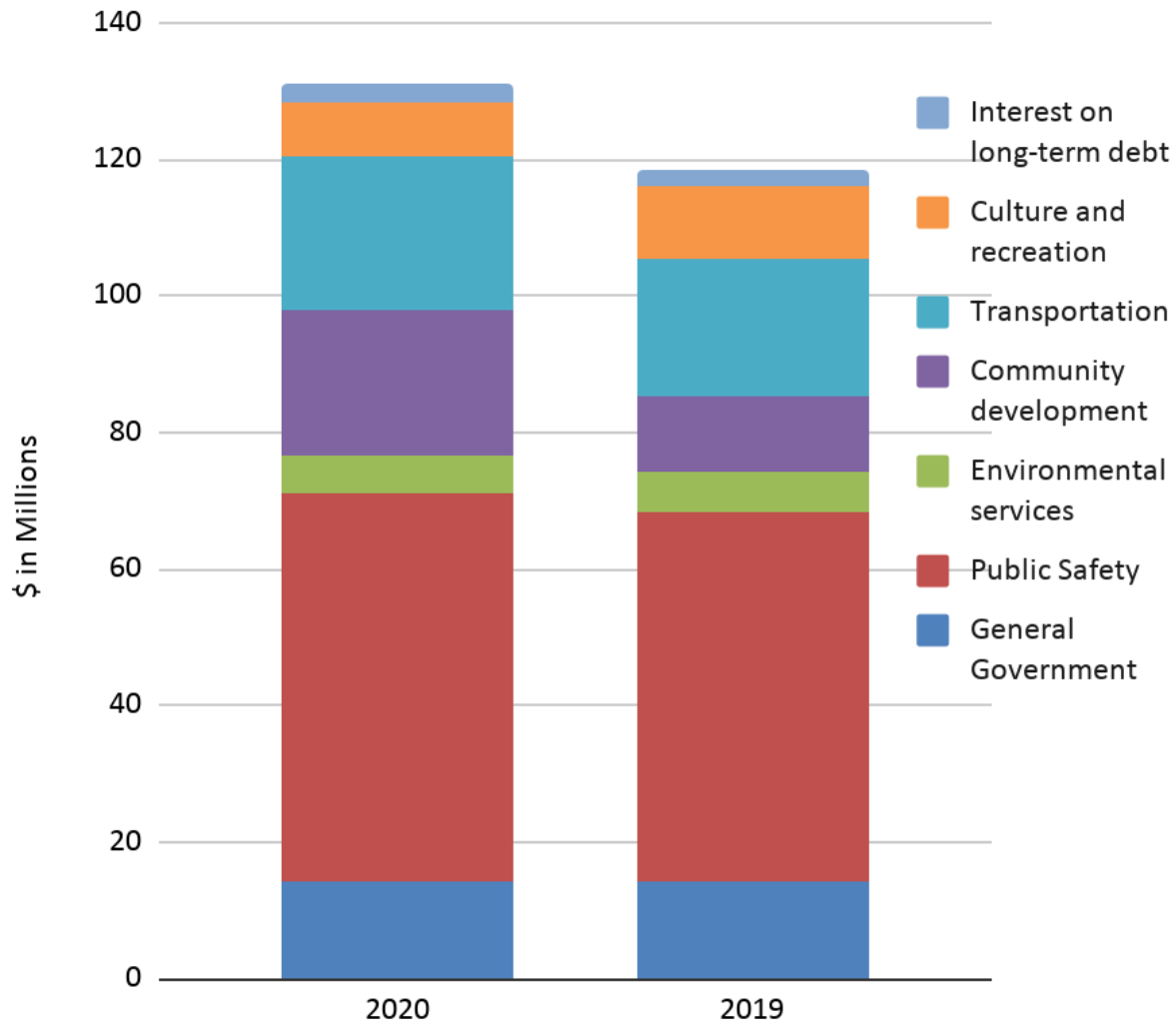
Governmental Activities Revenues (Figure 4)



Total expenses reported (Figure 5) in the governmental activities for fiscal year 2020 were \$130.9 million as compared to fiscal year 2019's \$118.3 million – a year-over-year increase of \$12.6 million. This is primarily attributable to increased expenses in Community Development and Public Safety of \$10.2 million and \$3.0 million, respectively, due to increased expenditures related to COVID-19.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020

Governmental Activities Expenses (Figure 5)



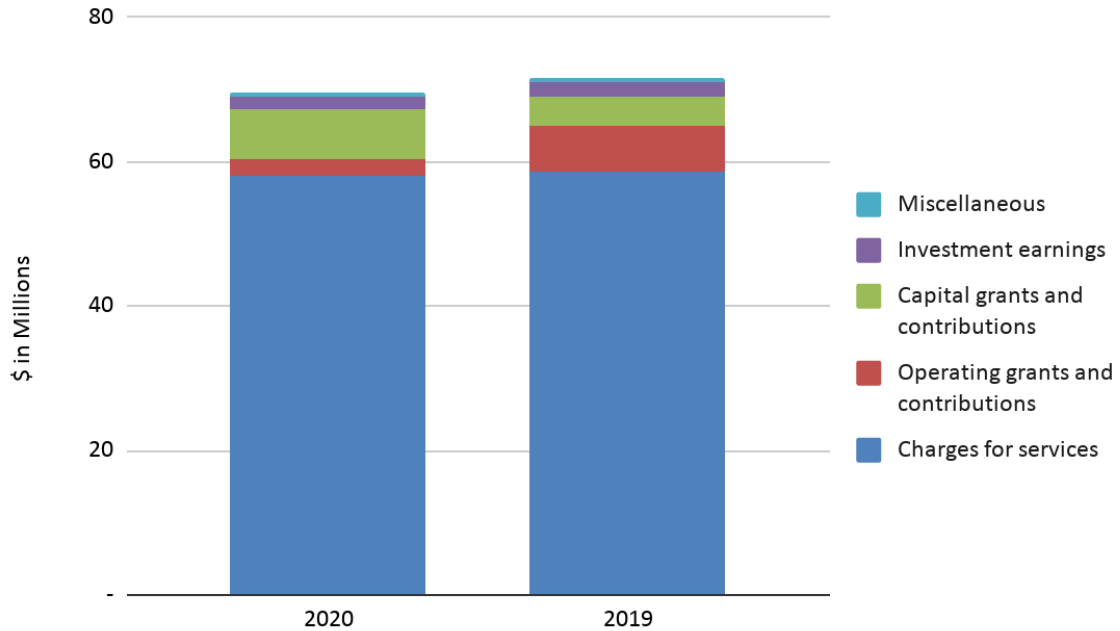
Business-type activities – The City's Net Position for business-type activities increased approximately \$18 million. This increase was related to increases in the Water Resources Fund and increased investment in Mass Transit.

Revenues for all business-type activities, year-over-year, decreased by \$1.7 million (Figure 6). Expenses increased by \$2.7 million (Figure 7). Key elements of these changes are as follows:

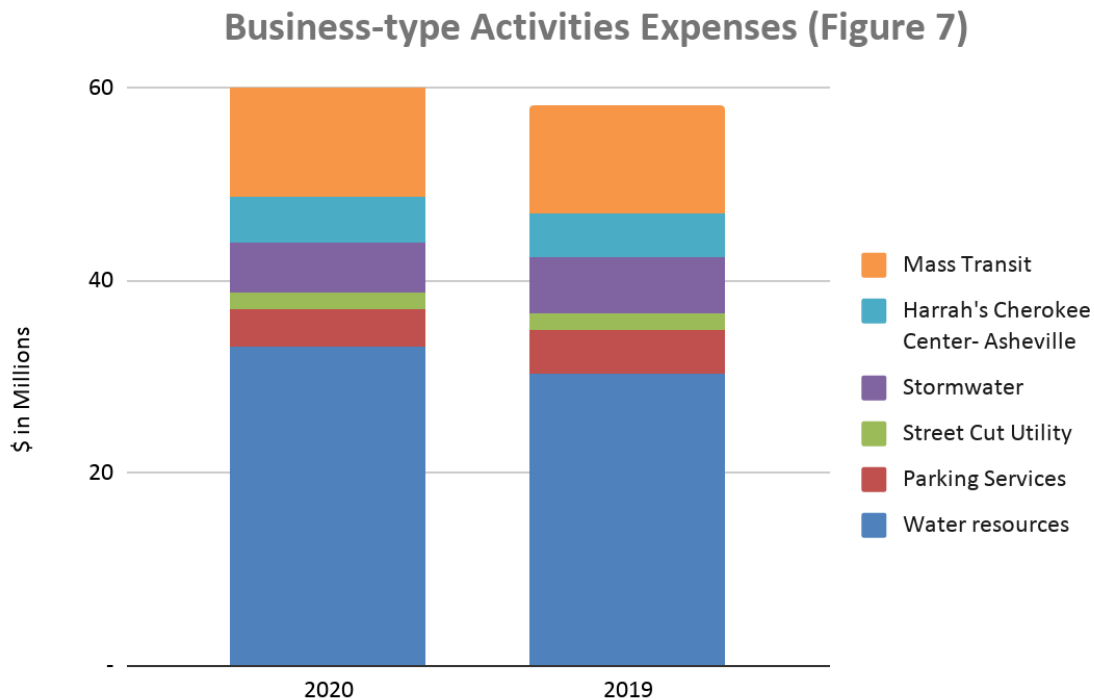
- Program revenues for Mass Transit Operating Grants and Contributions decreased by \$4.0 million.
- Expenses for Water Resources increased by \$2.8 million.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020**

Business-Type Activities Revenues (Figure 6)



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020**



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 \$18.1 million, while total fund balance reached \$94.0 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, 2020, the unassigned fund balance of \$18.1 million is approximately 14.5 percent of fiscal year 2020 General Fund expenditures and other financing uses. There were approved uses of unassigned fund balance in the fiscal year 2020 final 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 \$3.8 million or 5.8%, and \$800,000 or 2.9%, respectively.
- Departmental budgeted expenditures were under budget, a result that reflects the ongoing commitment of management to understand and budget for the actual cost of services, as well as to identify and implement operational efficiencies wherever possible.

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, 2019 was \$16.2

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million. As of June 30, 2020 the fund balance was (\$1) million. This change is primarily 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 have been issued.

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, 2020, totals \$529.8 million (net of accumulated depreciation). This is an increase of \$56.4 million, driven primarily by construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 49,672	\$ 44,442	\$ 16,046	\$ 16,046	\$ 65,718	\$ 60,488
Buildings and Improvements	29,179	31,155	55,088	50,156	84,267	81,311
Improvements Other than Buildings	13,561	13,320	3,897	4,115	17,458	17,435
Machinery and Equipment	27,732	25,063	10,832	11,228	38,564	36,291
Infrastructure	45,368	38,705	110,412	112,904	155,780	151,609
Construction in Progress	60,930	42,508	81,977	62,304	142,907	104,812
Intangibles	5,096	5,096	19,983	16,297	25,079	21,393
Other Capital Assets	31	39	19	20	50	59
Net Capital Assets	\$ 231,569	\$ 200,328	\$ 298,254	\$ 273,070	\$ 529,823	\$ 473,398

Major capital expenditures in fiscal year 2020 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 4 on pages 61 of this report.

Long-term Debt – As of June 30, 2020, the City had total debt outstanding of \$175.8 million (Figure 9). Of this total indebtedness, \$26.0 million is backed by the full faith and credit of the City. The remainder of the City's bonded debt, totaling \$149.8 million, represents bonds secured

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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 June 2020, the City entered into a direct installment-financing contract with JPMorgan Chase Bank, N.A. to provide funding for the purchase of computers, vehicles and equipment. The \$4,650,075 loan is payable over 59 months with semi-annual payments of interest and annual payments of principal at fixed rates of interest of 1.16%.

In June 2020, the City issued a direct placement general obligation bond anticipation note in an amount not to exceed \$25 million. 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 transportation and parks and recreation and (2) the issuance of the 2020 GO BAN.

The City's total net debt at June 30, 2020 increased by approximately \$17.1 million when compared to 2019 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, \$28 million of which are considered authorized and unissued as of June 30, 2020.

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 66 of this report.

City of Asheville						
General Obligation Bonds, Revenue Bonds, Installment Financing and Other Notes						
(amounts expressed in thousands)						
Figure 9						
	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$25,961	\$12,475	\$ -	\$ -	\$25,961	\$12,475
Installment financing contracts	69,686	71,426	10,245	11,556	79,931	82,982
Revenue bonds			69,713	63,003	69,713	63,003
Other long-term indebtedness	87	113	109	119	196	232
Total bonds	<u>\$95,734</u>	<u>\$84,014</u>	<u>\$80,067</u>	<u>\$74,678</u>	<u>\$175,801</u>	<u>\$158,692</u>

CITY OF ASHEVILLE
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JUNE 30, 2020

General Fund Budgetary Highlights

During fiscal year 2020, there was a \$36.3 million net increase in appropriations between the original and final amended General Fund budgets. The largest component of this budget increase was the \$22.4 million technical budget amendment approved by City Council on May 26, 2020 to account for the refunding component of the 2018 General Obligation (GO) Bond draw program. The final amended budget also included a \$7.2 million increase in appropriations for prior year's encumbrances and carry-over commitments that rolled over from fiscal year 2019. In addition, the final amended General Fund budget included a \$5.0 million technical budget amendment approved by City Council on March 10, 2020 to budget 2016 General Obligation (GO) Bond funding in the City's Housing Trust Fund, which for reporting purposes is included in the General Fund.

Actual General Fund revenues came in under final budget estimates by approximately \$1.2 million or 0.9% primarily due to the fact that a portion of Powell Bill funds in the Intergovernmental Revenue category were assigned to the General Capital Projects Fund as opposed to the General Fund. Ad valorem tax revenues, the City's largest General Fund revenue source, finished the year at 100.2% of budget. Fiscal year 2020 revenue from ad valorem taxes was up 5.8% compared to fiscal year 2019. Other (sales) taxes, the second largest General Fund revenue, finished the year at 98.0% of budget, and was up 2.9% compared to fiscal year 2019. Sales tax revenue fell short of budget due to the economic downturn in the final quarter of fiscal year 2020 from COVID-19. Charges for Services revenue fell short of budget due to the closure of certain Parks facilities due to COVID-19 and the associated overall economic slowdown from the pandemic. Revenue from investment earnings slowed during the final quarter of the fiscal year as interest rates were reduced due to the pandemic, but still exceeded budget by approximately \$1.2 million. Overall, General Fund revenues for fiscal year 2020 totaled \$131.3 million compared to fiscal year 2019 revenues of \$128.1 million, an increase of \$3.2 million or 2.5%.

General Fund expenditures (excluding transfers to other funds, which are included in the budget as expenditures) came in under budget by \$21.5 million. The biggest determinants of the under budget performance in expenditures were: 1) \$5.7 million in additional planned assignments to the City's long-term capital and debt program; and 2) \$3.2 million in budget that is committed to future housing trust fund loans. In addition, approximately \$4.2 in under budget performance is restricted and assigned for unexpended fiscal year 2020 contracts, purchase orders, and various projects. Overall, expenditures and transfers to other funds finished the year at 85% of budget, with total expenditures and transfers up 1.1% year-over-year.

As of June 30, 2020, a total of \$36.2 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 \$1.0 million in expenditure budget savings for future expenses, including: 1) \$250,000 for the small business loan program, 2) \$161,000 for police department equipment and programs, and 3) \$167,000 for facility maintenance. The City also assigned \$1.6 million in fund balance that was appropriated for the fiscal year 2021 budget.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020

The other financing uses category includes transfers to other funds totaling \$9.9 million for fiscal year 2020. This total includes transfers to the Mass Transit and the HCCA enterprise funds as well as to the General Capital Projects Fund and the Special Revenue Fund. The other financing sources and uses category also includes appropriated fund balance, with a final amended budget of \$8.5 million. The original fiscal year 2020 budget adopted by City Council did not include an appropriation from fund balance. The largest portion of the 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 assigned within fund balance for specific purposes, such as infrastructure improvements. Additional appropriations approved by Council include \$200,000 from unassigned fund balance for outside legal services and for the City's contribution to the One Buncombe Fund.

Actual revenues and other financing sources exceeded expenditures and other financing uses by \$10.9 million in fiscal year 2020. The comparable figure in fiscal year 2019 was \$5.3 million.

Economic Factors

Prior to the onset of the COVID-19 pandemic, the local labor market was in a very strong position. In fact, Buncombe County's unemployment rate of 2.9% was the lowest amongst North Carolina's 100 counties. By June of 2020, however, the Buncombe County rate had risen to 9.8% and was the fifth highest amongst the State's counties. This dramatic increase reflects the economic impact of COVID-19 on the local tourism and restaurant industries; an impact which will likely continue to be felt in the near term.

The estimated population as of July 1, 2019 totaled 93,413, which represents a 12% 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.

Between fiscal years 2014 and 2019, retail sales in Buncombe County grew at an average rate of 8%. However, due to the economic impacts of COVID-19, retail sales declined by 4.6% in fiscal year 2020. Retail sales for fiscal year 2020 totaled \$5.49 billion.

Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2020-21 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2021

The City's adopted General Fund budget for fiscal year 2021 totals \$134,763,570, which represents a 1.9 percent increase compared to the fiscal year 2020 original budget. The City's ad valorem tax rate remains 42.89 cents per \$100 of assessed valuation. Revenue from Other (sales) taxes is budgeted to decrease by 4.3% compared to fiscal 2020 estimates due to the ongoing COVID-19 pandemic. The adopted fiscal year 2020 General Fund budget includes a \$1,627,173 fund balance appropriation.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2020

The budget for personnel costs (salaries & wages and fringe benefits) includes a full year of funding to continue the \$31,200 minimum salary adjustments that were made in May 2020 as part of the first phase of the total compensation study. The annual cost of this pay adjustment, which also addressed the associated compression effects, is approximately \$450,000. Due to the budgetary constraints created by the COVID-19 crisis, funding is unavailable to address additional recommendations from the total compensation study or to provide employees with any general wage increase in fiscal year 2021.

To help balance the adopted budget for fiscal year 2021, the City implemented a hiring freeze for non-safety-related vacant positions beginning in April 2020. This freeze will continue for at least the first six months of fiscal year 2021, and positions will be evaluated as exceptions to the freeze on an ad hoc basis.

Based on claims trends in fiscal 2020, the City was able to keep both employer and employee contributions to the health insurance program flat. The budget does include a \$837,000 Citywide increase in the required employer contribution to the Local Government Employees Retirement System (LGERS).

Operating costs in the General Fund are down approximately \$500,000 (1.7%) compared to the adopted fiscal year 2019 General Fund budget.

Business-type Activities – The only fund with a substantial increase in operating costs is the Transit Services Fund, where costs are up 21% or \$2.1 million to fund the full year of service enhancements that began in January 2020, as well as increased paratransit expenses. Operating costs in the HCCA Fund are reduced by \$825,000 or 37% in anticipation of a reduced event schedule through at least the first half of the fiscal year.

In the Water Resources Fund, elimination of the Capital Improvement Fee resulted in a \$7.4 million decrease in the amount of funding available for the Water Fund's pay-as-you-go capital transfer. In order to balance the Parking Services Fund amid an expected decrease in revenues, the Parking Fund's pay-as-you-go capital transfer was reduced by approximately \$310,000.

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, 2020

Exhibit A

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Asheville ABC Board
Assets				
Current assets:				
Cash and investments	\$ 92,235,412	\$ 79,444,309	\$ 171,679,721	\$ 3,744,566
Cash and investments – restricted	1,166,624	3,931,535	5,098,159	250,879
Receivables (net of allowance for uncollectibles):				
Property taxes	718,092	-	718,092	-
Due from other governments	17,475,070	774,604	18,249,674	-
Accounts receivable	2,664,828	6,115,318	8,780,146	8,111
Other receivables	570,212	-	570,212	-
Inventories and prepaids	624,366	158,010	782,376	4,652,442
Notes receivable (net of allowance for uncollectibles)	15,486,494	-	15,486,494	-
Total current assets	130,941,098	90,423,776	221,364,874	8,655,998
Non-current assets:				
Capital assets, net:				
Assets not being depreciated	115,698,036	118,006,300	233,704,336	3,640,788
Assets being depreciated, net	115,871,214	180,863,848	296,735,062	6,589,682
Total noncurrent assets	231,569,250	298,870,148	530,439,398	10,230,470
Total assets	362,510,348	389,293,924	751,804,272	18,886,468
Deferred Outflows of Resources				
Pension and OPEB related deferrals	16,106,430	3,101,571	19,208,001	526,460
Charge on refunding	621,167	1,054,171	1,675,338	-
Total deferred outflows of resources	16,727,597	4,155,742	20,883,339	526,460
Liabilities				
Accounts payable	9,645,577	11,097,804	20,743,381	1,073,922
Due to other governments	1,287	9,560	10,847	1,129,277
Other accrued liabilities	4,747,733	832,594	5,580,327	418,791
Customer deposits	844,295	619,214	1,463,509	-
Accrued interest payable	478,023	705,077	1,183,100	-
Unearned revenue	828,578	292,293	1,120,871	-
Estimated claims payable:				
Due within one year	1,162,475	-	1,162,475	-
Due in more than one year	4,173,392	-	4,173,392	-
Non-current liabilities:				
Due within one year	31,597,324	35,565,418	67,162,742	278,603
Due in more than one year	125,287,750	60,909,368	186,197,118	4,744,507
Total liabilities	178,766,434	110,031,328	288,797,762	7,645,100
Deferred Inflows of Resources				
Prepaid taxes	48,465	-	48,465	-
Pension and OPEB related deferrals	3,075,539	970,589	4,046,128	(4,965)
Total deferred inflows of resources	3,124,004	970,589	4,094,593	(4,965)
Net Position				
Net investment in capital assets	130,825,504	212,999,579	343,825,083	6,219,398
Restricted for:				
Nonspendable:				
Perpetual maintenance	357,732	-	357,732	-
Stabilization by State Statute	23,104,170	-	23,104,170	-
Community development	1,377,493	-	1,377,493	-
Perpetual maintenance	-	-	-	-
Working capital	-	-	-	1,167,322
Capital improvements	-	-	-	250,879
Unrestricted	41,682,608	69,448,170	111,130,778	4,135,194
Total net position	\$ 197,347,507	\$ 282,447,749	\$ 479,795,256	\$ 11,772,793

See notes to financial statements.

Statement of Activities
Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	City of Asheville ABC Board	
Primary government:									
Governmental activities:									
General government	\$ 14,352,296	\$ 10,501,235	\$ -	\$ -	\$ (3,851,061)	\$ -	\$ (3,851,061)	\$ -	
Public safety	56,600,848	723,458	20,875	75,532	(55,780,983)	-	(55,780,983)	-	
Environmental services	5,645,385	5,417,091	-	-	(228,294)	-	(228,294)	-	
Community development	21,243,780	3,153,494	-	-	(18,090,286)	-	(18,090,286)	-	
Transportation	22,714,297	1,692,500	2,421,187	4,606,698	(13,993,912)	-	(13,993,912)	-	
Culture and recreation	7,819,515	937,858	-	-	(6,881,657)	-	(6,881,657)	-	
Interest on long-term debt	2,550,634	-	-	-	(2,550,634)	-	(2,550,634)	-	
Total governmental activities	130,926,755	22,425,636	2,442,062	4,682,230	(101,376,827)	-	(101,376,827)	-	
Business-type activities:									
Water Resources	33,100,918	40,167,472	-	4,302,321	-	11,368,875	11,368,875	-	
Parking Services	3,918,980	5,191,336	-	-	-	1,272,356	1,272,356	-	
Street Cut Utility	1,707,636	1,867,199	-	-	-	159,563	159,563	-	
Stormwater	5,157,078	6,481,933	-	-	-	1,324,855	1,324,855	-	
U.S. Cellular Center	4,871,412	3,430,724	-	2,682,774	-	1,242,086	1,242,086	-	
Mass Transit	12,237,236	849,506	2,415,320	-	-	(8,972,410)	(8,972,410)	-	
Total business-type activities	60,993,260	57,988,170	2,415,320	6,985,095	-	6,395,325	6,395,325	-	
Total primary government	\$ 191,920,015	\$ 80,413,806	\$ 4,857,382	\$ 11,667,325	\$ (101,376,827)	\$ 6,395,325	(94,981,502)	\$ -	
Component unit:									
ABC Board	\$ 29,604,975	\$ 30,407,246	\$ -	\$ -	-	-	-	802,271	
General revenues:									
Property taxes					69,095,854	-	69,095,854	-	
Sales taxes					26,921,766	-	26,921,766	-	
Other taxes					1,042,083	-	1,042,083	-	
Grants and contributions not restricted to specific programs					17,859,659	-	17,859,659	-	
Investment earnings					2,150,177	1,773,729	3,923,906	3,900	
Miscellaneous					2,000	349,063	351,063	1,479	
Gain (loss) on sale of assets					582,066	143,298	725,364	-	
Transfers					(6,772,376)	6,772,376	-	-	
Total general revenues and transfers					110,881,229	9,038,466	119,919,695	5,379	
Changes in net position					9,504,402	15,433,791	24,938,193	807,650	
Net position – beginning					187,843,105	267,013,958	454,857,063	10,965,143	
Net position – ending					\$ 197,347,507	\$ 282,447,749	\$ 479,795,256	\$ 11,772,793	

See notes to financial statements.

City of Asheville

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds			
	General Fund	General Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 73,783,793	\$ 1,711,765	\$ 1,998,539	\$ 77,494,097
Cash and investments – restricted	841,795	-	324,829	1,166,624
Receivables (net of allowance for uncollectibles):				-
Property taxes	718,092	-	-	718,092
Due from other governments	11,915,042	4,496,092	1,063,936	17,475,070
Accounts receivable	1,606,171	9,211	-	1,615,382
Other receivables	568,464	-	1,748	570,212
Inventories and prepaids	478,795	-	-	478,795
Due from other funds	3,236,088	-	-	3,236,088
Notes receivable (net of allowance for uncollectibles)	10,266,949	-	5,219,545	15,486,494
Total assets	\$ 103,415,189	\$ 6,217,068	\$ 8,608,597	\$ 118,240,854
Liabilities				
Accounts payable	\$ 2,921,352	\$ 5,756,784	\$ 333,390	\$ 9,011,526
Other accrued liabilities	4,596,665	-	11,788	4,608,453
Due to other governments	1,287	-	-	1,287
Due to other funds	-	1,116,791	2,119,297	3,236,088
Deposits	844,295	-	-	844,295
Accrued interest	30,151	-	-	30,151
Unearned revenue	758,358	10,000	60,220	828,578
Total liabilities	9,152,108	6,883,575	2,524,695	18,560,378
Deferred Inflows of Resources				
Taxes	300,264	-	-	300,264
Unavailable resources	-	239,394	45,302	284,696
Total deferred inflows of resources	300,264	239,394	45,302	584,960
Fund Balances				
Non-spendable:				
Inventories and prepaids	478,795	-	-	478,795
Perpetual maintenance	-	-	357,732	357,732
Notes receivable	10,266,949	-	5,219,545	15,486,494
Restricted:				
Stabilization by State Statute	23,104,170	-	-	23,104,170
Grant programs	-	-	1,377,493	1,377,493
Committed:				
Community and economic development	3,201,423	-	-	3,201,423
Sustainability	-	-	1,269,990	1,269,990
Assigned:				
Appropriated for subsequent year's budget	1,627,173	-	-	1,627,173
Capital improvements	36,172,319	-	-	36,172,319
Various projects	1,045,714	-	-	1,045,714
Unassigned	18,066,274	(905,901)	(2,186,160)	14,974,213
Total fund balances	93,962,817	(905,901)	6,038,600	99,095,516
Total liabilities, deferred inflows of resources and fund balances	\$ 103,415,189	\$ 6,217,068	\$ 8,608,597	\$ 118,240,854

See notes to financial statements.

Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2020

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

Ending fund balance – governmental funds	\$ 99,095,516
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	231,569,250
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable resources	536,495
Bond refunding charges	621,167
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements:	
General obligation bonds	(25,960,971)
Installment financing contracts and premiums	(69,685,771)
Other long-term indebtedness	(86,920)
Bond premiums	(4,929,201)
Compensated absences payable	(6,958,665)
Total pension liability - LEOSA	(8,121,167)
Net OPEB Liability	(17,762,447)
Net pension liability - LGERS	(23,379,932)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	16,025,507
Pension and OPEB related deferrals	(3,072,957)
Other accrual adjustments that do not require current financial resources and, therefore, are not reported in fund statements:	
Interest payable	(448,163)
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.	9,905,766
Net position of governmental activities (Exhibit A)	\$ 197,347,507

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2020

	Major Funds			
	General	General	Non-major	Total
	Fund	Capital	Governmental	Governmental
	Fund	Projects	Funds	Funds
Revenues:				
Taxes:				
Ad valorem taxes	\$ 69,095,854	\$ -	\$ -	\$ 69,095,854
Other taxes	27,963,849	-	-	27,963,849
Intergovernmental	11,213,639	9,216,709	4,553,603	24,983,951
Licenses and permits	5,527,784	870	-	5,528,654
Charges for services	12,084,419	286,330	59,366	12,430,115
Investment earnings	1,846,459	-	23,941	1,870,400
Miscellaneous	3,529,136	827,685	110,046	4,466,867
Total revenues	131,261,140	10,331,594	4,746,956	146,339,690
Expenditures:				
Current:				
General government	13,433,818	9,655,074	618,395	23,707,287
Public safety	57,071,132	5,843,347	766,026	63,680,505
Environmental services	6,260,817	29,530	38,932	6,329,279
Community development	12,812,387	4,530,980	3,922,825	21,266,192
Transportation	5,941,920	21,174,555	148,543	27,265,018
Culture and recreation	10,312,869	4,625,778	118,549	15,057,196
Debt service:				
Principal	6,308,957	-	130,583	6,439,540
Interest and other charges	2,494,914	-	-	2,494,914
Total expenditures	114,636,814	45,859,264	5,743,853	166,239,931
Revenues over (under) expenditures	16,624,326	(35,527,670)	(996,897)	(19,900,241)
Other financing sources (uses):				
Transfers from other funds	3,893,993	2,581,529	1,070,701	7,546,223
Transfers to other funds	(9,939,826)	(3,994,217)	(24,850)	(13,958,893)
Proceeds from sale of capital assets	107,069	475,000	-	582,069
Proceeds from long term debt issued	20,825,000	14,936,137	-	35,761,137
Premiums on Long-Term debt issued	1,620,994	-	-	1,620,994
Principal payments on refunding	(22,175,550)	-	-	(22,175,550)
Installment purchase obligations issued	-	4,442,824	-	4,442,824
Total other financing sources (uses)	(5,668,320)	18,441,273	1,045,851	13,818,804
Net change in fund balances	10,956,006	(17,086,397)	48,954	(6,081,437)
Fund balances - beginning	83,006,811	16,180,496	5,989,646	105,176,953
Fund balances - ending	\$ 93,962,817	\$ (905,901)	\$ 6,038,600	\$ 99,095,516

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, 2020**

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances--total governmental funds (Exhibit E)	\$ (6,081,437)
Depreciation expense is not a use of current financial resources and, therefore, is not reported in the governmental fund statements.	(10,819,357)
Capital asset additions are a use of current financial resources and, therefore, are not reported as expenditures in the Statement of Activities.	42,620,799
Cumulative effect of disposal of fixed assets	(566,371)
Interest is paid on long-term debt when due and, therefore, not accrued in the fund statements.	6,887
Property tax revenue and other revenues recorded in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenues in the fund statements:	
Change in unavailable revenues for property taxes	(48,465)
Change in unavailable revenues for grants	(2,144,784)
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	28,484,503
Long-term debt issued	(40,203,961)
Premium on refunding of debt	(1,620,994)
Amortization of refunding loss	(62,607)
Amortization of premium/discount	244,620
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.	(489,064)
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	1,217,154
Net Pension liability, Net OPEB liability, & Total Pension liability	(1,950,045)
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.	917,524
	<hr/>
Change in net position of governmental activities (Exhibit B)	\$ 9,504,402
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Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund (Non-GAAP)
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:				
Taxes:				
Ad valorem taxes	\$ 68,976,196	\$ 68,976,196	\$ 69,095,854	\$ 119,658
Other taxes	28,524,565	28,524,565	27,963,849	(560,716)
Intergovernmental	12,839,818	12,839,818	11,213,639	(1,626,179)
Licenses and permits	5,667,140	5,667,140	5,527,784	(139,356)
Charges for services	12,636,627	12,636,627	12,084,419	(552,208)
Investment earnings	550,000	550,000	1,846,459	1,296,459
Miscellaneous	2,980,300	3,268,800	3,529,136	260,336
Total revenues	132,174,646	132,463,146	131,261,140	(1,202,006)
Expenditures:				
Current:				
General government	23,724,770	24,416,590	13,433,818	10,982,772
Public safety	55,933,341	56,816,729	57,071,132	(254,403)
Environmental services	6,730,749	6,817,435	6,260,817	556,618
Community development	10,967,326	20,011,212	12,812,387	7,198,825
Transportation	6,574,312	6,840,011	5,941,920	898,091
Culture and recreation	10,813,746	11,529,644	10,312,869	1,216,775
Debt service:				-
Principal	6,868,747	6,868,747	6,308,957	559,790
Interest and other charges	2,349,467	2,916,456	2,494,914	421,542
Total expenditures	123,962,458	136,216,824	114,636,814	21,580,010
Revenues over (under) expenditures	8,212,188	(3,753,678)	16,624,326	20,378,004
Other financing sources (uses):				
Appropriated fund balance	-	8,494,251	-	(8,494,251)
Transfers from other funds	92,620	5,092,620	3,893,993	(1,198,627)
Transfers to other funds	(8,404,808)	(10,274,212)	(9,939,826)	334,386
Proceeds from long term debt	-	20,825,000	20,825,000	-
Premiums on Long-Term debt issued	-	1,620,994	1,620,994	-
Principal payments on refunding	-	(22,175,550)	(22,175,550)	-
Proceeds from sale of capital assets	100,000	170,575	107,069	(63,506)
Total other financing sources (uses)	(8,212,188)	3,753,678	(5,668,320)	(9,421,998)
Net change in fund balance	\$ -	\$ -	10,956,006	\$ 10,956,006

See notes to financial statements.

Statement of Net Position

Proprietary Funds

June 30, 2020

	Major Funds				Totals	
	Water Resources	Mass Transit	Parking Services	Non-major Enterprise Funds	Enterprise Funds	Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 67,314,999	\$ 906,299	\$ 3,709,718	\$ 7,513,293	\$ 79,444,309	\$ 14,741,315
Cash and investments - restricted	2,943,895	-	500	987,140	3,931,535	-
Accounts receivable (net of allowance for uncollectibles)	4,867,802	17,172	445,813	784,531	6,115,318	1,049,446
Due from other governments	-	764,883	9,448	273	774,604	-
Inventories and prepaids	11,319	11,650	25	135,016	158,010	145,571
Total current assets	75,138,015	1,700,004	4,165,504	9,420,253	90,423,776	15,936,332
Non-current assets:						
Capital assets:						
Assets not being depreciated	101,065,842	165,512	11,546,635	5,228,311	118,006,300	-
Assets being depreciated, net	141,866,892	5,836,378	11,098,931	22,061,647	180,863,848	-
Total noncurrent assets	242,932,734	6,001,890	22,645,566	27,289,958	298,870,148	-
Total assets	318,070,749	7,701,894	26,811,070	36,710,211	389,293,924	15,936,332
Deferred outflows of resources						
Employer contributions subsequent to the measurement date	643,247	20,947	74,534	326,763	1,065,491	80,923
Differences between expected and actual experience	663,119	11,497	126,114	337,359	1,138,089	-
Change in assumptions and other inputs	453,785	15,714	85,858	223,382	778,739	-
Net difference between projected and actual earnings on pension plan investments	71,938	2,352	8,370	36,592	119,252	-
Deferred charge on refunding	1,030,253	-	23,918	-	1,054,171	-
Total deferred outflows of resources	2,862,342	50,510	318,794	924,096	4,155,742	80,923
Liabilities						
Current liabilities:						
Accounts payable	6,810,931	1,922,773	151,217	2,212,883	11,097,804	634,051
Claims payable	-	-	-	-	-	1,162,475
Customer deposits	618,714	-	500	-	619,214	-
Interest payable	577,014	-	80,495	47,568	705,077	-
Other accrued liabilities	465,955	16,119	53,795	296,725	832,594	-
Due to other governments	-	9,560	-	-	9,560	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	292,293	-	-	-	292,293	-
Current portion of long-term debt	33,723,796	5,434	806,762	1,029,426	35,565,418	-
Total current liabilities	42,488,703	1,953,886	1,092,769	3,586,602	49,121,960	1,796,526
Non-current liabilities:						
Estimated claims payable	-	-	-	-	-	4,173,392
Long-term liabilities, less current portion	47,098,840	160,277	6,546,955	7,103,296	60,909,368	139,280
Total liabilities	89,587,543	2,114,163	7,639,724	10,689,898	110,031,328	6,109,198
Deferred inflows of resources						
Differences between expected and actual experience	67,251	1,861	10,579	31,312	111,003	2,291
Changes in proportion and differences between employer contributions and proportionate share of contributions	460,523	34,208	115,612	249,243	859,586	-
Total deferred inflows of resources	527,774	36,069	126,191	280,555	970,589	2,291
Net position						
Net investment in capital assets	168,387,743	6,001,890	16,227,473	22,382,473	212,999,579	-
Unrestricted	62,430,031	(399,718)	3,136,476	4,281,381	69,448,170	9,905,766
Total net position	\$ 230,817,774	\$ 5,602,172	\$ 19,363,949	\$ 26,663,854	\$ 282,447,749	\$ 9,905,766

See notes to financial statements.

City of Asheville

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2020

	Major Funds			Non-major	Totals	
	Water Resources	Mass Transit	Parking Services	Enterprise Funds	Enterprise Funds	Internal Service Funds
Operating revenues:						
Charges for services	\$ 40,156,737	\$ 493,656	\$ 4,449,209	\$ 9,329,103	\$ 54,428,705	\$ 18,931,532
Rents	-	-	14,576	698,641	713,217	-
Concessions	-	-	-	1,457,864	1,457,864	-
Other operating revenue	10,735	355,850	727,551	294,248	1,388,384	2,134,551
Total operating revenues	40,167,472	849,506	5,191,336	11,779,856	57,988,170	21,066,083
Operating expenses:						
Administration	1,030,903	644,744	-	4,451,207	6,126,854	1,390,820
Operations	21,594,536	9,761,417	3,130,172	5,490,444	39,976,569	18,677,810
Other operating expenses	-	720,090	-	294,485	1,014,575	-
Depreciation	6,008,958	1,110,985	517,497	1,352,663	8,990,103	-
Total operating expenses	28,634,397	12,237,236	3,647,669	11,588,799	56,108,101	20,068,630
Operating income (loss)	11,533,075	(11,387,730)	1,543,667	191,057	1,880,069	997,453
Non-operating revenues (expenses)						
Intergovernmental	-	2,415,320	-	-	2,415,320	-
Interest earned	1,510,192	28,214	98,970	136,353	1,773,729	279,777
Interest and other charges	(2,486,521)	-	(271,311)	(147,327)	(2,905,159)	-
Miscellaneous revenue	-	5,740	-	-	5,740	-
Settlement expense	(1,980,000)	-	-	-	(1,980,000)	-
Gain (loss) on disposal of capital assets	(24,847)	-	(2,947)	-	(27,794)	-
Amortization of bond issuance	282,034	-	61,289	-	343,323	-
Total non-operating revenues (expenses)	(2,699,142)	2,449,274	(113,999)	(10,974)	(374,841)	279,777
Income (loss) before transfers, proceeds from sale of capital assets and capital grants and contributions	8,833,933	(8,938,456)	1,429,668	180,083	1,505,228	1,277,230
Transfers:						
Transfers from other funds	100,224	7,045,543	-	1,203,484	8,349,251	
Transfers to other funds	-	-	(1,576,875)	-	(1,576,875)	(359,706)
Proceeds from sale of capital assets	168,067	-	3,025	-	171,092	-
Capital grants and contributions	4,302,321	-	-	2,682,774	6,985,095	-
Changes in net position	13,404,545	(1,892,913)	(144,182)	4,066,341	15,433,791	917,524
Total net position – beginning	217,413,229	7,495,085	19,508,131	22,597,513	267,013,958	8,988,242
Total net position – ending	\$ 230,817,774	\$ 5,602,172	\$ 19,363,949	\$ 26,663,854	\$ 282,447,749	\$ 9,905,766

See notes to financial statements.

City of Asheville

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2020

	Major Funds			Non-major	Totals	
	Water Resources	Mass Transit	Parking Services	Enterprise Funds	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers, users and others	\$ 40,007,917	\$ 1,006,806	\$ 5,019,555	\$ 11,787,990	\$ 57,822,268	\$ 21,359,196
Cash paid for goods and services	(18,066,529)	(10,521,946)	(1,837,094)	(6,336,984)	(36,762,553)	(20,390,884)
Cash paid to employees	(7,380,611)	(317,330)	(1,142,070)	(4,998,660)	(13,838,671)	(66,167)
Net cash provided by (used for) operating activities	14,560,777	(9,832,470)	2,040,391	452,346	7,221,044	902,145
Cash flows from non-capital financing activities:						
Receipts from operating grants	-	-	-	-	-	-
Transfers from other funds	100,224	7,045,543	-	1,203,484	8,349,251	-
Transfers to other funds	-	-	(1,576,875)	-	(1,576,875)	(359,706)
Net cash provided by (used for) non-capital financing activities	100,224	7,045,543	(1,576,875)	1,203,484	6,772,376	(359,706)
Cash flows from capital and related financing activities:						
Receipts from capital grants or contributions	-	4,546,450	-	2,682,774	7,229,224	-
Proceeds from disposal of capital assets	168,067	-	3,025	-	171,092	-
Acquisition and construction of capital assets	(23,642,019)	(981,709)	(447,318)	(5,780,175)	(30,851,221)	-
Proceeds from long-term debt issued	10,200,001	-	-	200,245	10,400,246	-
Principal paid on debt	(3,499,910)	-	(762,498)	(756,339)	(5,018,747)	-
Interest and other charges paid on debt	(2,208,315)	-	(279,023)	(168,376)	(2,655,714)	-
Net cash provided by (used for) capital and related financing activities	(18,982,176)	3,564,741	(1,485,814)	(3,821,871)	(20,725,120)	-
Cash flows from investing activities:						
Interest earned	1,510,192	28,214	98,971	136,353	1,773,730	279,777
Net increase (decrease) in cash and cash equivalents	(2,810,983)	806,028	(923,327)	(2,029,688)	(4,957,970)	822,216
Cash and cash equivalents:						
Beginning of year, July 1	73,069,877	100,271	4,633,545	10,530,121	88,333,814	13,919,099
End of year, June 30	\$ 70,258,894	\$ 906,299	\$ 3,710,218	\$ 8,500,433	\$ 83,375,844	\$ 14,741,315

(Continued)

See notes to financial statements

City of Asheville

Statement of Cash Flows

Proprietary Funds (Continued)

Year Ended June 30, 2020

	Major Funds			Non-major	Totals	
	Water Resources	Mass Transit	Parking Services	Enterprise Funds	Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 11,533,075	\$ (11,381,990)	\$ 1,543,667	\$ 191,057	\$ 1,885,809	\$ 997,453
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	6,008,958	1,110,985	517,497	1,352,663	8,990,103	-
Changes in assets, liabilities and deferred outflows and inflows of resources:						
(Increase) decrease in accounts receivable	(159,905)	151,560	(162,333)	8,134	(162,544)	293,113
(Increase) decrease in due from other governments	-	-	(9,448)	-	(9,448)	-
(Increase) decrease in inventories and prepaids	18,489	(3,464)	2,934	(61,691)	(43,732)	-
(Increase) decrease in deferred outflows of resources for pensions	175,459	(3,199)	29,825	87,449	289,534	11,484
Increase (decrease) in accounts payable	(3,296,877)	295,815	(27,220)	(1,187,161)	(4,215,443)	116,825
Increase (decrease) in other accrued expenses	92,513	6,034	7,695	28,191	134,433	(96,218)
Increase (decrease) in unearned revenue	(102,974)	-	-	-	(102,974)	-
Increase (decrease) in customer deposits	103,324	-	-	-	103,324	-
Increase (decrease) in estimated claims payable	-	-	-	-	-	(439,079)
Increase (decrease) in compensated absences	(107,460)	9,908	(2,729)	(65,839)	(166,120)	-
Increase (decrease) in pension liability - LGERS	410,110	13,355	47,520	208,333	679,318	18,914
Increase (decrease) in OPEB liability	(97,048)	(18,036)	40,989	(68,893)	(142,988)	-
Increase (decrease) in deferred inflows of resources for pensions	(16,887)	(13,438)	51,994	(39,897)	(18,228)	(347)
Net cash provided by (used in) operating activities	\$ 14,560,777	\$ (9,832,470)	\$ 2,040,391	\$ 452,346	\$ 7,221,044	\$ 902,145
Reconciliation of cash and cash equivalents:						
Cash and investments:						
Unrestricted	\$ 67,314,999	\$ 906,299	\$ 3,709,718	\$ 7,513,293	\$ 79,444,309	\$ 14,741,315
Restricted	2,943,895	-	500	987,140	3,931,535	-
Total cash and cash equivalents	\$ 70,258,894	\$ 906,299	\$ 3,710,218	\$ 8,500,433	\$ 83,375,844	\$ 14,741,315
Non-cash investing, capital, and financing activities:						
Donated capital assets	\$ 4,302,321	\$ -	\$ -	\$ -	\$ 4,302,321	\$ -
Non-cash operating activities:						
Settlement expenses included in accounts payable	\$ 1,980,000	\$ -	\$ -	\$ -	\$ 1,980,000	\$ -

Statement of Fiduciary Net Position
Fiduciary Trust and Agency Funds
June 30, 2020

	OPEB Trust Fund	Agency Funds
Assets		
Cash and investments	\$ -	\$ 574,855
Cash and investments held by fiscal agent:		
State Treasurer's OPEB Fund	13,958,636	-
Due from customers	-	2,293,732
Total assets	13,958,636	2,868,587
Liabilities		
Due to other governments	-	2,868,587
Total liabilities	-	\$ 2,868,587
Net Position		
Assets held in trust for OPEB benefits	<u>\$ 13,958,636</u>	

See notes to financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Trust Fund
Year Ended June 30, 2020

	OPEB Trust Fund
Additions:	
Employer contributions	\$ 4,603,716
Investment earnings	618,867
Total additions	<u>5,222,583</u>
Deductions:	
Benefits	3,003,716
Administrative expenses	1,442
Total deductions	<u>3,005,158</u>
Change in net position	<u>2,217,425</u>
Total net position – beginning	<u>11,741,211</u>
Total net position – ending	<u><u>\$ 13,958,636</u></u>

See notes to financial statements.

City of Asheville

Notes to Financial Statements

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 no longer has 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.

City of Asheville

Notes to Financial Statements

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 Harrah's Cherokee Center - Asheville Fund

Additionally the City reports the following fund types:

Internal Service Funds: Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis. The City has four internal service funds, the General Insurance Fund, the Health Fund, 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 Harrah's Cherokee Center – Asheville Agency Fund, which accounts for the segregation of the Harrah's Cherokee Center - Asheville box office activities for various promoters will no longer be reported as an agency fund. All Harrah's Cherokee Center - Asheville box office activity will be presented with the Harrah's Cherokee Center - Asheville 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.

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 resources, and fund equity:

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

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

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The NCCMT-Term Portfolio is a bond fund, has no ratings and is measured at fair value. As of June 30, 2020, the Term-Portfolio has a duration of .15 years. Because the NCMT Government and Term-Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 \$23.1074 per share at June 30, 2020. The weighted average maturity of the STIF is 1.3 years and the weighted average maturity of the BIF is 7.97 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

City of Asheville

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventories and prepaid items: Various inventories are maintained on either a perpetual or periodic basis and valued at 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 plans in the 2020 fiscal year, other deferral of pension and OPEB expense and unamortized losses on bond defeasance in the Governmental Activities, Water Resources Fund and Parking Fund. 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.

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.

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, 2020, the City's deposits had a carrying amount of \$8,584,478 and a bank balance of \$13,761,413. Of the bank balance, \$500,000 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 \$22,972 and 11,400, respectively, in petty cash at year-end. At June 30, 2020, the ABC Board's deposits had a carrying amount of \$3,191,825 and a bank balance of \$3,099,244. 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 2020 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, 2020, the City had the following investments and maturities:

	Valuation Measurement Method	Reported at 6/30/2020	Maturity				Rating
			0-6 Months	6-12 Months	1-3 Years	3+ Years	
U.S. government securities	Fair Value Level 2	\$ 87,748,001	\$ 44,705,618	\$ 43,042,383	\$ -	\$ -	AAA
U.S. government agencies	Fair Value Level 2	12,583,459	12,583,459	-	-	-	Aaa/AA+
NCCMT – Government portfolio	Fair Value Level 1	5,534,836	5,534,836	-	-	-	AAAm
NCCMT – Term portfolio	Fair Value Level 1	49,810,762	49,810,762	-	-	-	Unrated
Commercial paper	Fair Value Level 2	12,493,372	12,493,372	-	-	-	
Total		<u>\$ 168,170,430</u>	<u>\$ 125,128,047</u>	<u>\$ 43,042,383</u>	<u>\$ -</u>	<u>\$ -</u>	

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 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, 2020, the ABC Board had investments of \$541,341.

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, 2020. 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, 2020.

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.

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, 2020, approximately 52 percent of the City's total investments were in US Government Securities, 6 percent were in Federal Home Loan Bank securities, 2 percent were in Federal Home Loan Mortgage Corporation securities, 33 percent were in the NCCMT Government and Term accounts, 7 percent were in commercial paper.

At June 30, 2020, the City's OPEB Trust had \$13,958,636 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 48.11 percent and BlackRock's MSCI ACWI Equity Index Non-Lendable Fund B (EIF) 51.87 percent (the equities were split with 57.5% in domestic securities and 42.5% 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, 2020 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 June 30, 2020 the BIF, which does not have a credit rating, was valued at \$1 per unit and had an average maturity of 7.97 years at June 30, 2020.

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, 2020 the fair value of the funds was \$23.1074 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	Fund Net Position
	Governmental	Business-Type	Governmental	Proprietary/Internal
	Activities	Activities	Funds	Service Funds
General fund:				
Receivables:				
Property taxes				
Receivable	\$ 185,614	\$ -	\$ 185,614	\$ -
Accounts receivable	2,655,552	-	2,655,552	-
Other receivables	-	-	-	-
Notes receivable	45,500	-	45,500	-
Non-major governmental funds:				
Notes receivable	228,125	-	228,125	-
Major funds:				
Water resources	-	1,425,748	-	1,425,748
Parking services	-	1,046,418	-	1,046,418
Non-major enterprise funds	-	1,044,020	-	1,044,020
Internal services	23,429	-	-	23,429
	<u>\$ 3,138,220</u>	<u>\$ 3,516,186</u>	<u>\$ 3,114,791</u>	<u>\$ 3,539,615</u>

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balances	Additions	Retirements	Transfers In (Out)	Ending Balances
Governmental activities:					
Capital assets, non depreciable:					
Land and improvements	\$ 44,442,177	\$ -	\$ (46,500)	\$ 5,276,683	\$ 49,672,360
Intangibles	5,096,126	-	-	-	5,096,126
Construction in progress	42,512,034	41,769,206	(550,063)	(22,801,627)	60,929,550
Total capital asset, non-depreciable	92,050,337	41,769,206	(596,563)	(17,524,944)	115,698,036
Capital assets, depreciable:					
Buildings and improvements	70,704,304	-	-	427,789	71,132,093
Improvements other than buildings	15,652,873	53,614	-	1,141,950	16,848,437
Machinery and equipment	61,298,146	797,979	(718,347)	7,262,953	68,640,731
Infrastructure	251,964,824	-	-	8,692,252	260,657,076
Intangibles	569,775	-	-	-	569,775
Other capital assets	105,999	-	-	-	105,999
Total capital asset, depreciable	400,295,921	851,593	(718,347)	17,524,944	417,954,111
Less accumulated depreciation for:					
Buildings and improvements	(39,548,913)	(2,404,286)	-	-	(41,953,199)
Improvement other than buildings	(2,333,003)	(954,054)	-	-	(3,287,057)
Machinery and equipment	(36,234,470)	(5,422,895)	748,538	-	(40,908,827)
Infrastructure	(213,258,639)	(2,030,282)	-	-	(215,288,921)
Intangibles	(569,774)	-	-	-	(569,774)
Other capital assets	(67,279)	(7,840)	-	-	(75,119)
Total accumulated depreciation	(292,012,078)	(10,819,357)	748,538	-	(302,082,897)
Total capital assets, depreciable, net	108,283,843	(9,967,764)	30,191	17,524,944	115,871,214
Government activities capital assets, net	\$ 200,334,180	\$ 31,801,442	\$ (566,372)	\$ -	\$ 231,569,250

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	\$ 16,046,362	\$ -	\$ -	\$ -	\$ 16,046,362
Intangibles	16,297,313	3,685,920	-	-	19,983,233
Construction in progress	62,303,442	29,121,632	(71,325)	(9,377,044)	81,976,705
Total capital assets, non-depreciable	94,647,117	32,807,552	(71,325)	(9,377,044)	118,006,300
Capital assets, depreciable:					
Buildings and improvements	107,682,468	-	-	7,196,234	114,878,702
Improvements other than buildings	4,778,648	-	-	-	4,778,648
Machinery and equipment	44,348,147	1,465,026	(2,392,264)	1,096,321	44,517,230
Infrastructure	198,326,155	616,401	-	1,084,489	200,027,045
Other capital assets	25,000	-	-	-	25,000
Total capital assets, depreciable	355,160,418	2,081,427	(2,392,264)	9,377,044	364,226,625
Less accumulated depreciation for:					
Buildings and improvements	(57,525,924)	(2,264,462)	-	-	(59,790,386)
Improvement other than buildings	(664,336)	(217,297)	-	-	(881,633)
Machinery and equipment	(33,119,668)	(2,930,294)	2,364,470	-	(33,685,492)
Infrastructure	(85,422,292)	(3,577,041)	-	-	(88,999,333)
Other capital assets	(4,925)	(1,008)	-	-	(5,933)
Total accumulated depreciation	(176,737,145)	(8,990,102)	2,364,470	-	(183,362,777)
Total capital assets, depreciable, net	178,423,273	(6,908,675)	(27,794)	9,377,044	180,863,848
Business-type activities capital assets, net	\$ 273,070,390	\$ 25,898,877	\$ (99,119)	\$ -	\$ 298,870,148

	Beginning Balances	Additions	Retirements	Transfers (In) Out	Ending Balances
Water Services Fund:					
Capital assets, non-depreciable:					
Land and improvements	\$ 4,593,315	\$ -	\$ -	\$ -	\$ 4,593,315
Intangibles	15,942,824	3,685,920	-	-	19,628,744
Construction in progress	57,220,251	22,974,027	(70,462)	(3,280,033)	76,843,783
Total capital assets, non-depreciable	77,756,390	26,659,947	(70,462)	(3,280,033)	101,065,842
Capital assets, depreciable:					
Buildings and improvements	67,149,490	-	-	2,000,706	69,150,196
Improvements other than buildings	396,505	-	-	-	396,505
Machinery and equipment	22,639,042	402,566	(1,213,302)	194,838	22,023,144
Infrastructure	182,105,749	616,401	-	1,084,489	183,806,639
Total capital assets, depreciable	272,290,786	1,018,967	(1,213,302)	3,280,033	275,376,484
Less accumulated depreciation for:					
Buildings and improvements	(36,080,214)	(1,403,888)	-	-	(37,484,102)
Improvement other than buildings	(149,624)	(19,531)	-	-	(169,155)
Machinery and equipment	(19,452,527)	(1,161,335)	1,188,456	-	(19,425,406)
Infrastructure	(73,006,725)	(3,424,204)	-	-	(76,430,929)
Total accumulated depreciation	(128,689,090)	(6,008,958)	1,188,456	-	(133,509,592)
Total capital assets, depreciable, net	143,601,696	(4,989,991)	(24,846)	3,280,033	141,866,892
Water activities capital assets, net	\$ 221,358,086	\$ 21,669,956	\$ (95,308)	\$ -	\$ 242,932,734

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Beginning Balances	Additions	Retirements	Transfers (In) Out	Ending Balances
Mass Transit Fund:					
Capital assets, non-depreciable:					
Land and improvements	\$ 157,968	\$ -	\$ -	\$ -	\$ 157,968
Intangibles	7,544	-	-	-	7,544
Total capital assets, non-depreciable	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	12,913,762	981,709	(431,507)	-	13,463,964
Total capital assets, depreciable	15,195,718	981,709	(431,507)	-	15,745,920
Less accumulated depreciation for:					
Buildings and improvements	(1,542,089)	(36,811)	-	-	(1,578,900)
Improvement other than buildings	(5,786)	(29,829)	-	-	(35,615)
Machinery and equipment	(7,682,190)	(1,044,344)	431,507	-	(8,295,027)
Total accumulated depreciation	(9,230,065)	(1,110,984)	431,507	-	(9,909,542)
Total capital assets, depreciable, net	5,965,653	(129,275)	-	-	5,836,378
Mass Transit Fund capital assets, net	\$ 6,131,165	\$ (129,275)	\$ -	\$ -	\$ 6,001,890

	Beginning Balances	Additions	Retirements	Transfers (In) Out	Ending Balances
Parking Services Fund:					
Capital assets, non-depreciable:					
Land and improvements	\$ 10,631,482	\$ -	\$ -	\$ -	\$ 10,631,482
Intangibles	20,801	-	-	-	20,801
Construction in Progress	481,526	412,826	-	-	894,352
Total capital assets, non-depreciable	11,133,809	412,826	-	-	11,546,635
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	1,028,706	34,492	(747,454)	-	315,744
Other capital assets	25,000	-	-	-	25,000
Total capital assets, depreciable	20,298,033	34,492	(747,454)	-	19,585,071
Less accumulated depreciation for:					
Buildings and improvements	(7,645,804)	(404,317)	-	-	(8,050,121)
Improvement other than buildings	(140,862)	(75,971)	-	-	(216,833)
Machinery and equipment	(921,559)	(36,201)	744,507	-	(213,253)
Other capital assets	(4,925)	(1,008)	-	-	(5,933)
Total accumulated depreciation	(8,713,150)	(517,497)	744,507	-	(8,486,140)
Total capital assets, depreciable, net	11,584,883	(483,005)	(2,947)	-	11,098,931
Parking Services Fund capital assets, net	\$ 22,718,692	\$ (70,179)	\$ (2,947)	\$ -	\$ 22,645,566

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Beginning Balances	Additions	Retirements	Transfers (In) Out	Ending Balances
Asheville ABC Board:					
Land	3,640,788	-	-	-	3,640,788
Construction in progress	1,248,127	117,335	(1,365,462)	-	-
Total capital assets, non-depreciable	4,888,915	117,335	(1,365,462)	-	3,640,788
Capital assets, depreciable:					
Buildings	7,674,267	90,698	1,355,147	-	9,120,112
Leashold improvements	172,418	-	-	-	172,418
Furniture and equipment	1,782,688	45,177	10,315	-	1,838,180
Vehicles	255,930	-	-	-	255,930
Total capital assets, depreciable	9,885,303	135,875	1,365,462	-	11,386,640
Less accumulated depreciation for:					
Buildings	(2,844,694)	(287,242)	-	-	(3,131,936)
Leashold improvements	(169,108)	(766)	-	-	(169,874)
Furniture and equipment	(1,102,570)	(158,171)	-	-	(1,260,741)
Vehicles	(223,953)	(10,454)	-	-	(234,407)
Total accumulated depreciation	(4,340,325)	(456,633)	-	-	(4,796,958)
Total capital assets, depreciable, net	5,544,978	(320,758)	1,365,462	-	6,589,682
Asheville ABC Board capital assets, net	\$ 10,433,893	\$ (203,423)	\$ -	\$ -	\$ 10,230,470

During the year, the City recorded capital contributions of \$4,302,321, 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	2,403,508
Public safety	3,250,906
Transportation	2,012,060
Environmental protection	766,919
Economic Development	49,133
Culture and recreation	2,336,831
Total depreciation, governmental activities	10,819,357
Business-type activities:	
Water resources	6,008,958
Parking services	517,497
Mass transit	1,110,984
Non-major enterprise funds	1,352,663
Total depreciation, business-type activities	8,990,102

City of Asheville

Notes to Financial Statements

Note 4. Capital Assets (Continued)

The City has numerous construction projects as of June 30, 2020. The amounts the City is contractually committed to spend at June 30, 2020, are the following:

Project	Spent to Date	Remaining Commitments
Governmental:		
Building maintenance	\$ 1,600,060	\$ 926,493
Transportation	3,410,186	4,888,365
Parks and Recreation	19,182	289,044
RADTIP	27,647,595	8,635,632
Bond Projects	4,649,128	8,889,593
Total governmental	<u>37,326,151</u>	<u>23,629,127</u>
Proprietary:		
Water	18,850,645	6,134,195
North Fork Dam	38,371,536	906,634
Stormwater	1,292,737	368,624
Harrahs Cherokee Asheville	5,102,050	568,542
Parking	254,187	281,202
Total proprietary	<u>63,871,155</u>	<u>8,259,197</u>
Total commitments	<u>\$ 101,197,306</u>	<u>\$ 31,888,324</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2020, is as follows:

Due From Other Funds	Due to General Fund
Non-major governmental funds:	
Community Development Special Revenue Fund	\$ 318,472
Affordable Home Ownership Special Revenue Fund	1,800,825
Total due from non-major governmental funds	<u>2,119,297</u>
Major governmental funds:	
General Capital Project Fund	1,116,791
Total due from governmental funds	<u>\$ 3,236,088</u>

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

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

City of Asheville

Notes to Financial Statements

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

	Transfers In						Transfers Out
	General	General	Non-major	Water	Mass Transit	Non-major	
	Fund	Capital Projects Fund	Governmental Funds	Services Fund	Fund	Enterprise Fund	
General Fund	\$ -	\$ 2,581,529	\$ 1,070,701	\$ -	\$ 5,084,112	\$ 1,203,484	\$ 9,939,826
General Capital Projects Fund	3,893,993	-	-	100,224	-	-	3,994,217
Non-major Governmental Funds	-	-	-	-	24,850	-	24,850
Parking Services Fund	-	-	-	-	1,576,875	-	1,576,875
Non-major Enterprise Funds	-	-	-	-	-	-	-
Internal Service Funds	-	-	-	-	359,706	-	359,706
Total	\$ 3,893,993	\$ 2,581,529	\$ 1,070,701	\$ 100,224	\$ 7,045,543	\$ 1,203,484	\$ 15,895,474

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, 2020, are comprised of the following individual issues:

Table 6.A.1

	Issue Date	Final Maturity	Interest Rate	Original Issue	Principal Balances June 30, 2020	Principal and Unamortized Balances at June 30, 2020	Governmental Activities	Business-Type
1. General obligation bonds:								
2000 Sewer lines and fire fighting equipment	12/1/2000	12/1/2020	5.00%	\$ 1,970,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
2018 general obligations bonds	6/12/2018	6/1/2023	Variable (1)	23,000,000	-	-	-	-
2020 general obligation bonds (Series 2020)	6/10/2020	6/1/2026	Variable	25,000,000	5,065,971	5,065,971	5,065,971	-
2020 general obligation bonds (Series 2020A) - refunding	3/25/2020	6/1/2040	Variable	12,625,000	12,625,000	14,245,994	12,625,000	-
2020 general obligation bonds (Series 2020B) - refunding	3/25/2020	6/1/2028	Variable	8,200,000	8,200,000	8,200,000	8,200,000	-
				<u>24,970,000</u>	<u>25,960,971</u>	<u>27,581,965</u>	<u>25,960,971</u>	<u>-</u>
2. Installment Financing Contracts:								
2010 Installment financing (Parks & Recreation)	7/12/2010	7/12/2025	4.55%	1,100,000	403,333	403,333	403,333	-
2012 Limited Obligation Bonds	6/27/2012	4/1/2032	3.00%-5.00%	39,160,000	3,205,000	3,547,259	1,390,488	1,814,512
2013 Installment financing (Green CIP)	6/13/2013	7/1/2023	1.44%	998,000	349,300	349,300	349,300	-
2016 Installment financing (Equip. and Vehicles)	6/30/2016	6/1/2021	1.25%	5,520,000	894,515	894,515	719,804	174,711
2017 Installment financing (Equip. and Vehicles)	11/9/2017	10/1/2037	2.50-5.00%	17,140,000	15,420,000	16,609,940	13,338,300	2,081,700
2017 Limited Obligation Bonds	11/9/2017	10/1/2037	3.00%-5.00%	25,000,000	23,768,530	26,630,928	18,686,600	5,081,930
2017 Special Obligation Bonds	6/30/2017	6/1/2022	1.62%-1.70%	4,307,060	2,418,000	2,418,000	2,160,000	258,000
2018 Installment financing (Equip. and Vehicles)	6/12/2018	6/12/2021	Variable (2)	48,000,000	20,723,368	20,723,368	20,594,793	128,575
2018 Limited Obligation Bonds	5/31/2018	5/1/2023	2.65%	6,220,100	3,768,550	3,768,550	3,645,329	123,221
2019 Installment financing (Equip. and Vehicles)	5/31/2019	5/1/2024	2.28%	4,330,000	4,330,000	4,330,000	3,955,000	375,000
2020 Installment financing (Equip. and Vehicles)	6/30/2020	5/1/2025	1.16%	4,650,075	4,650,075	4,650,075	4,442,824	207,251
				<u>156,425,235</u>	<u>79,930,671</u>	<u>84,325,268</u>	<u>69,685,771</u>	<u>10,244,900</u>
3. Revenue bonds:								
2015 water system revenue refunding bonds	6/11/2015	8/1/2032	2.00%-5.00%	50,625,000	39,950,000	44,505,670	-	39,950,000
2018 Water System Revenue Refunding Bonds	10/10/2018	10/1/2021	Variable (3)	40,000,000	29,762,591	29,762,591	-	29,762,591
				<u>90,625,000</u>	<u>69,712,591</u>	<u>74,268,261</u>	<u>-</u>	<u>69,712,591</u>
4. Other long-term indebtedness:								
2001 Metropolitan sewage district	4/22/1985	6/30/2024	5.00%	615,000	86,920	86,920	86,920	-
2011 NC DENR, drinking water revolving loan	6/22/2011	5/1/2031	0.00%	198,194	109,007	109,007	-	109,007
				<u>\$ 813,194</u>	<u>195,927</u>	<u>195,927</u>	<u>86,920</u>	<u>109,007</u>
Total general obligations bonds, limited obligation bonds, revenue bonds and other long-term obligations					<u>\$ 175,800,160</u>	<u>\$ 186,371,421</u>	<u>\$ 95,733,662</u>	<u>\$ 80,066,498</u>

(1) Interest is variable at 70% of LIBOR plus 32 bps to a contractual maximum of 7.5%

(2) Interest is variable at SIFMA plus 38 bps

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	\$ 25,960,971	\$ -	\$ 25,960,971
Installment financing contracts	69,685,771	10,244,900	79,930,671
Revenue bonds	-	69,712,591	69,712,591
Other long-term indebtedness	86,920	109,007	195,927
	<u>\$ 95,733,662</u>	<u>\$ 80,066,498</u>	<u>\$ 175,800,160</u>

The principal balances compared to the principal and unamortized balances in the preceding Table 6.A.1 are the unamortized premium balances as follows:

	Unamortized Premium
Limited obligation bonds, Series 2012	\$ 342,258
Special obligation bonds, Series 2017	2,862,398
Limited obligation bonds, Series 2017	1,189,940
Revenue bonds, Series 2015	4,555,670
Government obligation bonds, Series 2020	1,620,995
	<u>\$ 10,571,261</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		Limited Obligation Bonds and Installment Financings		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:								
2021	1,110,000	582,380	27,275,047	1,935,149	26,240	4,346	28,411,287	2,521,875
2022	1,045,000	477,466	5,962,492	1,404,825	26,240	3,034	7,033,732	1,885,325
2023	1,045,000	463,985	5,107,212	1,216,197	26,240	1,722	6,178,452	1,681,904
2024	1,040,000	450,400	3,917,705	1,068,165	8,200	451	4,965,905	1,519,016
2025	1,040,000	436,048	4,551,489	939,775	-	-	5,591,489	1,375,823
2026-2030	10,275,971	1,890,454	10,277,738	3,026,276	-	-	20,553,709	4,916,730
2031-2035	5,205,000	905,100	8,335,363	1,225,381	-	-	13,540,363	2,130,481
2036-2040	5,200,000	312,000	4,258,725	197,465	-	-	9,458,725	509,465
	<u>\$ 25,960,971</u>	<u>\$ 5,517,833</u>	<u>\$ 69,685,771</u>	<u>\$ 11,013,233</u>	<u>\$ 86,920</u>	<u>\$ 9,553</u>	<u>\$ 95,733,662</u>	<u>\$ 16,540,619</u>
Business-type activities:								
2021	33,412,591	1,672,588	1,602,623	404,050	9,910	-	35,025,124	2,076,638
2022	3,800,000	1,523,588	1,280,337	344,974	9,910	-	5,090,247	1,868,562
2023	3,970,000	1,348,338	785,478	281,428	9,910	-	4,765,388	1,629,766
2024	4,170,000	1,144,838	739,053	250,419	9,910	-	4,918,963	1,395,257
2025	4,375,000	931,212	769,235	217,900	9,910	-	5,154,145	1,149,112
2026-2030	12,910,000	2,318,059	3,142,262	625,486	49,548	-	16,101,810	2,943,545
2031-2035	7,075,000	369,772	1,579,637	46,168	9,910	-	8,664,547	415,940
2036-2040	-	-	346,275	16,160	-	-	346,275	16,160
	<u>\$ 69,712,591</u>	<u>\$ 9,308,394</u>	<u>\$ 10,244,900</u>	<u>\$ 2,186,585</u>	<u>\$ 109,007</u>	<u>\$ -</u>	<u>\$ 80,066,498</u>	<u>\$ 11,494,979</u>

(1) General Obligation Bonds include a variable rate GO bond anticipation note issued in June, 2020(2020 GO) that can be further drawn down.

The 2020 GO and matures in June, 2026. 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 \$403,333 as of June 30, 2020.

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 Harrah's Cherokee Center - Asheville 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.

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 \$349,300 as of June 30, 2020.

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 \$894,515 as of June 30, 2020.

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 \$2,418,000 as of June 30, 2020.

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 \$15,420,000 as of June 30, 2020.

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 \$3,768,550 as of June 30, 2020.

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, 2020.

In June 2020, the City entered into a direct installment-financing contract with JPMorgan Chase Bank, N.A. to provide funding for the purchase of computers, vehicles and equipment. The \$4,650,075 loan is payable over 59 months with semi-annual payments of interest and annual payments of principal at fixed rates of interest of 1.16%. The City had direct placement installment debt balance of \$4,442,824 as of June 30, 2020.

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

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 refinanced the 2018 GO BAN with Bank of America, N.A. issuing a \$12,625,000 general obligation refunding bond Series 2020A and a \$8,200,000 taxable general obligation refunding bond Series 2020B.

In June 2020, the City issued a direct placement general obligation bond anticipation note ("2018 GO BAN") in an amount not to exceed \$25,000,000. 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 transportation and parks and recreation and (2) the issuance of the 2020 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 2020 GO BAN once the projects are completed and before its maturity date of June 2023.

At June 30, 2020, the City had bonds authorized but unissued in the amount of \$28 million.

City of Asheville

Notes to Financial Statements

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 \$39,950,000 as of June 30, 2020.

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, 2020, the total principal and interest remaining to be paid directly by the City on the bonds is \$49,258,394.

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 \$29,762,591 as of June 30, 2020.

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, 2020. 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, 2020, is as follows:

Water revenue and expense information

Revenues	\$	40,167,472
Current Expenses		<u>24,605,439</u>
Net Revenue available for Debt Service		15,562,033
Senior Debt Coverage:		
Principal & Interest		5,691,465
Add 20% of senior debt		1,138,293
Subordinate Debt:		
Principal & Interest		9,910
Total Debt Service + 20%	\$	6,839,668
Rate Coverage Test		2.28

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, 2020, the City has an outstanding balance of \$86,920.

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, 2020, the outstanding balance is \$109,007.

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:					
Installment financing contracts	\$ 71,425,660	\$ 4,442,824	\$ 6,182,713	\$ 69,685,771	\$ 27,275,047
General obligation bonds	12,475,384	35,761,137	22,275,550	25,960,971	1,110,000
Other long-term indebtedness	113,160	-	26,240	86,920	26,240
Unamortized bond premiums	3,552,827	1,620,994	244,620	4,929,201	-
Total bonds and loans payable, net	87,567,031	41,824,955	28,729,123	100,662,863	28,411,287
Compensated absences payable	8,175,819	755,575	1,972,729	6,958,665	3,186,037
Net pension liability – LGERS	20,254,736	3,125,196	-	23,379,932	-
Total pension liability – LEOSSA	7,833,179	937,861	649,873	8,121,167	-
Net OPEB liability	19,225,586	-	1,463,139	17,762,447	-
Total governmental activities	<u>\$ 143,056,351</u>	<u>\$ 46,643,587</u>	<u>\$ 32,814,864</u>	<u>\$ 156,885,074</u>	<u>\$ 31,597,324</u>
Business-type activities:					
Bonds and notes payable:					
Revenue bonds	\$ 63,002,590	\$ 10,200,001	\$ 3,490,000	\$ 69,712,591	\$ 33,412,591
Installment financing contracts	11,556,487	207,251	1,518,838	10,244,900	1,602,623
Other long-term indebtedness	118,918	-	9,911	109,007	9,910
Unamortized bond premiums	6,099,893	-	457,833	5,642,060	-
Total bonds and loans payable, net	80,777,888	10,407,252	5,476,582	85,708,558	35,025,124
Compensated absences payable	1,402,874	25,193	189,176	1,238,891	540,294
Net pension liability – LGERS	4,162,594	677,182	-	4,839,776	-
Net OPEB liability	4,830,548	-	142,987	4,687,561	-
Total business-type activities	<u>\$ 91,173,904</u>	<u>\$ 11,109,627</u>	<u>\$ 5,808,745</u>	<u>\$ 96,474,786</u>	<u>\$ 35,565,418</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
Water system activities:					
Bonds and notes payable:					
Revenue bonds	\$ 63,002,590	\$ 10,200,001	\$ 3,490,000	\$ 69,712,591	\$ 33,412,591
Other long-term indebtedness	118,918	-	9,910	109,008	9,910
Unamortized bond premiums	4,920,124	-	364,454	4,555,670	
Total bonds and loans payable, net	68,041,632	10,200,001	3,864,364	74,377,269	33,422,501
Compensated absences payable	797,930	307,635	415,095	690,470	301,295
Net pension liability – LGERS	2,504,860	410,111	-	2,914,971	-
Net OPEB liability	2,936,974	-	97,048	2,839,926	-
Total water system activities	\$ 74,281,396	\$ 10,917,747	\$ 4,376,507	\$ 80,822,636	\$ 33,723,796

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Parking system activities:					
Bonds and notes payable:					
Installment financing contracts	\$ 6,456,294	\$ -	\$ 762,498	\$ 5,693,796	\$ 762,497
Unamortized bond premiums	795,333	-	65,324	730,009	-
Total bonds and loans payable, net	7,251,627	-	827,822	6,423,805	762,497
Compensated absences payable	104,422	-	2,729	101,693	44,265
Net pension liability– LGERS	333,944	47,520	-	381,464	-
Net OPEB liability	405,766	40,989	-	446,755	-
Total parking system activities	\$ 8,095,759	\$ 88,509	\$ 830,551	\$ 7,353,717	\$ 806,762

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, 2020, such statutory limit for the City was approximately \$1,208,753,000 providing a legal debt margin of approximately \$1,130,468. 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. At June 30, 2020, \$250,879 of the loan commitment for renovations had not been drawn.

City of Asheville

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Future maturities of the debt are as follows:

	Principal	Interest
2021	\$ 278,603	\$ 173,107
2022	290,201	161,509
2023	302,283	149,427
2024	314,869	136,841
2025	327,980	123,730
Thereafter	2,744,785	248,439
	<u>\$ 4,258,721</u>	<u>\$ 993,053</u>

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	\$ 231,569,250	\$ 298,870,148
Less capital asset-related debt	(100,744,516)	(86,924,740)
Add deferred outflows	770	1,054,171
Net investment in capital assets	<u>\$ 130,825,504</u>	<u>\$ 212,999,579</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	\$ 93,962,814
Less non-spendable items	10,745,744
Less stabilization by state statute	23,104,170
Funds available for appropriation	<u>60,112,900</u>
Less committed	3,201,423
Less assigned	38,845,206
Less fund balance policy	17,638,824
Remaining fund balance	<u>\$ 427,447</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 \$3,751,379 and \$26,953,633 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 2019, there were nine claimants with \$887,253 in claims. In fiscal year 2020, there were nine claimants with \$742,553 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:

	2020	2019
Beginning balance	\$ 4,612,471	\$ 2,619,643
Add incurred claims and changes in IBNR	17,725,419	16,415,943
Less claim payments	(17,002,023)	(14,423,115)
Ending balance	<u>\$ 5,335,867</u>	<u>\$ 4,612,471</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, 2020, were both 9.70% of compensation for law enforcement officers and 9.04% 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 \$6,182,372 for the year ended June 30, 2020, and the ABC Board's were \$208,752.

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, 2020, the City and ABC Board reported a liability of \$28,358,986 and \$764,389, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. 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 1.03844%, which was an increase of 0.00919% from its proportion measured as of June 30, 2018. The ABC Board's proportion was .02799%, which was a decrease of .00038 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2020, the City and ABC Board recognized pension expense of \$12,445,118 and \$484,142, respectively. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,855,777	\$ -
Changes of assumptions	4,622,045	-
Net difference between project and actual earnings on pension plan investments	691,716	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	462,767
City contributions subsequent to the measurement date	6,182,372	-
Total	<u>\$ 16,351,910</u>	<u>\$ 462,767</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 135,847	\$ -
Changes of assumptions	124,581	-
Net difference between project and actual earnings on pension plan investments	18,644	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	45,499	-
Board contributions subsequent to the measurement date	206,854	-
Total	<u>\$ 531,425</u>	<u>\$ -</u>

\$6,182,372 and \$206,854 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, 2021.

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:

	City of Asheville	ABC Board
Years ended June 30:		
2020	\$ 4,856,004	\$ 154,118
2021	1,457,738	55,488
2022	2,668,171	84,913
2023	724,857	30,052
Thereafter	-	-
Total	\$ 9,706,770	\$ 324,571

Actuarial assumptions: The total pension liability in the December 31, 2018, 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, 2018, 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, 2019 are summarized in the following table:

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 64,862,188	\$ 28,358,986	\$ (1,982,569)

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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability (asset)	\$ 1,748,288	\$ 764,385	\$ (53,438)

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, 2019, the Separation Allowance membership consisted of:

	City	ABC Board
Retirees receiving benefits	42	1
Active plan members	222	3
Total	264	4

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 \$649,873 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, 2018 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, 2020, the City reported a total pension liability of \$8,121,167 for their proportionate share of the net pension liabilities. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$826,816.

At June 30, 2020, the ABC Board reported a total pension liability of \$96,864 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	\$ 629,277	\$ -
Changes of assumptions and Other Inputs	398,633	248,252
City benefit payments and plan administrative expense made subsequent to the measurement date	331,143	-
Total	<u>\$ 1,359,053</u>	<u>\$ 248,252</u>

Deferred outflows of resources for the City of \$331,143 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Adjustment
Years ended June 30:	
2021	\$ 201,751
2022	206,949
2023	202,882
2024	119,014
2025	49,062
Thereafter	-
Total	<u>\$ 779,658</u>

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 3.26%, 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 (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 8,816,334	\$ 8,121,167	\$ 7,490,768

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

	City	ABC Board
Beginning balance	\$ 7,833,179	\$ 107,016
Service cost	342,934	1,123
Interest on the total pension liability	273,300	-
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	74,674	-
Changes of assumptions or other inputs	246,953	-
Benefit payments	(649,873)	(11,275)
Other changes	-	-
Ending balance	\$ 8,121,167	\$ 96,864

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, 2018. 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 Ended 2019 Prior to Assumption Change	Development of TPL for Year Ended 2019 After Assumption Change
(a) Interest rate	3.64%	3.16%
(b) Valuation date for measurement	December 31, 2018	December 31, 2018
(c) TPL as of December 31, 2018	\$ 7,905,230	\$ 8,147,451
(d) Entry age normal cost for the period January 1, 2019- December 31, 2019 at the end of year	342,934	368,575
(e) January 1, 2019-December 31, 2019	649,873	649,873
(f) TPL as of December 31, 2019 = $[c * (1 + a)] + d - [e * (1 + a * .5)]$	7,874,214	8,121,167
(g) Experience actuarial (gain)/loss = (2f) - (1f)	74,674	-
(h) Discount rate change (gain)/loss = (3f) - (2f)	\$ -	\$ 246,953

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.

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, 2020 was \$640,604 and the officers' voluntary contributions were approximately \$556,852. The City's contribution for non-police personnel was \$2,715,418 with employee voluntary contributions of approximately \$1,956,249. The ABC Board's required contribution for the years ended June 30, 2020 was \$9,333.

City of Asheville

Notes to Financial Statements

Note 9. Pension Plan Obligations (Continued)

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, 2020 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 \$96,864 and \$107,016 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, none of this cost was contributed which resulted in an unfunded net OPEB obligation of \$96,864 and \$107,016, respectively.

Plan membership of the City's HCB Plan consisted of the following at June 30, 2018, 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 \$1,600,000. 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, 2020, the Plan assets totaled \$13,958,636 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) 48.11 percent and BlackRock's MSCI ACWI Equity Index Non-Lendable Fund B 51.87 percent. The BlackRock MSCI ACWI Equity Index Non-Lendable Fund B is priced at \$23.1074 per share at June 30, 2020.

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, 2020, the annual money weighted rate of return of investments, net of investment expense was 4.93 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, 2020 were as follows:

Total OPEB liability	\$	36,408,645
Plan fiduciary net position		13,958,636
City's net OPEB liability	\$	<u>22,450,009</u>
Plan fiduciary net position as a percentage of the total OPEB liability		38.34%

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 June 30, 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, 2020 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 3.50 percent per the S&P Municipal Bond 20 Year Grade Rate Index as of June 30, 2020. The S&P Municipal Bond 20 Year High Grade rate as of June 30, 2020 was 2.21 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:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	\$ 25,584,260	\$ 22,450,009	\$ 19,624,601

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:

	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 18,554,152	\$ 22,450,009	\$ 26,988,878

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2020, the City reported a net OPEB liability of \$22,450,009. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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, 2019	\$ 35,797,347	\$ 11,741,212	\$ 24,056,135
Changes for the year:			
Service Cost at the end of the year	931,367	-	931,367
Interest on TOL and Cash Flows	1,887,357	-	1,887,357
Change in benefit terms	-	-	-
Difference between expected and actual experience	796,290	-	796,290
Changes in assumptions or other inputs	-	-	-
Contributions - Employer	-	4,603,716	(4,603,716)
Contributions - Employee	-	-	-
Net investment income	-	617,424	(617,424)
Benefit payments	(3,003,716)	(3,003,716)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	611,298	2,217,424	(1,606,126)
Balance as of June 30, 2020	\$ 36,408,645	\$ 13,958,636	\$ 22,450,009

Changes in assumptions: There were no changes in assumptions and other inputs since the prior measurement date. 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, 2020, the City recognized OPEB expenses of \$1,606,126. At June 30, 2020, 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 and actual experience	\$ 1,249,937	\$ -
Changes in assumption or other inputs	-	2,556,384
Net difference between projected and actual earnings on plan investments	-	531,625
Total	<u>\$ 1,249,937</u>	<u>\$ 3,088,009</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be amortized over the Average Expected Remaining Services Lives or 6.77 years and recognized in OPEB Expense as follows:

Measurement Period Ended June 30,

2021	(566,201)
2022	(566,200)
2023	(328,115)
2024	(290,497)
2025	(177,629)
Thereafter	90,570
	<u>(1,838,072)</u>

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

	Per Actuary	Change in Fund Allocation	Total Deferred Outflows
Deferred Outflows Reconciliation-OPEB			
Governmental activities	\$ 988,950	\$ 188,034	\$ 1,176,984
Water resource fund	158,117	-	158,117
Parking services fund	24,873	42,486	67,359
Mass transit fund	4,375	9,715	14,090
Street Cut Utility fund	8,625	5,829	14,454
Stormwater fund	41,123	1,037	42,160
Harrah's Cherokee Center	23,874	-	23,874
	<u>\$ 1,249,937</u>	<u>\$ 247,101</u>	<u>\$ 1,497,038</u>

	Per Actuary	Change in Fund Allocation	Total Deferred Inflows
Deferred Inflows Reconciliation-OPEB			
Governmental activities	\$ 2,443,233	\$ -	\$ 2,443,233
Water resource fund	390,633	89,773	480,406
Parking services fund	61,451	58,291	119,742
Mass transit fund	10,808	24,235	35,043
Street Cut Utility fund	21,307	7,555	28,862
Stormwater fund	101,596	-	101,596
Harrah's Cherokee Center	58,981	67,247	126,228
	<u>\$ 3,088,009</u>	<u>\$ 247,101</u>	<u>\$ 3,335,110</u>

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:	Net Deferred Outflows/(Inflows) of Resources							Total
	Governmental Activities	Water Resources	Parking Services	Mass Transit	Street Cut Utility	Stormwater	Harrah's Cherokee Center	
2021	49,725	(22,800)	(411)	(5,648)	(1,061)	345	(20,150)	-
2022	49,725	(22,800)	(411)	(5,648)	(1,061)	345	(20,150)	-
2023	49,725	(22,800)	(411)	(5,648)	(1,061)	347	(20,152)	-
2024	38,859	(21,373)	(14,572)	2,424	1,457	-	(6,795)	-
Thereafter	-	-	-	-	-	-	-	-
Total	\$ 188,034	\$ (89,773)	\$ (15,805)	\$ (14,520)	\$ (1,726)	\$ 1,037	\$ (67,247)	\$ -

Total pension and OPEB-related deferred outflows of resources:

	LGERS	LOESSA	OPEB	Total
Differences between expected and actual experience	\$ 4,855,777	\$ 629,277	\$ 1,497,038	\$ 6,982,092
Changes of assumptions	4,622,045	398,633	-	5,020,678
Net difference between project and actual earnings on pension plan investments	691,716	-	-	691,716
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-	-	-
City contributions subsequent to the measurement date	6,182,372	331,143	-	6,513,515
Total	\$ 16,351,910	\$ 1,359,053	\$ 1,497,038	\$ 19,208,001

Total pension and OPEB-related deferred inflows of resources:

	LGERS	LOESSA	OPEB	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	-	248,252	2,803,484	3,051,736
Net difference between project and actual earnings on pension plan investments	-	-	531,625	531,625
Changes in proportion and differences between City contributions and proportionate share of contributions	462,767	-	-	462,767
Total	\$ 462,767	\$ 248,252	\$ 3,335,109	\$ 4,046,128

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, 2020 comprised of the following:

	Governmental Activities	Business-Type Activities
Contributions to the pension plans subsequent the measurement date	\$ 5,448,024	\$ 1,065,491
Other Pension and OPEB related deferrals	10,658,406	2,036,080
Deferred charge on refunding	621,167	1,054,171
Total Deferred Outflows	<u>\$ 16,727,597</u>	<u>\$ 4,155,742</u>

Deferred inflows of resources are comprised of the following:

	Governmental Activities	Business-Type Activities
General fund:		
Prepaid Ad Valorem taxes	\$ 48,465	\$ -
Taxes receivable, less penalties	251,799	-
General capital projects fund:		
Grant funds receivable	239,394	-
Non-major governmental funds:		
Grant funds receivable	45,302	-
Total governmental funds deferred inflows	<u>584,960</u>	<u>-</u>
OPEB and Pension related deferrals	3,075,539	970,589
Revenue recognized on the governmental activities	(536,495)	-
Total deferred inflows	<u>\$ 3,124,004</u>	<u>\$ 970,589</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	\$ 2,183
BC 911 Communications	756,175
Capital Projects Fund:	
Grants	10,000
Non-major governmental funds:	
Grants	60,220
Total government activities	<u>\$ 828,578</u>
Water resources fund:	
Prepaid water charges	\$ 292,293
Total business-type activities	<u>\$ 292,293</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

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. This statement is effective immediately (May 2020), and did not have a material impact on the City's financial position, overall cash flow or balances or results of operations.

Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2020, that have effective dates that may affect future financial presentation.

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 31, 2020.

City of Asheville

Notes to Financial Statements

Note 13. Pending GASB Pronouncements (Cont.)

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 that end June 30, 2022.

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 starting with the fiscal year that ends December 31, 2022.

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 31, 2020.

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 note disclosures. This Statement is effective for reporting periods beginning with the fiscal year that ends December 31, 2022.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement is effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020, and did not have a material impact on the City's financial position, overall cash flow or balances or results of operations. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

Note 13. Pending GASB Pronouncements (Cont.)

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately (June 2020), and did not have a material impact on the City's financial position, overall cash flow or balances or results of operations. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Required Supplementary Financial Data
(unaudited)

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, 2020

	2020	2019	2018	2017
Total OPEB liability:				
Service cost at end of year	\$ 931,367	\$ 1,329,239	\$ 1,387,138	\$ 1,484,673
Interest on the total OPEB liability	1,887,361	1,477,508	1,357,441	1,193,537
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	796,290	614,907	229,013	-
Changes of assumptions or other inputs	-	(2,550,116)	(1,260,476)	(1,834,783)
Benefit payments*	(3,003,716)	(2,549,739)	(1,833,676)	(1,796,639)
Net change in total OPEB liability	611,302	(1,678,201)	(120,560)	(953,212)
Total OPEB liability – beginning	35,797,343	37,475,544	37,596,104	38,549,316
Total OPEB liability – ending (a)	36,408,645	35,797,343	37,475,544	37,596,104
Plan fiduciary net position:				
Contributions – employer***	4,603,716	3,949,739	1,833,676	2,796,639
Net investment income	617,425	753,413	1,628,683	647,620
Benefit payments**	(3,003,716)	(2,549,740)	(1,833,676)	(1,796,639)
Administrative expense	-	-	(18,222)	-
Net change in plan fiduciary net position	2,217,425	2,153,412	1,610,461	1,647,620
Plan fiduciary net position – beginning	11,741,211	9,587,799	7,977,338	6,329,718
Plan fiduciary net position – ending (b)	13,958,636	11,741,211	9,587,799	7,977,338
Net OPEB liability – ending (a) - (b)	\$ 22,450,009	\$ 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%
2020	4.93%

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

** Benefit payments are net of participant contributions. Net benefit payments of \$3,003,716 paid directly from the employer are also included.

*** Employer contributions include \$4,603,716 paid directly from the employer.

City of Asheville

Required Supplementary Information
Schedule of Net OPEB Liability
Last Ten Fiscal Years*
June 30, 2020

	2020	2019	2018	2017	2016
Total OPEB liability	\$ 36,408,645	\$ 35,797,346	\$ 37,475,544	\$ 37,596,104	\$ 38,549,316
Plan fiduciary net position	13,958,636	11,741,211	9,587,799	7,977,338	6,329,717
Net OPEB liability	\$ 22,450,009	\$ 24,056,135	\$ 27,887,745	\$ 29,618,766	\$ 32,219,599
Plan fiduciary net position as a percentage of the total OPEB liability	38.34%	32.80%	25.58%	21.22%	16.42%
Covered payroll**	\$ 31,230,511	\$ 31,230,511	\$ 51,490,890	\$ 51,490,890	\$ 51,490,890
Net OPEB liability as percentage of covered payroll	71.88%	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, 2020**

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	4.93%	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 Seven Fiscal Years*
June 30, 2020**

	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) (%)	1.04%	1.03%	0.99%	0.98%	1.02%	0.99%	1.02%
City's proportion of the net pension liability (asset) (\$)	\$ 24,417,330	\$ 24,417,330	\$ 15,266,244	\$ 20,765,576	\$ 4,563,170	\$ (5,818,381)	\$ 12,314,203
City's covered employee payroll	\$ 60,642,521	\$ 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	40.26%	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%	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 Seven Fiscal Years*
June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 6,182,372	\$ 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	6,182,372	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	\$ 64,324,536	\$ 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	9.61%	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, 2020**

	2020	2019	2018	2017
Total pension liability:				
Service cost at end of year	\$ 342,934	\$ 341,057	\$ 270,136	\$ 293,341
Interest	273,300	225,204	263,231	254,404
Difference between expected and actual experience	74,674	805,349	89,765	-
Changes of assumptions or other inputs	246,953	(305,018)	408,573	(158,932)
Benefit payments	(649,873)	(720,265)	(728,632)	(662,420)
Net change in total pension liability	287,988	346,327	303,073	(273,607)
Total pension liability – beginning	7,833,179	7,486,852	7,183,779	7,457,386
Total pension liability – ending	<u>\$ 8,121,167</u>	<u>\$ 7,833,179</u>	<u>\$ 7,486,852</u>	<u>\$ 7,183,779</u>
Covered payroll	\$ 12,923,253	\$ 11,649,921	\$ 10,663,986	\$ 11,005,974
Total pension liability as a percentage of covered payroll	62.84%	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, 2019 Measurement Date: The Municipal Bond Index Rate Decreased from 3.64% to 3.26%.

December 31, 2018 Measurement Date: The Municipal Bond Index Rate Increased from 3.16% to 3.64%.

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 was reduced from 3% to 2.5% and assumed wage inflation was increased from .5% to 1%.

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, 2020

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Intergovernmental revenue	\$ 59,232,838	\$ 25,820,794	\$ 9,216,709	\$ -	\$ 35,037,503	\$ (24,195,335)
Licenses and permits	544,668	1,403,086	870	-	1,403,956	859,288
Charges for services	2,165,602	1,817,415	286,330	-	2,103,745	(61,857)
Investment earnings	249,952	255,279	-	-	255,279	5,327
Miscellaneous	2,252,341	1,778,684	827,685	-	2,606,369	354,028
Total revenues	64,445,401	31,075,258	10,331,594	-	41,406,852	(23,038,549)
Expenditures:						
General Government	38,347,383	18,650,327	9,655,074	(7,026,444)	21,278,957	17,068,426
Public Safety	20,917,679	11,994,382	5,843,347	(10,646,010)	7,191,719	13,725,960
Environmental Services	485,000	3,146,666	29,530	(3,088,381)	87,815	397,185
Community Development	17,791,817	6,979,918	4,530,980	(1,440,705)	10,070,193	7,721,624
Transportation	136,093,144	59,629,471	21,174,555	(6,087,845)	74,716,181	61,376,963
Culture and Recreation	37,705,742	18,656,227	4,625,778	(3,877,237)	19,404,768	18,300,974
Total expenditures	251,340,765	119,056,991	45,859,264	(32,166,622)	132,749,633	118,591,132
Revenues over (under) expenditures	(186,895,364)	(87,981,733)	(35,527,670)	32,166,622	(91,342,781)	95,552,583
Other financing sources (uses):						
Long-term debt issued	169,345,301	83,082,097	19,378,961	(28,204,643)	74,256,415	(95,088,886)
Premiums on long-term debt issued	-	708,342	-	-	708,342	708,342
Proceeds from sale of capital assets	-	-	475,000	-	475,000	475,000
Transfers from other funds	23,660,303	18,954,653	2,581,529	-	21,536,182	(2,124,121)
Transfers to other funds	(6,110,240)	1,417,137	(3,994,217)	-	(2,577,080)	3,533,160
Total other financing sources (uses)	186,895,364	104,162,229	18,441,273	(28,204,643)	94,398,859	(92,496,505)
Net change in fund balance	\$ -	\$ 16,180,496	(17,086,397)	3,961,979	\$ 3,056,078	\$ 3,056,078
Fund balance – beginning			16,180,496			
Fund balance – ending			<u>\$ (905,901)</u>			

City of Asheville

**Water Resources Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 40,287,242	\$ 40,156,737	\$ (130,505)
Other operating revenue	-	10,735	10,735
Interest earned	400,000	1,510,192	1,110,192
Total revenues	40,687,242	41,677,664	990,422
Expenditures:			
Administration	1,282,437	1,030,903	251,534
Operations	22,657,906	20,895,769	1,762,137
Capital outlay	897,639	402,566	495,073
Debt service:			
Principal	3,499,910	3,499,910	-
Interest and other charges	2,079,924	2,201,465	(121,541)
Total expenditures	30,417,816	28,030,613	2,387,203
Revenue under expenditures	10,269,426	13,647,051	3,377,625
Other financing sources (uses):			
Transfers to Water Capital Projects Fund	(11,465,140)	(11,465,140)	-
Transfers from other funds	-	100,224	100,224
Proceeds from disposal of capital assets	-	168,067	168,067
Cost of loan servicing	(15,000)	(6,850)	8,150
Appropriated fund balance	1,210,714	-	(1,210,714)
Total other financing sources (uses)	(10,269,426)	(11,203,699)	(934,273)
Net change in fund balance	\$ -	2,443,352	\$ 2,443,352

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	(1,208,722)
Total	1,234,630

Reconciling items:

Bad debt expense	(228,549)
Settlement expense	(1,980,000)
Reduction of long-term debt principal	3,499,910
Amortization of premium on long-term debt issued	364,454
Amortization of refunding loss	(82,420)
Capitalized assets	23,306,133
Proceeds from issuance of debt	(10,200,001)
Increase in deferred outflows of resources - OPEB	73,580
Decrease in deferred outflows of resources - pensions	(249,039)
Increase in deferred inflows of resources - OPEB	9,347
Decrease in deferred inflows of resources - pensions	7,540
Decrease in OPEB liability	97,048
Increase in net pension liability	(410,111)
Depreciation	(6,008,958)
Donated assets	4,302,321
Gain on assets disposed	(24,847)
Change in interest payable	57,682
Change in compensated absences	107,460
Pension expense	(471,635)

Change in net position **\$ 13,404,545**

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, 2020

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ -	\$ 71,315	\$ -	\$ (71,315)	\$ -	\$ -
Interest earned	-	78,724	-	-	78,724	78,724
Other revenue	40,017,303	727,607	-	(140,466)	587,141	(39,430,162)
Total revenues	40,017,303	877,646	-	(211,781)	665,865	(39,351,438)
Expenditures:						
Distribution System Projects	14,820,660	13,169,929	190,195	(3,313,012)	10,047,112	4,773,548
NC Department of Transportation Projects	3,382,444	342,946	208,198	-	551,144	2,831,300
Neighborhood Water Line Replacement Projects	36,765,460	23,863,494	1,514,177	(6,644,925)	18,732,746	18,032,714
Water Production Projects	68,784,315	38,315,774	18,242,485	(1,863,466)	54,694,793	14,089,522
Water System Master Plan Project	21,376,681	5,066,649	1,793,255	(278,213)	6,581,691	14,794,990
Craven Street Improvements	-	366,430	-	(366,430)	-	-
Azalea Road Improvements	383,245	437,977	-	-	437,977	(54,732)
System Enhancement Project	-	-	182,710	(182,710)	-	-
Haywood Street Improvements	693,506	-	555,655	-	555,655	137,851
Pump Station/Storage Tank Projects	-	-	187,188	(187,188)	-	-
RADTIP	93,997	5,325	-	(5,325)	-	93,997
Total expenditures	146,300,308	81,568,524	22,873,863	(12,841,269)	91,601,118	54,699,190
Revenues over (under) expenditures	(106,283,005)	(80,690,878)	(22,873,863)	12,629,488	(90,935,253)	15,347,752
Other financing sources (uses):						
Transfer from the Water Fund	106,749,005	96,691,542	11,465,140	(12,468,708)	95,687,974	(11,061,031)
Transfers from other funds	-	160,780	-	(160,780)	-	-
Transfers to other funds	(466,000)	(158,090)	-	-	(158,090)	307,910
Proceeds from issuance of debt	-	19,440,267	10,200,001	-	29,640,268	29,640,268
Total other financing sources (uses)	106,283,005	116,134,499	21,665,141	(12,629,488)	125,170,152	18,887,147
Net change in fund balance	\$ -	\$ 35,443,621	\$ (1,208,722)	\$ -	\$ 34,234,899	\$ 34,234,899

City of Asheville

Parking Services Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 5,902,300	\$ 4,449,209	\$ (1,453,091)
Rents	16,000	14,576	(1,424)
Other operating revenue	700,500	727,551	27,051
Interest earned	50,000	98,971	48,971
Total revenues	6,668,800	5,290,307	(1,378,493)
Expenditures:			
Operations	4,269,142	2,685,626	1,583,516
Capital Outlay	66,481	34,492	31,989
Debt service:			-
Principal	762,499	762,498	1
Interest and other charges	277,993	279,023	(1,030)
Total expenditures	5,376,115	3,761,639	1,614,476
Revenues over expenditures	1,292,685	1,528,668	235,983
Other financing sources (uses):			
Transfers to other funds	(2,076,875)	(1,576,875)	500,000
Transfers from other funds	-	-	-
Proceeds from sale of Limited Obligation Bonds	-	-	-
Proceeds from sale of capital assets	-	3,025	3,025
Appropriated fund balance	784,190	-	(784,190)
Total other financing sources (uses)	(1,292,685)	(1,573,850)	(281,165)
Net change in fund balance	\$ -	(45,182)	\$ (45,182)

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

Total

(409,156)

(454,338)

Reconciling items:

Bad debt expense

(110,291)

Reduction of principal on long-term debt

762,498

Amortization of premium on long-term debt

65,324

Amortization of refunding loss on long term debt

(4,035)

Loss on disposal of assets

(2,947)

Depreciation

(517,497)

Capitalized assets

447,318

Capitalized interest payable

7,712

Decrease in deferred outflows of resources - OPEB

(968)

Decrease in deferred outflows of resources - pensions

(28,857)

Increase in deferred inflows of resources - OPEB

(52,867)

Decrease in deferred inflows of resources - pensions

873

Increase in OPEB liability

(40,989)

Increase in net pension liability

(47,520)

Change in compensated absences

2,729

Pension Expense

(170,327)

Change in net position

\$ (144,182)

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, 2020

	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	-	1,304	-	(1,304)	-	-
Capital grants and contributions	-	85,503	-	(85,503)	-	-
Total revenues	-	130,853	-	(86,807)	44,046	44,046
Expenditures:						
Craven Street	-	617,428	-	(617,428)	-	-
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	-	2,030	-	(2,030)	-	-
Biltmore Avenue Garage	-	13,765,173	-	(13,765,173)	-	-
RADTIP	160,676	152,067	-	-	152,067	8,609
Parking Elevator Rehabilitation	925,000	407,252	164,624	-	571,876	353,124
Structural Maint Civic Center Parking	1,050,000	71,456	248,202	-	319,658	730,342
Civic Center Garage Lighting	-	154,368	-	(154,368)	-	-
Rankin Structural Maintenance	195,000	38,475	(670)	-	37,805	157,195
Wall Structural Maintenance	195,000	29,277	(3,000)	-	26,277	168,723
Parc Gate Equipment	750,000	-	-	-	-	750,000
Debt Service Interest	85	215,794	-	(215,794)	-	85
Total expenditures	24,221,194	19,545,470	409,156	(14,754,793)	5,199,833	19,021,361
Revenues under expenditures	(24,221,194)	(19,414,617)	(409,156)	14,667,986	(5,155,787)	19,065,407
Other financing sources (uses):						
Proceeds from issuance of debt	21,856,194	11,236,207	-	(11,038,622)	197,585	(21,658,609)
Transfers from other funds	2,365,000	5,646,268	-	(3,629,364)	2,016,904	(348,096)
Transfers from Parking Services Fund	-	-	500,000	-	500,000	500,000
Total other financing sources (uses)	24,221,194	16,882,475	-	(14,667,986)	2,214,489	(22,006,705)
Net change in fund balance	\$ -	\$ (2,532,142)	\$ (409,156)	\$ -	\$ (2,941,298)	\$ (2,941,298)

City of Asheville

Mass Transit Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Charges for services	\$ 675,000	\$ 493,656	\$ (181,344)
Other operating revenue	350,000	361,590	11,590
Interest earned	-	28,214	28,214
Intergovernmental revenue	3,913,176	1,416,678	(2,496,498)
Total revenues	4,938,176	2,300,138	(2,638,038)
Operating expenditures:			
Administration	729,885	614,263	115,622
Operations	10,846,680	9,761,417	1,085,263
Interest and other charges	-	-	-
Total expenditures	11,576,565	10,375,680	1,200,885
Revenues over (under) expenditures	(6,638,389)	(8,075,542)	(1,437,153)
Other financing sources (uses)			
Transfer from other funds	6,660,988	7,020,694	-
Transfer to other funds	(100,000)	-	-
Appropriated fund balance	77,401	-	-
Total other financing sources (uses)	6,638,389	7,020,694	-
Net change in fund balance	\$ -	(1,054,848)	\$ (1,437,153)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources:			
Mass Transit Capital Projects Fund		(678,308)	
Total		(1,733,156)	
Reconciling items:			
Depreciation		(1,110,985)	
Capitalized assets		981,709	
Pension expense		(21,232)	
Increase in deferred outflows of resources - OPEB		11,309	
Decrease in deferred outflows of resources - pensions		(8,110)	
Decrease in deferred inflows of resources - OPEB		13,193	
Decrease in deferred inflows of resources - pensions		245	
Decrease in OPEB liability		18,036	
Increase in net pension liability		(34,673)	
Change in compensated absences		(9,249)	
Change in net position		\$ (1,892,913)	

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, 2020

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ 19,437,359	\$ 8,056,677	\$ 998,642	\$ (3,599,481)	\$ 5,455,838	\$ (13,981,521)
Total revenues	19,437,359	8,056,677	998,642	(3,599,481)	5,455,838	(13,981,521)
Expenditures:						
ARRA - FTA Bus Purchases	-	2,577,334	-	(2,577,334)	-	-
RIDE New Freedom Grant	-	208,000	-	(208,000)	-	-
Transit Garage Project	-	162,415	-	(162,415)	-	-
Transit Security Cameras	-	74,167	-	(74,167)	-	-
Transit AVL System	450,000	433,301	-	-	433,301	16,699
Transit Shelters and Signage	-	28,101	-	(28,101)	-	-
Transit Center Maintenance	-	340,406	11,110	(351,516)	-	-
JARC Mountain Mobility	196,648	200,713	112,063	-	312,776	(116,128)
Bus Purchase FY13	-	391,849	-	(391,849)	-	-
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	11,460,626	3,848,087	1,066,988	-	4,915,075	6,545,551
Transit Bus Batteries and Security Car	390,910	389,610	454	-	390,064	846
FTA 5339-Hybrid Bus Batteries	267,500	-	-	-	-	267,500
FTA-Enhanced Mobility	152,504	3,822	39,088	-	42,910	109,594
Transit Pass-Through Grants	8,043,564	638,873	462,112	-	1,100,985	6,942,579
5310 Enhanced Mobility	598,023	317,895	9,984	-	327,879	270,144
Transit Master Plan	-	119,413	-	(119,413)	-	-
Street Furniture 2	60,000	-	-	-	-	60,000
CARES Transit Protective Barriers	500,000	-	-	-	-	500,000
Transit Capital Reserve	390,790	-	-	-	-	390,790
Total expenditures	22,697,157	9,890,814	1,701,799	(3,912,795)	7,679,818	15,017,339
Revenues under expenditures	(3,259,798)	(1,834,137)	(703,157)	313,314	(2,223,980)	1,035,818
Other financing sources:						
Transfers from other funds	3,259,798	1,441,489	24,849	(313,314)	1,153,024	(2,106,774)
Transfers to other funds	-	(55,263)	-	-	(55,263)	(55,263)
Total other financing sources	3,259,798	1,386,226	24,849	(313,314)	1,097,761	(2,162,037)
Net change in fund balance	\$ -	\$ (447,911)	\$ (678,308)	\$ -	\$ (1,126,219)	\$ (1,126,219)

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, 2020

	Special Revenue Funds						Total
	Affordable						Non-major
	Grant	Community	Home	Section 108		Permanent	Governmental
	Programs	Development	Ownership	Rehabilitation	Sustainability	Fund	Funds
Assets							
Cash and investments	\$ 227,634	\$ -	\$ -	\$ 436,355	\$ 1,303,395	\$ 31,155	\$ 1,998,539
Cash and investments – restricted	-	-	-	-	-	324,829	324,829
Receivables:							
Due from other governments	854,503	209,433	-	-	-	-	1,063,936
Other receivable	-	-	-	-	-	1,748	1,748
Notes receivable	-	1,541,505	2,888,670	789,370	-	-	5,219,545
Total assets	\$ 1,082,137	\$ 1,750,938	2,888,670	\$ 1,225,725	\$ 1,303,395	\$ 357,732	\$ 8,608,597
Liabilities							
Accounts payable	\$ 86,565	\$ 188,861	\$ 36,347	\$ -	\$ 21,617	\$ -	\$ 333,390
Other accrued liabilities	-	-	-	-	11,788	-	11,788
Due to other funds	-	318,472	1,800,825	-	-	-	2,119,297
Unearned revenue	9,132	-	51,088	-	-	-	60,220
Total liabilities	95,697	507,333	1,888,260	-	33,405	-	2,524,695
Deferred inflows of resources							
Unavailable revenue	45,302	-	-	-	-	-	45,302
Total deferred inflows of resources	45,302	-	-	-	-	-	45,302
Fund balances							
Nonspendable:							
Notes receivable	-	1,541,505	2,888,670	789,370	-	-	5,219,545
Perpetual maintenance	-	-	-	-	-	357,732	357,732
Restricted:							
Grant programs	941,138	-	-	436,355	-	-	1,377,493
Committed	-	-	-	-	1,269,990	-	1,269,990
Unassigned	-	(297,900)	(1,888,260)	-	-	-	(2,186,160)
Total fund balances	941,138	1,243,605	1,000,410	1,225,725	1,269,990	357,732	6,038,600
Total liabilities, deferred inflows							
of resources and fund balances	\$ 1,082,137	\$ 1,750,938	\$ 2,888,670	\$ 1,225,725	\$ 1,303,395	\$ 357,732	\$ 8,608,597

City of Asheville

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds Year Ended June 30, 2020

	Special Revenue Funds						Total Non-major Governmental Funds
	Grant Programs	Community Development	Affordable Home Ownership	Section 108 Rehabilitation	Sustainability	Permanent Fund	
Revenues:							
Intergovernmental revenue	\$ 1,713,330	\$ 880,961	\$ 1,959,312	\$ -	\$ -	\$ -	\$ 4,553,603
Charges for services	2,450	56,916	-	-	-	-	59,366
Investment earnings	-	-	-	-	-	23,941	23,941
Miscellaneous	103,864	(59,773)	36,536	29,419	-	-	110,046
Total revenues	1,819,644	878,104	1,995,848	29,419	-	23,941	4,746,956
Expenditures:							
Current:							
General government	218,796	-	-	-	399,599	-	618,395
Public safety	766,026	-	-	-	-	-	766,026
Community development	700,201	1,007,924	2,214,700	-	-	-	3,922,825
Transportation	148,543	-	-	-	-	-	148,543
Culture and recreation	118,052	-	-	-	-	497	118,549
Debt service:							
Principal	-	-	125,342	5,241	-	-	130,583
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	1,990,550	1,007,924	2,340,042	5,241	399,599	497	5,743,853
Revenues over (under) expenditures	(170,906)	(129,820)	(344,194)	24,178	(399,599)	23,444	(996,897)
Other financing sources (uses):							
Transfers from other funds	219,580	-	-	-	851,121	-	1,070,701
Transfers to other funds	(24,850)	-	-	-	-	-	(24,850)
Total other financing sources (uses)	194,730	-	-	-	851,121	-	1,045,851
Net change in fund balances	23,824	(129,820)	(344,194)	24,178	451,522	23,444	48,954
Fund balances – beginning	917,314	1,373,425	1,344,604	1,201,547	818,468	334,288	5,989,646
Fund balances – ending	\$ 941,138	\$ 1,243,605	\$ 1,000,410	\$ 1,225,725	1,269,990	\$ 357,732	\$ 6,038,600

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, 2020

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Restricted intergovernmental	\$ 10,248,676	\$ 7,189,375	\$ 1,713,330	\$ -	\$ 8,902,705	\$ (1,345,971)
Charges for services	128,008	126,509	2,450	-	128,959	951
Investment earnings	66,161	66,160	-	-	66,160	(1)
Private donations	545,221	1,130,484	103,864	-	1,234,348	689,127
Total revenues	10,988,066	8,512,528	1,819,644	-	10,332,172	(655,894)
Expenditures:						
General government	424,167	187,566	218,796	-	406,362	17,805
Public safety	6,000,808	4,872,155	766,026	-	5,638,181	362,627
Environmental services	40,335	139	38,932	-	39,071	1,264
Community development	4,042,433	2,439,562	700,201	-	3,139,763	902,670
Transportation	1,637,053	822,588	148,543	-	971,131	665,922
Culture and recreation	326,300	245,321	118,052	-	363,373	(37,073)
Total expenditures	12,471,096	8,567,331	1,990,550	-	10,557,881	1,913,215
Revenues over expenditures	(1,483,030)	(54,803)	(170,906)	-	(225,709)	1,257,321
Other financing sources (uses):						
Transfers from other funds	1,575,926	1,367,614	219,580	-	1,587,194	11,268
Transfers to other funds	(92,896)	(395,497)	(24,850)	-	(420,347)	(327,451)
Total other financing sources (uses)	1,483,030	972,117	194,730	-	1,166,847	(316,183)
Net change in fund balance	\$ -	\$ 917,314	23,824	\$ -	\$ 941,138	\$ 941,138
Fund balance – beginning			<u>917,314</u>			
Fund balance – ending			<u>\$ 941,138</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, 2020**

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Intergovernmental revenue	\$ 18,474,326	\$ 15,719,541	\$ 880,961	\$ -	\$ 16,600,502	\$ (1,873,824)
Charges for services	376,624	357,685	56,916	-	414,601	37,977
Miscellaneous	3,265,275	2,080,367	(59,773)	-	2,020,594	(1,244,681)
Total revenues	22,116,225	18,157,593	878,104	-	19,035,697	(3,080,528)
Expenditures:						
Community development	21,197,369	18,036,128	1,007,924	-	19,044,052	2,153,317
Total expenditures	21,197,369	18,036,128	1,007,924	-	19,044,052	2,153,317
Revenues over expenditures	918,856	121,465	(129,820)	-	(8,355)	(927,211)
Other financing sources (uses)						
Transfer to other funds	(918,856)	(948,274)	-	-	(948,274)	(29,418)
Proceeds from sale of capital assets	-	564,289	-	-	564,289	564,289
Total other financing sources (uses)	(918,856)	(383,985)	-	-	(383,985)	534,871
Net change in fund balance	\$ -	\$ (262,520)	(129,820)	\$ -	\$ (392,340)	\$ (392,340)
Reconciliation of budgetary basis (Non-GAAP) to modified accrual basis:						
Reconciling items:						
Loan repayments			-			
Change in fund balance			(129,820)			
Fund balance – beginning			1,373,425			
Fund balance – ending			\$ 1,243,605			

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, 2020

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Intergovernmental revenue	\$ 20,464,882	\$ 16,295,337	\$ 1,959,312	\$ -	\$ 18,254,649	\$ (2,210,233)
Miscellaneous	1,134,124	964,064	36,536	-	1,000,600	(133,524)
Total revenues	21,599,006	17,259,401	1,995,848	-	19,255,249	(2,343,757)
Expenditures:						
Community development	21,599,006	17,003,447	2,214,700	-	19,218,147	2,380,859
Total expenditures	21,599,006	17,003,447	2,214,700	-	19,218,147	2,380,859
 Net change in fund balance	 \$ -	 \$ 255,954	 (218,852)	 \$ -	 \$ 37,102	 \$ 37,102
Reconciliation of budgetary basis (Non-GAAP) to modified accrual basis:						
Reconciling items						
Loan repayments			(125,342)			
Change in fund balance			(344,194)			
Fund balance – beginning			1,344,604			
Fund balance – ending			<u>\$ 1,000,410</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, 2020

	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	1,671,145	29,419	-	1,700,564	329,899
Total revenues	3,670,665	3,971,151	29,419	-	4,000,570	329,905
Expenditures:						
Current:						
Community development						
Loan 1	1,502,575	1,502,479	-	-	1,502,479	96
Loan 2	773,687	729,041	-	-	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	4,621,221	-	-	4,621,221	112,001
Revenues over (under) expenditures	(1,062,557)	(650,070)	29,419	-	(620,651)	217,904
Other financing sources:						
Transfers from other funds	1,062,557	1,057,006	-	-	1,057,006	(5,551)
Net change in fund balance	\$ -	\$ 406,936	29,419	\$ -	\$ 436,355	\$ 436,355
Reconciliation of budgetary basis (Non-GAAP) to modified accrual basis:						
Reconciling items:						
Loan repayments			(5,241)			
Change in fund balance			24,178			
Fund balance – beginning			1,201,547			
Fund balance – ending			<u>\$ 1,225,725</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, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental revenue	\$ -	\$ -	\$ -
Miscellaneous	-	-	-
Total revenues	-	-	-
Expenditures:			
Current:			
Operations	1,554,502	399,599	1,154,903
Total expenditures	1,554,502	399,599	1,154,903
Revenues over (under) expenditures	(1,554,502)	(399,599)	(1,154,903)
Other financing sources (uses):			
Transfers to other funds	-	-	-
Transfers from other funds	756,268	851,121	(94,853)
Appropriated fund balance	798,234	-	798,234
Total other financing sources (uses)	1,554,502	851,121	703,381
Net change in fund balance	\$ -	451,522	\$ (451,522)
Fund balance – beginning		818,468	
Fund balance – ending		\$ 1,269,990	

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.

Harrah's Cherokee Center - Asheville Fund – This fund accounts for the revenues and expenses related to the City's Harrah's Cherokee Center - Asheville operations.

City of Asheville

Combining Statement of Net Position Non-Major Enterprise Funds June 30, 2020

	Street Cut Utility	Stormwater	Harrah's Cherokee Center Asheville	Total Non-major Enterprise Funds
Assets				
Current assets:				
Cash and investments	\$ 312,621	\$ 4,659,877	\$ 2,540,795	\$ 7,513,293
Cash and investments - restricted	-	-	987,140	987,140
Accounts receivable (net of allowance for uncollectibles)	338,825	445,515	191	784,531
Due from other governments	-	-	273	273
Inventories and prepaids	-	26	134,990	135,016
Total current assets	651,446	5,105,418	3,663,389	9,420,253
Non-current assets:				
Capital assets:				
Assets not being depreciated	-	4,398,939	829,372	5,228,311
Assets being depreciated, net	506,701	7,410,526	14,144,420	22,061,647
Total noncurrent assets	506,701	11,809,465	14,973,792	27,289,958
Total assets	1,158,147	16,914,883	18,637,181	36,710,211
Deferred outflows of resources				
Employer contributions subsequent to the measurement date	42,867	177,152	106,744	326,763
Differences between expected and actual experience	47,959	181,521	107,879	337,359
Change in assumptions and other inputs	41,942	141,822	39,618	223,382
Net difference between projected and actual earnings on pension plan investments	4,773	19,852	11,967	36,592
Total deferred outflows of resources	137,541	520,347	266,208	924,096
Liabilities				
Current liabilities:				
Accounts payable	15,246	202,999	1,994,638	2,212,883
Interest payable	1,265	21,009	25,294	47,568
Other accrued liabilities	29,444	133,628	133,653	296,725
Current portion of long-term liabilities	123,754	576,068	329,604	1,029,426
Total current liabilities	169,709	933,704	2,483,189	3,586,602
Non-current liabilities:				
Long-term liabilities, less current portion	491,114	3,972,402	2,639,780	7,103,296
Total liabilities	660,823	4,906,106	5,122,969	10,689,898
Deferred inflows of resources				
Differences between expected and actual experience	3,668	17,490	10,154	31,312
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,681	97,641	122,921	249,243
Total deferred inflows of resources	32,349	115,131	133,075	280,555
Net position				
Net investment in capital assets	313,888	9,045,696	13,022,889	22,382,473
Unrestricted	288,628	3,368,297	624,456	4,281,381
Total net position	\$ 602,516	\$ 12,413,993	\$ 13,647,345	\$ 26,663,854

City of Asheville

**Combining Statement of Revenues, Expenses
and Changes in Net Position
Non-Major Enterprise Funds
Year Ended June 30, 2020**

	Street Cut Utility	Stormwater	Harrah's Cherokee Center Asheville	Total Non-major Enterprise Funds
Operating revenues:				
Charges for services	\$ 1,862,062	\$ 6,480,838	\$ 986,203	\$ 9,329,103
Rents	-	-	698,641	698,641
Concessions	-	-	1,457,864	1,457,864
Other operating revenue	5,137	1,095	288,016	294,248
Total operating revenues	1,867,199	6,481,933	3,430,724	11,779,856
Operating expenses:				
Administration	1,582,824	1,275,002	1,593,381	4,451,207
Operations	-	3,101,781	2,388,663	5,490,444
Other operating expenses	-	74,843	219,642	294,485
Depreciation	121,582	624,335	606,746	1,352,663
Total operating expenses	1,704,406	5,075,961	4,808,432	11,588,799
Operating income (loss)	162,793	1,405,972	(1,377,708)	191,057
Non-operating revenues (expenses):				
Interest earned	-	81,873	54,480	136,353
Interest and other charges	(3,230)	(81,117)	(62,980)	(147,327)
Total non-operating revenues (expenses)	(3,230)	756	(8,500)	(10,974)
Income (loss) before transfers and capital grants and contributions	159,563	1,406,728	(1,386,208)	180,083
Transfers:				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	1,203,484	1,203,484
Capital grants and contributions	-	-	2,682,774	2,682,774
Changes in net position	159,563	1,406,728	2,500,050	4,066,341
Total net position –beginning	442,953	11,007,265	11,147,295	22,597,513
Total net position – ending	\$ 602,516	\$ 12,413,993	\$ 13,647,345	\$ 26,663,854

City of Asheville

Combining Statement of Cash Flows Non-Major Enterprise Funds Year Ended June 30, 2020

	Street Cut Utility	Stormwater	Harrah's Cherokee Center Asheville	Total Non-major Enterprise Funds
Cash flows from operating activities:				
Cash received from customers, users and others	\$ 1,908,643	\$ 6,357,412	\$ 3,521,935	\$ 11,787,990
Cash paid for goods and services	(1,026,190)	(1,471,261)	(3,839,533)	(6,336,984)
Cash paid to employees	(600,494)	(2,914,049)	(1,484,117)	(4,998,660)
Net cash provided by (used for) operating activities	281,959	1,972,102	(1,801,715)	452,346
Cash flows from non-capital financing activities:				
Transfers (to)/from other funds	-	-	1,203,484	1,203,484
Net cash provided by (used for) non-capital financing activities	-	-	1,203,484	1,203,484
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	-	-	2,682,774	2,682,774
Acquisition and construction of assets	(46,261)	(824,237)	(4,909,677)	(5,780,175)
Proceeds from long-term debt issued	-	207,251	-	207,251
Amortization Premiums on long-term debt issued	-	(7,006)	-	(7,006)
Principal paid on debt	(96,814)	(414,382)	(245,143)	(756,339)
Interest and other charges paid on debt	(3,230)	(81,117)	(84,029)	(168,376)
Net cash provided by (used for) capital and related financing activities	(146,305)	(1,119,491)	(2,556,075)	(3,821,871)
Cash flows from investing activities:				
Interest earned	-	81,873	54,480	136,353
Net increase in cash and cash equivalents	135,654	934,484	(3,099,826)	(2,029,688)
Cash and cash equivalents:				
Beginning of year, July 1	176,967	3,725,393	6,627,761	10,530,121
End of year, June 30	<u>\$ 312,621</u>	<u>\$ 4,659,877</u>	<u>\$ 3,527,935</u>	<u>\$ 8,500,433</u>

(Continued)

City of Asheville

Combining Statement of Cash Flows (Continued)

Non-Major Enterprise Funds

Year Ended June 30, 2020

	Street Cut Utility	Stormwater	Harrah's Cherokee Center Asheville	Total Non-major Enterprise Funds
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 162,793	\$ 1,405,972	\$ (1,377,708)	\$ 191,057
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	121,582	624,335	606,746	1,352,663
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	41,444	(124,521)	91,211	8,134
(Increase) decrease in prepaids and inventories	-	(26)	(61,665)	(61,691)
(Increase) decrease in deferred outflows of resources for pensions	7,149	50,610	29,690	87,449
Increase (decrease) in accounts payable	(43,186)	34,258	(1,178,233)	(1,187,161)
Increase (decrease) in accrued expenses	1,196	8,927	18,068	28,191
Increase (decrease) in compensated absences	(6,982)	(55,747)	(3,110)	(65,839)
Increase (decrease) in pension obligation - LGERS	27,331	112,946	68,056	208,333
Increase (decrease) in OPEB obligation	(18,995)	(53,605)	3,707	(68,893)
Increase (decrease) in deferred inflows of resources for pensions	(10,373)	(31,047)	1,523	(39,897)
Net cash provided by (used for) operating activities	\$ 281,959	\$ 1,972,102	\$ (1,801,715)	\$ 452,346
Reconciliation of cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 312,621	\$ 4,659,877	\$ 2,540,795	\$ 7,513,293
Restricted	-	-	987,140	987,140
Total cash and cash equivalents	\$ 312,621	\$ 4,659,877	\$ 3,527,935	\$ 8,500,433

City of Asheville

Street Cut Utility Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 1,782,078	\$ 1,862,062	\$ 79,984
Intergovernmental revenue	60	5,137	5,077
Total revenues	1,782,138	1,867,199	85,061
Expenditures:			
Operations	1,713,363	1,584,694	128,669
Capital outlay	182,900	46,259	136,641
Debt service:			-
Principal	96,814	96,814	-
Interest and other charges	3,691	3,692	(1)
Total expenditures	1,996,768	1,731,459	265,309
Revenues over (under) expenditures	(214,630)	135,740	(180,248)
Other financing sources (uses):			
Proceeds from long-term debt issued	190,000	-	(190,000)
Appropriated fund balance	24,630	-	(24,630)
Total other financing sources (uses)	214,630	-	(214,630)
Net change in net position	\$ -	135,740	\$ 135,740
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Proceeds from issuance of long term debt		-	
Depreciation		(121,582)	
Capitalized assets		46,259	
Change in compensated absences		27	
Reduction of principal on long-term debt		96,814	
Change in interest payable		462	
Increase in deferred outflows of resources - OPEB		9,448	
Decrease in deferred outflows of resources - pensions		(16,597)	
Decrease in deferred inflows of resources - OPEB		9,871	
Decrease in deferred inflows of resources - pensions		502	
Increase in OPEB liability		18,995	
Increase in net pension liability		(22,220)	
Pension expense		1,844	
Change in net position		\$ 159,563	

City of Asheville

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 6,582,069	\$ 6,480,838	\$ (101,231)
Other operating revenue	-	1,095	1,095
Interest earned	12,000	81,873	69,873
Total revenues	6,594,069	6,563,806	(30,263)
Expenditures:			
Administration	2,294,228	1,275,002	1,019,226
Operations	3,887,560	3,156,543	731,017
Capital outlay	-	-	-
Debt service:			
Principal	414,383	414,382	1
Interest and other charges	74,495	79,264	(4,769)
Total expenditures	6,670,666	4,925,191	1,745,475
Revenues over (under) expenditures	(76,597)	1,638,615	1,715,212
Other financing sources (uses):			
Transfer to Stormwater Capital Projects Fund	(441,231)	(441,231)	-
Proceeds from disposal of capital assets	10,000	-	(10,000)
Appropriated fund balance	507,828	-	(507,828)
Total other financing sources (uses)	76,597	(441,231)	(517,828)
Net change in net position	\$ -	1,197,384	\$ 1,197,384
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Revenues over expenditures and other financing sources:			
Stormwater Capital Projects Fund		(250,597)	
Total		946,787	
Reconciling items:			
Change in allowance for uncollectible accounts		(3,927)	
Proceeds from long term-debt		(207,251)	
Amortization of bond premium/discount		7,006	
Reduction of principal on long-term debt		414,382	
Depreciation		(624,335)	
Increase in deferred outflows of resources - OPEB		17,975	
Decrease in deferred outflows of resources - pensions		(68,586)	
Decrease in deferred inflows of resources - OPEB		28,970	
Decrease in deferred inflows of resources - pensions		2,077	
Decrease in OPEB liability		53,605	
Decrease in net pension liability		66,509	
Capitalized assets		899,079	
Change in interest payable		(1,853)	
Change in compensated absences		32,842	
Pension expense		(156,552)	
Change in net position		\$ 1,406,728	

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, 2020

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ 3,513,012	\$ 3,279,947	\$ -	\$ (1,034,738)	\$ 2,245,209	\$ (1,267,803)
Charges for services	-	-	-	-	-	-
Total revenues	3,513,012	3,279,947	-	(1,034,738)	2,245,209	(1,267,803)
Expenditures:						
Craven Street Improvement	-	2,266,577	-	(2,266,577)	-	-
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	-	34,337	-	(34,337)	-	-
FEMA Skyview Place	48,689	48,689	-	-	48,689	-
Victoria Road	-	164,292	181,371	(345,663)	-	-
RADTIP	635,415	618,456	-	-	618,456	16,959
Five Points Roundabout	-	13,387	-	(13,387)	-	-
French Broad River W. Greenway	48,662	48,662	-	-	48,662	-
Biltmore Avenue Bridge	1,522,000	596,081	-	-	596,081	925,919
Morris Street	1,077,318	851,309	21,870	-	873,179	204,139
Edwin/Celia/Canterbury	4,117,300	387,893	126,269	-	514,162	3,603,138
Lakeshore Drive	-	15,399	-	(15,399)	-	-
McCormick Phase 1	952,500	69,990	-	-	69,990	882,510
Dingle Creek	150,000	-	-	-	-	150,000
Stormwater Fleet Replacement - FY18	-	138,167	-	(138,167)	-	-
Resurfacing/Pipe Replacement - FY18	1,288,423	1,138,572	-	-	1,138,572	149,851
Stormwater Fleet Replacement - FY19	-	413,105	-	(413,105)	-	-
Sulphur Springs	996,000	-	-	-	-	996,000
Lake Craig Sediment	325,331	-	293,655	-	293,655	31,676
Stormwater Fleet Replacement - FY20	225,000	-	126,922	-	126,922	98,078
Carter-Ann SW Improvement	740,000	-	64,590	-	64,590	675,410
Kenilworth/Forest Hill/Caledonia	18,760	-	9,564	-	9,564	9,196
Pebble Creek	725,000	-	74,838	-	74,838	650,162
Total expenditures	15,440,339	8,997,067	899,079	(3,226,635)	6,669,511	8,770,828
Revenues under expenditures	(11,927,327)	(5,717,120)	(899,079)	(2,191,897)	(4,424,302)	7,503,025
Other financing sources:						
Proceeds from long-term debt	7,628,347	2,600,125	207,251	(558,858)	2,248,518	(5,379,829)
Transfers to Stormwater Fund	-	-	-	-	-	-
Transfers from Stormwater Fund	4,298,980	4,922,309	441,231	(598,301)	4,765,239	466,259
Total other financing sources	11,927,327	7,522,434	648,482	(1,157,159)	7,013,757	(4,913,570)
Net change in net position	\$ -	\$ 1,805,314	\$ (250,597)	\$ -	\$ 2,589,455	\$ 2,589,455

City of Asheville

Harrah's Cherokee Center - Asheville Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 848,000	\$ 986,203	\$ 138,203
Rents	884,100	698,641	(185,459)
Concessions	1,687,000	1,457,864	(229,136)
Other operating revenue	297,593	260,526	(37,067)
Interest earned	20,000	54,480	34,480
Total revenues	3,736,693	3,457,714	(278,979)
Expenditures:			
Administration	1,747,008	1,593,381	153,627
Operations	3,141,738	2,508,439	633,299
Capital outlay	-	-	-
Debt service:			
Principal	245,143	245,143	-
Interest and other charges	86,483	86,483	-
Total expenditures	5,220,372	4,433,446	786,926
Revenues under expenditures	(1,483,679)	(975,732)	507,947
Other financing sources (uses):			
Transfers from other funds	1,135,109	1,135,109	-
Transfers to Harrah's Cherokee Center Capital Projects	(50,000)	(50,000)	-
Appropriated fund balance	398,570	-	(398,570)
Total other financing sources (uses)	1,483,679	1,085,109	(398,570)
Net change in net position	\$ -	109,377	\$ 109,377
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		(2,300,682)	
Total		(2,191,305)	
Reconciling items:			
Depreciation		(606,746)	
Reduction of principal on long-term debt		245,143	
Amortization of premium on long-term debt		21,049	
Capitalized assets		5,129,321	
Change in interest payable		2,454	
Increase in deferred outflows of resources - OPEB		11,638	
Decrease in deferred outflows of resources - pensions		(41,328)	
Increase in deferred inflows of resources - OPEB		(2,774)	
Decrease in deferred inflows of resources - pensions		1,251	
Increase in OPEB liability		(3,707)	
Decrease in net pension liability		34,920	
Change in compensated absences		(7,730)	
Pension expense		(92,136)	
Change in net position		\$ 2,500,050	

City of Asheville

Harrah's Cherokee Center - Asheville

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From Inception and for the Year Ended June 30, 2020

	Project Authorization	Prior Years	Current Year	Project Closure	Total To Date	Variance Positive (Negative)
Revenues:						
Capital grants and contributions	\$ 5,350,000	\$ 719,009	\$ 2,682,774	\$ -	\$ 3,401,783	\$ (1,948,217)
Other revenue	160,000	127,217	27,490	-	154,707	(5,293)
Total revenues	5,510,000	846,226	2,710,264	-	3,556,490	(1,953,510)
Expenditures:						
Thomas Wolfe Fire Exits	90,000	11,442	42,154	-	53,596	36,404
General Improvements	-	90,667	-	(90,667)	-	-
Center Maintenance	1,289,410	487,626	26,703	-	514,329	775,081
Thomas Wolfe Roof	-	179,953	-	(179,953)	-	-
TPDF Theater Project	5,253,654	1,364,797	3,761,710	-	5,126,507	127,147
Thomas Wolfe Renovations	660,000	107,114	298,532	-	405,646	254,354
Civic Center Improvements	1,632,000	-	738,601	-	738,601	893,399
Civic Center Brand Change	268,000	-	255,765	-	255,765	12,235
Water Mitigation	855,000	17,870	5,856	-	23,726	831,274
Total expenditures	10,048,064	2,259,469	5,129,321	(270,620)	7,118,170	2,929,894
Revenues over (under) expenditures	(4,538,064)	(1,413,243)	(2,419,057)	270,620	(3,561,680)	976,384
Other financing sources:						
Proceeds from long-term debt issued	1,320,312	-	-	-	-	(1,320,312)
Transfer to Civic Center Fund	(60,000)	(60,000)	-	-	(60,000)	-
Transfers from Harrah's Cherokee Center	1,322,038	1,272,038	50,000	-	1,322,038	-
Transfers from other funds	1,955,714	2,164,582	68,375	(270,620)	1,962,337	6,623
Total other financing sources	4,538,064	3,376,620	118,375	(270,620)	3,224,375	(1,313,689)
Net change in net position	\$ -	\$ 1,963,377	\$ (2,300,682)	\$ -	\$ (337,305)	\$ (337,305)

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, 2020

	General Insurance	Health	Workers' Compensation	Property and Casualty	Total Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 1,193,802	\$ 5,396,607	\$ 4,050,160	\$ 4,100,746	\$ 14,741,315
Accounts receivable (net of allowance for uncollectibles)	-	976,945	72,301	200	1,049,446
Other receivables	-	145,571	-	-	145,571
Total current assets	1,193,802	6,519,123	4,122,461	4,100,946	15,936,332
Total assets	1,193,802	6,519,123	4,122,461	4,100,946	15,936,332
Deferred outflows of resources					
Pension deferrals	-	65,510	-	15,413	80,923
Total deferred outflows of resources	-	65,510	-	15,413	80,923
Liabilities					
Current liabilities:					
Accounts payable	-	233,318	333,142	67,591	634,051
Other accrued liabilities	-	-	-	3,995	3,995
Estimated claims payable, current	-	1,158,480	-	-	1,158,480
Total current liabilities	-	1,391,798	333,142	71,586	1,796,526
Non-current liabilities:					
Net pension liability	-	112,395	-	26,885	139,280
Estimated claims payable, long-term	-	-	1,505,794	2,667,598	4,173,392
Total liabilities	-	1,504,193	1,838,936	2,766,069	6,109,198
Deferred inflows of resources					
Pension deferrals	-	1,855	-	436	2,291
Total deferred inflows of resources	-	1,855	-	436	2,291
Net position					
Unrestricted	\$ 1,193,802	\$ 5,078,585	\$ 2,283,525	\$ 1,349,854	\$ 9,905,766

City of Asheville

**Combining Statement of Revenues, Expenses
and Changes in Fund Net Position**

Internal Service Funds

Year Ended June 30, 2020

	General Insurance	Health	Workers' Compensation	Property and Casualty	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ -	\$ 15,216,156	\$ 1,473,974	\$ 2,241,402	\$ 18,931,532
Other operating revenue	-	1,357,159	652,446	124,946	2,134,551
Total operating revenues	-	16,573,315	2,126,420	2,366,348	21,066,083
Operating expenses:					
Administration	-	763,220	57,661	569,939	1,390,820
Benefits	-	15,769,802	1,616,656	1,291,352	18,677,810
Total operating expenses	-	16,533,022	1,674,317	1,861,291	20,068,630
Operating income	-	40,293	452,103	505,057	997,453
Non-operating revenues:					
Interest earned	-	117,739	80,989	81,049	279,777
Total non-operating revenues	-	117,739	80,989	81,049	279,777
Income before transfers and capital grants and contributions	-	158,032	533,092	586,106	1,277,230
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	(359,706)	(359,706)
Change in net position	-	158,032	533,092	226,400	917,524
Total net position – beginning	1,193,802	4,920,553	1,750,433	1,123,454	8,988,242
Total net position – ending	\$ 1,193,802	\$ 5,078,585	\$ 2,283,525	\$ 1,349,854	\$ 9,905,766

City of Asheville

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2020**

	General Insurance	Health	Workers' Compensation	Property and Casualty	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers, users and others	\$ -	\$ 16,501,320	\$ 2,113,961	\$ 2,743,915	\$ 21,359,196
Cash paid for goods and services	-	(16,476,287)	(1,870,363)	(2,044,234)	(20,390,884)
Cash paid to employees	-	(72,949)	-	6,782	(66,167)
Net cash provided (used) by operating activities	-	(47,916)	243,598	706,463	902,145
Cash flows from non-capital financing activities:					
Transfers to other funds	-	-	-	(359,706)	(359,706)
Net cash used for non-capital financing activities	-	-	-	(359,706)	(359,706)
Cash flows from investing activities:					
Interest earned	-	117,739	80,989	81,049	279,777
Net change in cash and cash equivalents	-	69,823	324,587	427,806	822,216
Cash and cash equivalents:					
Beginning of year, July 1	1,193,802	5,326,784	3,725,573	3,672,940	13,919,099
End of year, June 30	\$ 1,193,802	\$ 5,396,607	\$ 4,050,160	\$ 4,100,746	\$ 14,741,315
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ -	\$ 40,293	\$ 452,103	\$ 505,057	\$ 997,453
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	-	(71,995)	(12,459)	377,567	293,113
(Increase) decrease in deferred outflows of resources for pensions	-	9,176	-	2,308	11,484
Increase (decrease) in accounts payable	-	56,735	79,839	(19,749)	116,825
Increase (decrease) in other accrued liabilities	-	(96,960)	-	742	(96,218)
Increase (decrease) in estimated claims payable	-	-	(275,885)	(163,194)	(439,079)
Increase (decrease) in pension obligation - LGERS	-	15,112	-	3,802	18,914
Increase (decrease) in deferred inflows of resources for pensions	-	(277)	-	(70)	(347)
Net cash provided (used) by operating activities	\$ -	\$ (47,916)	\$ 243,598	\$ 706,463	\$ 902,145

City of Asheville

Health Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 15,626,337	\$ 15,216,156	\$ (410,181)
Other operating revenue	925,000	1,357,159	432,159
Interest earned	40,000	117,739	77,739
Total revenues	16,591,337	16,691,054	99,717
Expenditures:			
Administration	1,244,349	763,220	481,129
Benefits	15,450,861	15,769,802	(318,941)
Total expenditures	16,695,210	16,533,022	162,188
Revenues over (under) expenditures	(103,873)	158,032	(62,471)
Other financing sources (uses):			
Appropriated fund balance	103,873	-	(103,873)
Net change in net position	\$ -	158,032	\$ (158,032)
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Pension expense		-	
Change in estimate for claims incurred but not reported		-	
Change in net position		\$ 158,032	

City of Asheville

Workers' Compensation Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 1,571,647	\$ 1,473,974	\$ (97,673)
Other operating revenue	570,353	652,446	82,093
Interest earned	15,000	80,989	65,989
Total revenues	<u>2,157,000</u>	<u>2,207,409</u>	<u>50,409</u>
Expenditures:			
Administration	167,456	57,661	109,795
Benefits	2,031,000	1,892,541	138,459
Total expenditures	<u>2,198,456</u>	<u>1,950,202</u>	<u>248,254</u>
Revenues over expenditures	(41,456)	257,207	(197,845)
Other financing sources:			
Appropriated fund balance	41,456	-	(41,456)
Net change in net position	<u>\$ -</u>	<u>257,207</u>	<u>\$ (239,301)</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Change in estimate for claims incurred but not reported		<u>275,885</u>	
Change in net position		<u>\$ 533,092</u>	

City of Asheville

Property and Casualty Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 2,141,403	\$ 2,241,402	\$ 99,999
Other operating revenue	419,706	124,946	(294,760)
Interest earned	4,000	81,049	77,049
Total revenues	<u>2,565,109</u>	<u>2,447,397</u>	<u>(117,712)</u>
Expenditures:			
Administration	752,455	563,899	188,556
Benefits	1,728,344	1,454,546	273,798
Total expenditures	<u>2,480,799</u>	<u>2,018,445</u>	<u>462,354</u>
Revenues over expenditures	84,310	428,952	344,642
Other financing sources (uses):			
Appropriated fund balance	275,396	-	(275,396)
Transfers In	-	-	-
Transfers out	(359,706)	(359,706)	-
Total other financing sources (uses)	<u>(84,310)</u>	<u>(359,706)</u>	<u>-</u>
Net change in net position	<u>\$ -</u>	69,246	<u>\$ 344,642</u>
Reconciliation of budgetary basis (Non-GAAP) to full accrual basis:			
Reconciling items:			
Pension expense		(6,040)	
Change in estimate for claims incurred but not reported		163,194	
Change in net position		<u>\$ 226,400</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, 2020

	Balance			Balance
	July 1, 2019	Additions	Deletions	June 30, 2020
<hr/> Metropolitan Sewer District Agency Fund:				
Assets				
Cash and investments	\$ 642,423	\$ 26,649,806	\$ 26,717,374	\$ 574,855
Due from customers	2,002,638	27,490,948	27,199,854	2,293,732
	<hr/>			
Total assets	\$ 2,645,061	\$ 54,140,754	\$ 53,917,228	\$ 2,868,587
	<hr/>			
Liabilities				
Due to other governments	\$ 2,645,061	\$ 27,240,126	\$ 27,016,600	\$ 2,868,587
	<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, 2020**

	Taxes Receivable July 1, 2019	Additions	Collections and Other Reductions	Taxes Receivable June 30, 2020
Fiscal years ended June 30:				
2010 and prior	\$ 69,841	\$ -	\$ 36,768	\$ 33,073
2011	32,008	-	179	31,829
2023	34,733	-	210	34,523
2013	38,537	-	419	38,118
2014	41,029	-	7,360	33,669
2015	8,976	-	839	8,137
2016	4,300	-	55	4,245
2017	3,744	-	(116)	3,860
2018	7,140	-	606	6,534
2019	30,323	-	16,848	13,475
2020	-	69,164,328	68,934,378	229,950
	<u>\$ 270,631</u>	<u>\$ 69,164,328</u>	<u>\$ 68,997,546</u>	<u>437,413</u>
Less allowance for uncollectable ad valorem tax receivable				<u>(185,614)</u>
Ad valorem taxes receivable, net				<u><u>\$ 251,799</u></u>
Ad valorem taxes receivable, net				\$ 251,799
Motor vehicle licenses and taxes collected, but due from the State				<u>466,290</u>
General Fun Property taxes receivable per the fund financial statement (exhibit C)				<u><u>\$ 718,089</u></u>
Reconciliation to revenues collected:				
Revenue, general fund				\$ 69,095,854
Motor vehicle licenses and taxes receivable from the State				(466,290)
Increase (decrease) in allowance for uncollectible taxes				(36,361)
Other adjustments				<u>404,343</u>
Collections and other reductions				<u><u>\$ 68,997,546</u></u>

City of Asheville

Analysis of Current Tax Levy and Secondary Market Disclosures

City-Wide Levy

Year Ended June 30, 2020

	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	\$ 16,067,523,553	\$ 0.4289	\$ 68,913,609	\$ 65,808,780	\$ 3,104,829
Discoveries	112,615,756	Various	491,691	491,691	-
Releases	(56,183,642)	0.4289	(240,972)	(240,972)	-
Total property valuation	\$ 16,123,955,667				
Net levy			69,164,328	66,059,499	3,104,829
Uncollected taxes at June 30, 2020			(229,950)	(229,950)	-
Current year's taxes collected			\$ 68,934,378	\$ 65,829,549	\$ 3,104,829
Current levy collection percentage			99.67%	99.65%	100.00%
Secondary market disclosures:					
Assessed valuation:					
Assessment ratio				100%	
Real property				\$ 14,131,541,584	
Personal property				1,068,918,438	
Public service companies				199,590,492	
Motor vehicles				723,905,153	
Total assessed valuation				\$ 16,123,955,667	
Tax rate per \$100				0.4289	
Total tax levy (excluding penalties)				\$ 69,164,328	

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

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)**

	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	\$ 154,318	\$ 145,401	\$ 139,093	\$ 134,534
Restricted	13,358	16,287	13,044	15,967
Unrestricted	19,880	19,810	24,067	25,131
Total governmental activities net position	\$ 187,556	\$ 181,498	\$ 176,204	\$ 175,632
Business-type activities:				
Net investment in capital assets	\$ 125,135	\$ 126,834	\$ 130,733	\$ 138,358
Restricted	-	-	-	-
Unrestricted	45,807	50,947	52,999	55,313
Total business-type activities net position	\$ 170,942	\$ 177,781	\$ 183,732	\$ 193,671
Primary government:				
Net investment in capital assets	\$ 279,453	\$ 272,235	\$ 269,826	\$ 272,892
Restricted	13,358	16,287	13,044	15,967
Unrestricted	65,687	70,757	77,066	80,444
Total primary government net position	\$ 358,498	\$ 359,279	\$ 359,936	\$ 369,303

(Continued)

2015	2016	2017	2018	2019	2020
\$ 141,191	\$ 131,310	\$ 106,280	\$ 92,930	\$ 113,451	\$ 130,826
13,577	26,269	59,437	61,829	62,152	56,744
28,112	38,261	4,275	13,188	12,240	9,778
\$ 182,880	\$ 195,840	\$ 169,992	\$ 167,947	\$ 187,843	\$ 197,348
\$ 135,964	\$ 146,854	\$ 153,910	\$ 175,742	\$ 193,433	\$ 213,000
-	-	-	-	-	-
68,114	73,315	82,152	73,246	73,581	69,448
\$ 204,078	\$ 220,169	\$ 236,062	\$ 248,988	\$ 267,014	\$ 282,448
\$ 277,155	\$ 278,164	\$ 260,190	\$ 268,672	\$ 306,884	\$ 343,826
13,577	26,269	59,437	61,829	62,152	56,744
96,226	111,576	86,427	86,434	85,821	79,226
\$ 386,958	\$ 416,009	\$ 406,054	\$ 416,935	\$ 454,857	\$ 479,796

(Continued)

City of Asheville

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

	2011	2012	2013	2014
Expenses:				
Governmental activities:				
General government	\$ 18,381	\$ 17,924	\$ 15,049	\$ 17,909
Public safety	44,323	46,574	49,988	45,206
Environmental services	10,111	9,834	9,869	6,083
Community development	6,493	5,193	5,389	8,682
Transportation	14,233	16,154	14,693	17,456
Culture and recreation	10,932	11,708	10,665	9,923
Interest on long-term debt	861	975	662	856
Total governmental activities expenses	105,334	108,362	106,315	106,115
Business-type activities:				
Water resources	31,045	30,810	31,539	28,107
Parking services	1,920	2,177	2,446	3,121
Street cut utility	1,073	1,423	1,337	1,417
Stormwater	2,771	2,618	2,596	3,318
U.S. cellular center	2,510	2,855	3,137	3,636
Mass transit	5,751	6,042	7,654	7,293
Golf course	979	925	2,081	-
Festivals	654	-	-	-
Total business-type activities expenses	46,703	46,850	50,790	46,892
Total primary government expenses	\$ 152,037	\$ 155,212	\$ 157,105	\$ 153,007

(Continued)

2015	2016	2017	2018	2019	2020
\$ 18,461	\$ 19,710	\$ 32,078	\$ 15,618	\$ 14,402	\$ 14,352
46,311	46,350	52,690	61,135	53,705	56,601
6,099	5,848	5,676	6,928	6,043	5,645
8,054	8,065	9,337	11,486	11,036	21,244
14,654	6,533	7,996	6,503	20,342	22,714
10,423	11,765	11,156	14,752	10,507	7,820
757	791	724	1,431	2,225	2,551
104,759	99,062	119,657	117,853	118,260	130,927
28,733	27,536	27,470	27,903	30,262	33,101
3,288	3,550	3,870	4,692	4,678	3,919
1,407	1,464	1,477	1,625	1,719	1,708
4,069	4,614	5,240	5,131	5,724	5,157
3,726	3,598	3,977	4,839	4,672	4,871
7,143	6,993	7,552	9,515	11,248	12,237
-	-	-	-	-	-
-	-	-	-	-	-
48,366	47,755	49,586	53,705	58,303	60,993
\$ 153,125	\$ 146,817	\$ 169,243	\$ 171,558	\$ 176,563	\$ 191,920

(Continued)

City of Asheville

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

	2011	2012	2013	2014
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 7,999	\$ 9,849	\$ 7,682	\$ 8,262
Public safety	3,750	4,385	4,572	1,622
Other activities	3,149	3,874	4,116	8,402
Operating grants and contributions	5,422	6,762	7,275	6,092
Capital grants and contributions	8,616	6,159	4,474	3,240
Total governmental activities				
program revenues	28,936	31,029	28,119	27,618
Business-type activities:				
Charges for services:				
Water resources	33,617	34,354	33,634	34,186
Parking services	2,928	3,253	3,876	4,385
Street cut utility	40	1,388	1,446	1,350
Stormwater	3,131	3,036	3,172	3,149
U.S. cellular center	2,594	1,696	2,320	2,418
Mass transit	1,253	1,152	1,121	1,281
Golf course	742	794	255	-
Festivals	492	-	-	-
Operating grants and contributions	2,983	3,541	2,840	2,504
Capital grants and contributions	3,310	2,991	6,198	4,973
Total business-type activities				
program revenues	51,090	52,205	54,862	54,246
Total primary government				
program revenues	\$ 80,026	\$ 83,234	\$ 82,981	\$ 81,864
Net expense (revenue):				
Governmental activities	\$ (76,398)	\$ (77,333)	\$ (78,196)	\$ (78,497)
Business-type activities	4,387	5,355	4,072	7,355
Total primary government				
net expense	\$ (72,011)	\$ (71,978)	\$ (74,124)	\$ (71,142)

(Continued)

2015		2016		2017		2018		2019		2020	
\$	9,414	\$	8,595	\$	22,300	\$	9,552	\$	10,514	\$	10,501
	1,348		1,468		1,472		3,306		738		723
	8,452		9,650		11,626		11,140		12,527		11,201
	7,325		5,184		5,600		3,245		4,217		2,442
	7,887		4,209		3,526		7,443		5,902		4,682
	34,426		29,106		44,524		34,686		33,898		29,549
	35,564		37,765		38,659		39,204		39,517		40,167
	5,221		5,311		5,251		6,030		6,712		5,191
	1,461		1,625		1,722		1,733		1,679		1,867
	5,036		5,329		5,614		5,852		6,298		6,482
	1,622		2,236		2,997		4,104		3,420		3,431
	1,215		1,139		997		1,051		1,026		850
	-		-		-		-		-		-
	-		-		-		-		-		-
	2,818		2,789		2,828		836		6,408		2,415
	3,760		4,166		3,760		7,570		4,029		6,985
	56,697		60,360		61,828		66,380		69,089		67,388
\$	91,123	\$	89,466	\$	106,352	\$	101,066	\$	102,987	\$	96,937
\$	(70,333)	\$	(69,956)	\$	(75,133)	\$	(83,167)	\$	(84,362)	\$	(101,378)
	8,331		12,605		12,242		11,841		10,786		6,395
\$	(62,002)	\$	(57,351)	\$	(62,891)	\$	(71,326)	\$	(73,576)	\$	(94,983)

(Continued)

City of Asheville

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

	2011	2012	2013	2014
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 45,979	\$ 46,521	\$ 46,836	\$ 52,052
Sales taxes	14,718	15,752	16,569	17,250
Other taxes	956	735	741	890
Unrestricted grants and contributions	8,511	8,661	10,415	8,682
Investment earnings and miscellaneous	585	784	775	1,337
Transfers out	(2,333)	(1,179)	(2,434)	(2,286)
Total general revenues, transfers and special item	68,416	71,274	72,902	77,925
Business-type activities:				
Miscellaneous	200	305	254	298
Transfers in	2,333	1,179	2,434	2,286
Total business-type activities change in net position	2,533	1,484	2,688	2,584
Total primary government	\$ 70,949	\$ 72,758	\$ 75,590	\$ 80,509
Changes in net position:				
Governmental activities	\$ (7,982)	\$ (6,059)	\$ (5,294)	\$ (572)
Business-type activities	6,920	6,839	6,760	9,939
Total primary government	\$ (1,062)	\$ 780	\$ 1,466	\$ 9,367

	2015		2016		2017		2018		2019		2020
\$	51,783	\$	52,407	\$	55,473	\$	62,957	\$	65,094	\$	69,096
	21,372		20,941		22,455		24,876		26,123		26,922
	540		669		684		688		927		1,042
	13,058		11,200		11,408		8,980		14,637		17,860
	1,199		782		(284)		8,166		2,206		2,734
	(3,133)		(3,083)		(5,125)		(5,153)		(4,728)		(6,772)
	84,819		82,916		84,611		100,514		104,259		110,882
	450		404		361		745		2,510		2,265
	3,133		3,082		5,125		5,153		4,728		6,772
	3,583		3,486		5,486		5,898		7,238		9,037
\$	88,402	\$	86,402	\$	90,097	\$	106,412	\$	111,497	\$	119,919
\$	14,486	\$	12,960	\$	9,478	\$	17,347	\$	19,897	\$	9,504
	11,914		16,091		17,728		17,739		18,024		15,432
\$	26,400	\$	29,051	\$	27,206	\$	35,086	\$	37,921	\$	24,936

City of Asheville

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

	2011 (a)	2012	2013	2014
General fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Non-spendable	465	448	471	469
Restricted	5,995	6,663	7,196	9,426
Committed	-	-	893	623
Assigned	73	1,052	-	6,545
Unassigned	13,102	13,626	15,485	15,040
Total general fund	\$ 19,635	\$ 21,789	\$ 24,045	\$ 32,103
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved as reported in:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Non-spendable	324	324	317	317
Restricted	3,978	5,489	5,530	6,224
Committed	4,006	14,920	8,921	915
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other government funds	\$ 8,308	\$ 20,733	\$ 14,768	\$ 7,456

(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.

2015 (b)	2016	2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
7,407	7,558	8,660	8,081	7,046	10,747
12,394	15,039	13,659	16,238	15,692	23,104
842	1,134	1,541	1,632	2,167	3,201
8,683	16,605	20,493	33,484	34,294	38,845
16,647	18,010	20,091	18,289	23,808	18,066
\$ 45,973	\$ 58,346	\$ 64,444	\$ 77,724	\$ 83,007	\$ 93,963
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
4,613	4,585	317	314	6,272	5,577
866	1,185	45,460	45,999	46,126	1,378
-	-	-	-	818	1,270
-	-	-	-	-	-
(3,535)	(61)	(30,099)	(14,894)	(31,047)	(3,092)
\$ 1,944	\$ 5,709	\$ 15,678	\$ 31,419	\$ 22,169	\$ 5,133

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)

	2011	2012	2013	2014
Revenues:				
Taxes	\$ 61,595	\$ 63,024	\$ 64,202	\$ 70,192
Intergovernmental	17,637	16,938	15,064	14,697
Licenses and permits	5,224	4,542	5,213	5,585
Charges for services	6,114	7,491	7,182	9,055
Private donations	-	-	-	-
Investment earnings	116	151	85	173
Miscellaneous	2,467	2,222	1,947	2,017
Total revenues	93,153	94,368	93,693	101,719
Expenditures:				
Current:				
General government	13,851	13,459	10,502	13,177
Public safety	41,743	42,038	47,174	45,721
Environmental services	9,734	13,286	9,504	5,609
Community development	6,457	5,127	5,349	6,081
Transportation	4,246	2,241	4,542	7,267
Culture and recreation	9,253	9,973	9,048	8,314
Capital outlay	5,740	6,892	6,288	9,837
Debt service:				
Principal	3,654	3,168	4,093	3,516
Interest	841	1,010	723	1,201
Total expenditures	95,519	97,194	97,223	100,723
Revenues over/under expenditures	(2,366)	(2,826)	(3,530)	996
Other financing sources (uses):				
Transfer from other funds	3,651	3,570	1,936	1,152
Transfer to other funds	(5,984)	(4,749)	(4,369)	(3,343)
Long-term debt issued	64	28,758	2,143	1,591
Payment to defease long-term debt	-	(10,506)	-	-
Sale of capital assets	1,100	332	111	351
Total other financing sources (uses)	(1,169)	17,405	(179)	(249)
Net change in fund balance	\$ (3,535)	\$ 14,579	\$ (3,709)	\$ 747
Debt service as a percentage of non-capital expenditures	5.01%	4.63%	5.30%	5.19%

2015	2016	2017	2018	2019	2020
\$ 71,901	\$ 77,901	\$ 56,196	\$ 87,836	\$ 92,346	\$ 97,060
20,519	19,626	23,138	20,824	21,974	24,984
5,974	4,526	21,518	5,078	5,739	5,528
9,459	10,405	5,957	12,485	13,065	12,430
-	-	12,533	-	-	-
142	331	221	517	2,179	1,870
2,457	2,178	2,925	3,179	4,976	4,579
110,452	114,967	122,488	129,919	140,279	146,451
18,427	16,266	15,551	9,875	7,428	12,284
44,840	44,233	49,224	52,502	55,667	58,150
5,669	5,422	5,668	5,845	6,399	6,313
8,524	8,132	9,565	13,697	10,096	23,196
6,826	4,867	5,287	16,473	17,256	6,502
9,072	10,297	9,718	9,782	9,554	8,826
15,458	16,809	19,292	26,043	33,521	42,104
3,906	4,150	5,712	5,058	6,817	6,440
1,105	1,133	1,063	1,371	2,225	2,495
113,827	111,309	121,080	140,646	148,963	166,310
(3,375)	3,658	1,408	(10,727)	(8,684)	(19,859)
1,107	913	2,719	4,040	9,413	7,421
(3,788)	(3,932)	(7,727)	(9,038)	(14,182)	(13,834)
2,815	27,525	7,288	7,250	9,255	41,713
-	-	-	-	-	(22,176)
347	38	315	37,497	232	582
481	24,544	2,595	39,749	4,718	13,706
\$ (2,894)	\$ 28,202	\$ 4,003	\$ 29,022	\$ (3,966)	\$ (6,153)
5.09%	5.59%	6.66%	5.61%	7.83%	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:				
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
2020	69,096	26,922	1,042	97,060

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)
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
2020	8,184,918	8,999,867	(3,053,243)	14,131,450	723,905	985,420

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

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

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

Note:

The levy of property taxes each year is based on the assessed value of taxable property as of January 1, preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at time of revaluation. Revaluation of real property is required by statute at least once every eight years, but is done every four years in Buncombe County. Revaluations were effective in fiscal years 2014 and 2018.

Public Service Assessed Value	Total Taxable Assessed Value (a)	Total City Direct Tax Rate (b)	Sales Assessment Ratio (c)
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%
199,590	16,040,057	0.429	84.33%

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)	
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	0.407	0.022	0.430	0.529	0.120	1.078
2020	0.407	0.022	0.430	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, 2020			June 30, 2011		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
MH Mission Hospital LLLP	\$ 1,010,374	1	6.22%	\$ -	-	-
GPI Resort Holdings LLC	121,526	2	0.75%	-	-	-
New Belgium Brewing Company Inc	112,601	3	0.69%	-	-	-
Linamar North Caroline Inc	110,032	4	0.68%	-	-	-
Ingles Markets	103,087	5	0.63%	90,000	5	0.31%
Asheville Mall CMBS LLC	95,657	6	0.59%	-	-	0.00%
Town Square West LLC	90,496	7	0.56%	119,489	1	0.41%
MHG Asheville	75,565	8	0.47%	-	-	-
Duke Energy Progress Inc.	69,455	9	0.43%	90,036	3	0.31%
Asheville Retail Associates LLC	63,897	10	0.39%	-	-	0.00%
Unison Engine Components	-	-	-	34,593	7	0.12%
Day International Inc	-	-	-	30,155	8	0.10%
Jack Tar Hotel	-	-	-	102,512	2	0.36%
Bellsouth Telephone Co. dba AT&T North Carolina	-	-	-	39,959	6	0.14%
Asheville LLC	-	-	-	78,939	4	0.27%
Power Development	-	-	-	28,922	9	0.10%
Biltmore Commercial Properties	-	-	-	25,801	10	0.09%
	<u>\$ 1,852,690</u>		<u>11.41%</u>	<u>\$ 640,406</u>		<u>2.21%</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
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%
2020	69,164	68,934	99.67%	230	-	68,934	99.67%

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		
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
2020	27,581,965	74,167,288	101,749,253	63.00%	1,089

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
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
-	74,268,261	10,353,907	186,371,421	4.39%	1,995

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	\$ 95,734	(a)	100.00%	\$ 95,734
Overlapping debt (b):				
Buncombe County	<u>434,252</u>		40.99%	<u>177,991</u>
Total direct and overlapping debt	<u><u>\$ 529,986</u></u>			<u><u>\$ 273,725</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	15,109,412	1,208,753	189,274	1,019,479	15.66%
2020	16,123,956	1,289,916	159,448	1,130,468	12.36%

(a) Excludes debt not applicable to the limit.

Notes:

	2019	2020
(1) Calculation for net debt applicable to debt limit:		
Governmental general obligation bonds (includes related premium & discount)	\$ 23,170	\$ 25,961
General obligation bonds authorized, not issued (2)	51,000	49,075
Installment financing contracts	114,991	84,325
Other debt agreements	232	196
Gross outstanding debt	189,393	159,557
Statutory deductions:		
Incurred for Water Enterprise System	(119)	(109)
Net debt applicable to debt limit	\$ 189,274	\$ 159,448

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
2020		40,167		22,625	17,542	3,490	2,201

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
5,691	3.08	10	5,701	3.08

City of Asheville

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

	Pledged Funds				
Utility Taxes	8,659				
Article 39	13,181				
Article 40	4,648				
Article 42	6,384				
Article 44	3,310				
FY20 Total Pledged Funds	34,625				
	Pledged Funds	Special Obligation		Parity Obligation	
Fiscal Year		Principal	Interest	Principal	Interest
2018	31,643	-	260	-	-
2019	34,625	860	641	-	-
2020	36,182	860	602	-	-

*Pledged funds as defined by the Revenue Bond Order

*Bonds originated in fiscal year 2018

Total SOB & Parity	Pledged Funds minus	Subordinate Debt		Total Subordina te Debt	Coverag e
		Principal	Interest		
260	260	0	0	0	N/A
1,501	641	0	0	0	23.07
1,462	602	0	0	0	24.75

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)
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	45,433	4,200,372	4,460	3.30%
2020	93,413	(e)	(e)	4,526	8.80%

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	2020			2011		
		Rank	Percent of		Rank	Percent of	
			Employees	Total		Employees	Total
			Range	Employed		Range	Employed
MH Hospital Manager LLC	Health Care and Social Assistance	1	1000+	0.83%	1	1000+	0.87%
Buncombe County Board of Education	Educational Services	2	1000+	0.83%	2	1000+	0.87%
Ingles Markets, Inc	Retail Trade	3	1000+	0.83%	3	1000+	0.87%
Veterans Administration	Health Care and Social Assistance	4	1000+	0.83%	4	1000+	0.87%
Biltmore Workforce Management, Inc	Arts, Entertainment, and Recreation	5	1000+	0.83%	8	500-999	0.87%
County of Buncombe	Public Administration	6	1000+	0.83%	5	1000+	0.87%
City of Asheville	Public Administration	7	1000+	0.83%	7	1000+	0.87%
Wal-Mart Associates Inc.	Retail Trade	8	1000+	0.83%	6	1000+	0.87%
Mission Community Anesthesiology Sp	Health Care and Social Assistance	9	1000+	0.83%			
A-B Technical Community College	Educational Services	10	1000+	0.83%	11	500-999	0.65%
Eaton Corporation	Manufacturing	11	1000+	0.83%	10	500-999	0.65%
Asheville City Schools	Educational Services	12	500-999	0.62%	17	500-999	0.65%
UNC Asheville	Educational Services	13	500-999	0.62%			
Kendro Laboratory Products LP	Manufacturing	14	500-999	0.62%	15	500-999	0.65%
Omni Hotels Management Corp.	Accommodation and Food Services	15	500-999	0.62%	12	500-999	0.65%
NC Dept Of Health & Human Services	Public Administration	16	500-999	0.62%	13	500-999	0.65%
Unison Engine Components	Manufacturing	17	500-999	0.62%			
Ymca of Western North Carolina	Other Services (except Public Administration)	18	500-999	0.62%			
Lowes Home Centers, Inc.	Retail Trade	19	500-999	0.62%			
Mountain Area Health Education Center	Health Care and Social Assistance	20	500-999	0.62%			

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

City of Asheville

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

Service Function	2011	2012 ^(a)	2013	2014	2015 ^(c)	2016 ^(d)	2017	2018	2019	2020
Primary government:										
General government	223	103	110	122	134	149	158	170	168	151
Public safety:	482									
Fire department	-	258	244	259	257	261	261	261	271	277
Police department	-	251	242	241	279	283	284	300	301	301
Building safety	-	42	40	41	-	-	-			
Environmental services	-	58	47	38	37	38	44	45	46	59
Community and economic development		28	24	21	64	75	78	71	78	81
Transportation	97	42	47	54	65	52	54	54	52	59
Culture and recreation	92	96	83	100	94	91	93	95	95	96
Business type:										
Water resources	142	139	139	143	148	149	155	155	155	162
Parking services	-	15	17	20	22	22	23	26	27	29
Street cut utility	-	12	9	9	10	11	11	11	11	11
Stormwater	-	27	22	27	30	39	39	46	47	52
U.S. Cellular Center	-	16	14	15	16	17	23	23	22	26
Mass transit	-	3	3	3	3	3	4	4	4	4
Golf course (b)	-	10	-	-	-	-	-	-	-	-
Total city government employees	1,036	1,100	1,041	1,093	1,159	1,190	1,227	1,259	1,277	1,308

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	2011	2012	2013	2014
Police:				
Number of police personnel and officers	254	251	242	241
Number of calls for service	110,059	111,230	115,348	113,448
Number of law violations:				
Uniform crime report part I crimes reported	3,804	5,194	5,304	5,597
Uniform crime report part II crimes reported	3,518	5,076	5,172	4,756
Accidents investigated	6,240	6,565	6,771	5,025
Number of physical arrests	5,904	6,352	628	5,453
Number of traffic violations	9,304	7,278	5,056	3,693
Number of incident reports	7,308	10,280	10,476	10,353
Fire:				
Number of fire personnel and officers	239	258	244	259
Number of calls answered	14,110	14,216	15,012	15,012
Inspections	10,480	11,215	8,077	3,397
Water:				
Number of service connections	55,921	56,419	56,900	57,516
Maximum daily capacity of plants in gallons	43,500,000	43,500,000	43,500,000	43,500,000
Daily average consumption in in gallons	20,600,000	21,050,000	20,130,000	19,700,000
Education:				
Number of preschool instructors	13	12	11	11
Number of elementary school instructors	152	176	158	186
Number of middle school instructors	63	71	65	75
Number of secondary school instructors	83	112	97	118
Miscellaneous:				
Number of full-time equivalent employees	1,063	1,100	1,041	1,093
Area in square miles	45.52	45.79	45.73	45.73

Sources: Various City departments and Asheville City Schools.

(a) Not available

2015	2016	2017	2018	2019	2020
283	283	293	205	301	301
113,702	116,977	118,773	123,108	136,904	177,656
4,701	4,859	4,677	5,042	5,879	6,291
5,019	5,716	5,928	6,708	6,067	6,580
6,859	6,294	6,586	6,586	7,002	7,135
5,622	4,911	4,728	4,479	4,527	4,260
10,005	9,869	7,651	4,672	6,078	6,314
9,720	10,575	10,717	11,665	11,946	15,296
261	261	261	261	270	277
16,897	17,979	18,793	20,019	20,290	18,915
9,112	10,137	8,022	8,094	7,643	7,227
58,289	58,570	60,916	63,252	63,980	58,209
43,500,000	43,500,000	43,500,000	43,500,000	43,500,000	43,500,000
20,400,000	19,900,000	20,160,000	20,080,000	20,300,000	20,330,000
10	24	9	16	12	12
190	157	180	195	191	200
74	68	72	90	86	88
128	118	113	121	91	105
1,155	1,188	1,227	1,261	1,276	1,308
45.25	45.25	45.25	45.25	45.53	45.60

City of Asheville

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	2011	2012	2013	2014
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)	402	403	404	404
Street lights	9,868	9,872	9,810	9,804
Traffic lights	295	295	295	295
Culture and recreation:				
Parks acreage	872	874	874	874
Parks and playgrounds	59	59	59	59
Swimming pools	3	3	3	3
Tennis courts	26	26	26	26
Community centers	11	11	11	11
Water:				
Water mains (miles)	1,661	1,666	1,673	1,674
Fire hydrants	6,644	6,736	6,780	6,846
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	1,057	1,052

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.

2015	2016	2017	2018	2019	2020
1/6	1/6	1/6	1/6	1/6	1/6
3	3	3	3	3	4
13	13	13	13	13	16
12	12	12	12	12	12
404	405	405	405	405	406
10,189	10,200	10,250	10,250	10,251	10,500
295	300	300	300	316	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
1,681	1,691	1,695	1,699	1,702	1,703
6,916	6,977	7,070	7,230	7,400	7,597
3	3	3	3	3	3
2	2	1	1	1	1
5	5	5	6	6	6
1	1	1	2	2	2
1	1	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	3	3
1,039	1,002	1,039	1,039	1,088	1,009

City of Asheville

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

	2015	2016	2017	2018	2019	2020
Water bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Street and sidewalk bonds	-	-	-	-	-	-
Refunding bonds	-	-	-	-	-	20,825
GO Anticipation Notes	-	-	-	6,905	12,305	5,066
General government bonds	570	470	370	270	170	70
Total debt outstanding	\$ 570	\$ 470	\$ 370	\$ 7,175	\$ 12,475	\$ 25,961

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
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
2020	25,961	16,123,956	0.1610%	93,413	278	172,609

(a) Real property in the City was revalued in 2018 for the first time since 2014.

(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, 2020

	Sewer Lines		Firefighting Equipment		Bond Anticipation Notes	
	Existing Debt		Existing Debt		Existing Debt	
Fiscal Year	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
2000-01		\$ 32,022		\$ 16,503		
2001-02	\$ 65,990	128,466	\$ 34,010	66,209		
2002-03	65,990	125,315	34,010	64,585		
2003-04	65,990	122,114	34,010	62,936		
2004-05	65,990	118,881	34,010	61,269		
2005-06	65,990	115,647	34,010	59,603		
2006-07	65,990	112,414	34,010	57,936		
2007-08	65,990	109,180	34,010	56,270		
2008-09	65,990	105,947	34,010	54,603		
2009-10	65,990	102,713	34,010	52,937		
2010-11	65,990	99,480	34,010	51,270		
2011-12	65,990	96,246	34,010	49,604		
2012-13	65,990	93,013	34,010	47,937		
2013-14	65,990	89,746	34,010	46,254		
2014-15	65,990	86,447	34,010	44,553		
2015-16	65,990	83,147	34,010	42,853		
2016-17	65,990	79,848	34,010	41,152		
2017-18	65,990	76,548	34,010	39,452		
2018-19	65,990	73,249	34,010	37,751		\$ 138,417
2019-20	65,990	69,949	34,010	36,051	\$ 22,175,550	22,354,975
2020-21	46,193	47,348	23,807	24,402	-	152,582
2021-22	-	-	-	-	-	156,942
2022-23	-	-	-	-	5,065,971	156,942
2023-24	-	-	-	-	-	-
2024-25	-	-	-	-	-	-
2025-26	-	-	-	-	-	-
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
2028-29	-	-	-	-	-	-
2029-30	-	-	-	-	-	-
2030-31	-	-	-	-	-	-
2031-32	-	-	-	-	-	-
2032-33	-	-	-	-	-	-
2033-34	-	-	-	-	-	-
2034-35	-	-	-	-	-	-
2035-36	-	-	-	-	-	-
2036-37	-	-	-	-	-	-
2037-38	-	-	-	-	-	-
2038-39	-	-	-	-	-	-
2039-40	-	-	-	-	-	-
	\$ 1,300,003	\$ 1,967,720	\$ 669,997	\$ 1,014,130	\$ 27,241,521	\$ 22,959,858

Refunding Bonds		Total	
Existing Debt		Existing Debt	
Principal	Principal & Interest	Principal	Principal & Interest
			\$ 48,525
		\$ 100,000	194,675
		100,000	189,900
		100,000	185,050
		100,000	180,150
		100,000	175,250
		100,000	170,350
		100,000	165,450
		100,000	160,550
		100,000	155,650
		100,000	150,750
		100,000	145,850
		100,000	140,950
		100,000	136,000
		100,000	131,000
		100,000	126,000
		100,000	121,000
		100,000	116,000
		100,000	249,417
		22,275,550	22,460,975
\$ 1,040,000	\$ 1,620,630	1,110,000	1,844,962
1,045,000	1,522,466	1,045,000	1,679,408
1,045,000	1,508,985	6,110,971	1,665,927
1,040,000	1,490,400	1,040,000	1,490,400
1,040,000	1,476,048	1,040,000	1,476,048
1,040,000	1,461,176	1,040,000	1,461,176
1,040,000	1,444,848	1,040,000	1,444,848
1,040,000	1,427,480	1,040,000	1,427,480
1,045,000	1,409,600	1,045,000	1,409,600
1,045,000	1,357,350	1,045,000	1,357,350
1,040,000	1,300,100	1,040,000	1,300,100
1,040,000	1,248,100	1,040,000	1,248,100
1,045,000	1,211,500	1,045,000	1,211,500
1,040,000	1,185,600	1,040,000	1,185,600
1,040,000	1,164,800	1,040,000	1,164,800
1,040,000	1,144,000	1,040,000	1,144,000
1,040,000	1,123,200	1,040,000	1,123,200
1,040,000	1,102,400	1,040,000	1,102,400
1,040,000	1,081,600	1,040,000	1,081,600
1,040,000	1,060,800	1,040,000	1,060,800
\$ 20,825,000	\$ 26,341,083	\$ 50,036,521	\$ 52,282,791

City of Asheville

**Schedule of Payments for Outstanding Financings
As of June 30, 2020**

Fiscal Year	Principal	Total Principal and Interest Payments
2020-21	27,622,022	30,278,995
2021-22	7,825,988	9,876,207
2022-23	11,247,432	13,081,480
2023-24	5,759,932	7,280,214
2024-25	4,754,795	6,116,024
2025-26	3,135,360	4,360,340
2026-27	3,094,368	4,199,360
2027-28	3,097,655	4,082,478
2028-29	3,099,893	3,966,898
2029-30	3,097,130	3,832,893
2030-31	3,081,081	3,694,784
2031-32	3,075,557	3,572,413
2032-33	2,464,575	2,868,004
2033-34	2,459,575	2,799,517
2034-35	2,459,575	2,736,129
2035-36	2,459,575	2,672,742
2036-37	2,459,575	2,608,893
2037-38	2,459,575	2,544,156
2038-39	1,040,000	1,081,600
2039-40	1,040,000	1,060,800
Total remaining payments	\$ 95,733,662	\$ 112,713,927

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, 2021**

	General Fund	Enterprise Funds
Estimated revenues:		
Ad valorem taxes	\$ 71,397,852	\$ -
Other taxes	27,330,684	-
Intergovernmental revenues	13,303,886	2,859,045
Licenses and permits	5,502,450	748,000
Sales and services	11,891,328	43,711,395
Investment earning	550,000	471,193
Miscellaneous revenues	3,289,140	6,787,700
Total estimated revenues	133,265,340	54,577,333
Appropriations:		
Current:		
General government	90,544,397	-
Public safety	15,095,025	-
Transportation	1,795,668	7,753,407
Environmental services	1,649,366	6,338,849
Economic and physical development	3,326,021	-
Culture and recreation	2,927,289	-
Civic Center	-	3,723,569
Water	-	27,546,478
Mass transit	-	12,256,653
Debt service	9,680,088	5,176,572
Total appropriations	125,017,854	62,795,528
Estimated revenues over (under) appropriations	8,247,486	(8,218,195)
Other financing sources (uses):		
Operating transfers from other funds:		
General fund	-	7,929,670
Enterprise funds	-	1,576,875
Grant fund	-	-
Capital project fund	23,457	-
Operating transfers to other funds:		
General fund	-	-
Enterprise funds	(7,929,670)	(394,219)
Grant fund	-	-
Capital project fund	(1,093,047)	(1,211,402)
Other funds	(875,399)	-
Proceeds of capital leases	-	100,000
Appropriated fund balances	1,627,173	217,271
Total other financing sources (uses)	(8,247,486)	8,218,195
Estimated revenues and other sources over appropriations and other uses	\$ -	\$ -

City of Asheville

Current Water Rate Information
Effective July 1, 2020

Consumption Charge Rate Increase

Per CCF (Hundred Cubic Feet or 748 gallons per unit of water)	Current CCF Rate
Single 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**

	2011	2012	2013	2014
Total number of accounts:				
Residential single family	46,683	47,149	47,589	47,810
Residential multi-family	1,580	1,537	1,487	1,451
Non-residential	4,633	4,712	4,763	4,860
Total number of accounts	52,896	53,398	53,839	54,121
Total number of bills:				
Residential single family	282,423	282,330	290,669	288,535
Residential multi-family	10,242	9,562	9,474	8,692
Non-residential	28,572	28,104	28,757	29,907
Total number of bills	321,237	319,996	328,900	327,134
Annual usage volume (in thousands of gallons):				
Residential single family	2,699,304	2,757,400	2,774,177	2,746,714
Residential multi-family	983,663	936,952	946,852	958,903
Non-residential	2,669,466	2,669,541	2,691,711	2,722,144
Total annual usage volume	6,352,433	6,363,893	6,412,740	6,427,761

(a) City of Asheville Water Resources Department

2015	2016	2017	2018	2019	2020
48,498	49,057	49,858	50,393	50,583	50,895
1,467	1,473	1,503	1,681	1,722	1,694
4,961	5,220	5,212	5,315	5,685	5,620
54,926	55,750	56,573	57,389	57,990	58,209
293,579	297,389	301,459	304,791	314,001	312,988
8,956	9,038	9,136	10,049	10,538	10,451
30,442	31,522	31,803	32,852	33,678	34,779
332,977	337,949	342,398	347,692	358,217	358,218
2,776,912	2,854,189	2,933,571	2,823,451	2,030,142	2,097,256
996,330	1,038,574	1,044,508	1,112,452	846,855	897,179
2,875,165	3,083,139	3,380,859	3,238,271	2,446,214	2,327,092
6,648,407	6,975,902	7,358,938	7,174,174	5,323,211	5,321,527

City of Asheville

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

	2014	2015	2016	2017	2018	2019	2020
Operating revenues	\$ 34,186	\$ 35,564	\$ 37,764	\$ 38,659	\$ 39,204	\$ 39,517	\$ 40,167
Operation and maintenance expense	(17,795)	(18,135)	(18,649)	(19,209)	(19,907)	(21,378)	(22,634)
Operating income before depreciation	16,391	17,429	19,115	19,450	19,297	18,139	17,533
Depreciation	(7,386)	(7,376)	(7,292)	(6,932)	(7,164)	(6,675)	(6,009)
Operating income	9,005	10,053	11,823	12,518	12,133	11,464	11,524
Non-operating revenues (expenses):							
Investment income	177	175	349	206	552	1,661	1,511
Non-operating income (expenses)	31	256	11	104	(48)	(16)	(1,943)
Bond interest expense	(2,926)	(3,222)	(1,595)	(1,330)	(832)	(1,889)	(2,487)
Net income	6,287	7,262	10,588	11,498	11,805	11,220	8,605
Adjustments to net income:							
Depreciation	7,386	7,376	7,292	6,932	7,164	6,675	6,009
Non-operating expenses	2,926	3,222	1,595	1,330	832	1,889	2,487
Net revenues (revenue available for debt service)	\$ 16,599	\$ 17,860	\$ 19,475	\$ 19,760	\$ 19,801	\$ 19,784	\$ 17,101
Debt service coverage:							
Total senior lien obligations debt service	\$ 5,933	\$ 5,925	\$ 5,611	\$ 5,358	\$ 5,359	\$ 5,513	\$ 5,691
Senior debt service coverage	2.80	3.01	3.47	3.69	3.69	3.59	3.04
Subordinated debt service	\$ 487	\$ 175	\$ 170	\$ 165	\$ 10	\$ 10	\$ 10
Subordinated debt service coverage	19.47	61.43	74.95	80.79	1,337.02	1,316.84	1,049.98
Total system debt service	\$ 6,420	\$ 6,100	\$ 5,781	\$ 5,523	\$ 5,369	\$ 5,523	\$ 5,701
Total system debt service coverage	2.59	2.93	3.37	3.58	3.69	3.58	3.04

(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

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 16, 2021. Our report includes a reference to another auditor 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be a material weakness.

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 financial statements. 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*.

City of Asheville's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 VS LLP

Greensboro, North Carolina
March 16, 2021

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
by the Uniform Guidance**

Independent Auditor's Report

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, 2020. 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, 2020.

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

Greensboro, North Carolina
March 16, 2021

**Report on Compliance for Each Major State Program and
Report on Internal Control Over Compliance
Required by the State Single Audit Implementation Act**

Independent Auditor's Report

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, 2020. 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, 2020.

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 State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purposes.

RSM US LLP

Greensboro, North Carolina
March 16, 2021

City of Asheville

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended June 30, 2020

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	No
Significant deficiency identified?		Yes	✓ None Reported
Noncompliance material to financial statements noted?		Yes	✓ No

Federal Awards

Internal control over major programs:

Material weakness identified?	Yes	✓	No
Significant deficiency identified?	Yes	✓	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 ✓ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.019	Coronavirus Relief Fund
20.933	National Infrastructure Investments

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes No

(Continued)

City of Asheville

Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended June 30, 2020

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	Non-State System Street-Aid Allocation (Powell Bill)
DOT-9	State Maintenance Assistance Program

(Continued)

City of Asheville

Schedule of Findings and Questioned Costs (Continued) Fiscal Year Ended June 30, 2020

Section II. Financial Statement Findings

Material Weakness in Internal Control – Year- End Closeout Finding 2020-001

Criteria: Year-end closeout procedures should be performed timely and accurately to facilitate the timely preparation of the financial statements to meet established North Carolina Local Government Commission requirements.

Condition: In performing our audit, it was noted the City of Asheville's Finance Department experienced significant delays in the year-end accounting and reporting process. In addition, basic footnote schedules were not prepared accurately or timely to facilitate meeting the required reporting deadline.

Effect: Significant adjustments were required to financial statement accounts and year-end footnote schedules related to:

- The Local Government Employee's Retirement System pension liability, deferred inflows and outflows of resources allocations
- Other Post-Employment Benefit liability, deferred inflows and outflows of resources allocations
- Capital asset footnote schedules
- Legal settlement accrued liabilities
- Unbilled revenues in the Water Resources Fund
- Water Resources Fund customer credit accrual
- Calculation of the net investment in capital assets
- Compensated absences
- Contributed water/sewer infrastructure assets
- Water/Sewer customer deposits and credits

Cause: Lack of documented policies and procedures around the year-end closeout process magnified by significant turnover in the Finance Department in positions responsible for the financial reporting process.

Recommendation: We recommend the City establish and document effective policies and controls around the year-end closeout process to allow any person with the appropriate skills, knowledge, and experience to perform the year-end closeout procedures in an accurate and timely manner. Additionally, those procedures should include a review of year-end working papers by an additional person with the skills knowledge and experience of financial reporting to ensure accuracy.

Views of Responsible Officials: Management concurs with the finding. See Corrective Action Plan.

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
FINANCE
P.O. Box 7148
Asheville, NC 28802
Phone: (828) 259-5598
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Corrective Action Plan

Finding 2020-001

The City agrees with the recommendation and the following actions have been taken: A Controller has been hired and has started at the City and the Finance Director position is currently filled on an interim basis with applicants for the permanent position being reviewed. These positions will enable the Finance Department to have an additional level of review for close-out procedures. In addition, by the end of the fourth quarter fiscal year 2021, the Finance Department will have documentation in the form of checklists and guidelines for monthly reconciliations and year-end close out procedures.

Estimated Completion Date: June 30, 2021

Responsible Party: Tony McDowell, Interim Chief Financial Officer

Debra D. Campbell
City Manager

Tony McDowell
Interim Chief Financial Officer



City of Asheville, North Carolina

Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2020

No Findings for fiscal year June 30, 2019

City of Asheville

Schedule Federal and State Awards
June 30, 2020

Grantor/Pass-Through Grantor/Program Title	CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS					
<u>U.S. Treasury</u>					
Passed through North Carolina State Treasurer:					
Passed through Buncombe County Government					
Coronavirus Relief Fund	21.019	Unknown	\$ 670,357	\$ -	\$ -
Coronavirus Relief Fund-Fire Districts	21.019	Unknown	4,246	-	-
Total U.S. Treasury			674,603	-	-
<u>U.S. Department of Housing and Urban Development</u>					
Direct Programs					
Community Development Block Grants Cluster					
Community Development Block Grants	14.218	N/A	880,961	-	860,785
Total Community Development Block Grants Cluster			880,961	-	860,785
HOME Investment Partnerships Program					
	14.239	N/A	1,959,312	-	1,959,312
Passed Through NC Department of Health and Human Services:					
Emergency Solutions Grant Program	14.231	00031610	126,906	-	110,904
Continuum of Care Program	14.267	NC0292L4F011200	59,102	-	21,763
Continuum of Care Program Planning	14.267	NC0292L4F011200	16,753	-	-
Total Continuum of Care Program			75,855	-	21,763
Total U.S. Department of Housing and Urban Development			3,043,034	-	2,952,764

(Continued)

City of Asheville

Schedule Federal and State Awards (Continued)
June 30, 2020

Grantor/Pass-Through Grantor/Program Title	CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Transportation</u>					
<u>U.S. Department of Justice</u>					
Direct Programs					
OCDETF Overtime Reimbursement Grant	Unknown	N/A	\$ 2,722	\$ -	\$ -
Bulletproof Vest Partnership 2018	16.607	N/A	9,915	-	-
Bulletproof Vest Partnership 2019	16.607	N/A	2,610	-	-
Total Bulletproof Vest Partnership			12,525		
Justice Assistance Grant - BJA - 2017	16.738	N/A	10,599	-	10,599
Justice Assistance Grant - BJA - 2018	16.738	N/A	11,741	-	11,741
Total Justice Assistance Grant			22,340	-	22,340
Total U.S. Department of Justice			37,587	-	22,340
Direct Programs					
Metropolitan Transportation Planning and State Non-Metropolitan Planning & Research	20.505	N/A	132,235	5,880	-
Federal Transit Cluster:					
Federal Transit Administration Formula Grants	20.507	N/A	377,822	-	287,159
Bus and Bus Facilities	20.507	N/A	295,948	-	
Total Federal Transit Cluster			673,770	-	287,159
Transit Services Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	80,136	-	80,136
Job Access and Reverse Commute	20.516	N/A	411,445	-	255,952
Total Transit Services Cluster			491,581	-	336,088
National Infrastructure Investments Discretionary Grants (TIGER VI)	20.933	N/A	4,256,698	-	-

(Continued)

City of Asheville

Schedule Federal and State Awards (Continued)
June 30, 2020

Grantor/Pass-Through Grantor/Program Title	CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
Passed through NC Department of Transportation:					
Highway Planning and Construction Cluster:					
STPDA Moving Ahead for Progress (MAP 21)	20.205	U-5019	\$ 21,062	\$ -	\$ -
LPMO - Greenway Connectors	20.205	2000004590	46,144	-	-
Total Highway Planning and Construction Cluster			67,206	-	-
Highway Safety Cluster					
State and Community Highway Safety	20.600	Unknown	23,148	-	8,833
Total Highway Safety Cluster			23,148	-	8,833
Total Passed through NC Department of Transportation			90,354	-	8,833
Total U.S. Department of Transportation			5,644,638	5,880	632,080
<u>Executive Office of the President</u>					
Passed through Office of National Drug Control Policy					
High Intensity Drug Trafficking Areas Program	95.001	G15GA0006A	238,463	-	-
Total Executive Office of the President			238,463	-	-
<u>U.S. Department of Homeland Security</u>					
Passed through NC Department of Public Safety:					
FEMA Staffing for Adequate Fire and Emergency Response (SAFR)	97.083	Unknown	125,039	-	-
Homeland Security Grant Program	97.067	Unknown	30,000	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Unknown	84,511	-	-
Total U.S. Dept. of Homeland Security			239,550	-	-
Total Federal Awards Expended			9,877,875	5,880	3,607,184

(Continued)

City of Asheville

Schedule Federal and State Awards (Continued)
June 30, 2020

Grantor/Pass-Through Grantor/Program Title	CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
STATE AWARDS					
<u>N.C. Department of Transportation</u>					
Powell Bill	DOT-4	2000003703	\$ -	\$ 2,421,186	\$ -
State Maintenance Assistance Program	DOT-9	13-SM-002	-	1,124,810	-
Apprentice/Intern Grant	N/A	36223.4.4.1	-	32,686	-
Total N.C. Department of Transportation			-	3,578,682	-
<u>N.C. Department of Health and Human Services</u>					
Passed through Land of Sky Regional Council:					
Senior Center Gen'l Purpose - Senior Opportunity	N/A	HB-1473	-	3,524	-
Senior Center Gen'l Purpose - Harvest House	N/A	HB-1473	-	3,524	-
Total N.C. Department of Health and Human Services			-	7,048	-
<u>N.C. Department of Natural and Cultural Resources</u>					
Parks and Rec Trust Fund	DNCR-6	N/A	-	350,000	-
Total N.C. Department of Natural and Cultural Resources			-	350,000	-
<u>N.C. Department of Environmental Quality</u>					
Community Waste Reduction and Recycling Grant	N/A	6553	-	29,985	-
Total N.C. Department of Environmental Quality			-	29,985	-
<u>N.C. Department of Public Safety</u>					
RRT6 2015 Operating Allotment	N/A	1901-536902-1506-8064	-	55,532	-
Total N.C. Department of Public Safety			-	55,532	-
Total Federal and State Awards Expended			\$ 9,877,875	\$ 4,027,127	\$ 3,607,184

See notes to the schedule of expenditures of federal and state awards.

City of Asheville

Notes to the Schedule of Expenditures of Federal and State Awards June 30, 2020

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, 2020. 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.