

**CITY OF ASHEBORO,
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2005

Prepared by:

Finance Department

Deborah P. Juberg
Finance Officer

CITY OF ASHEBORO, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		i-viii
GFOA Certificate		ix
Organizational Chart		x
List of Principal Officials		xi
FINANCIAL SECTION		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-12
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	13
Statement of Activities	2	14
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	5	18
Statement of Net Assets – Proprietary Fund	6	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	7	20

CITY OF ASHEBORO, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

TABLE OF CONTENTS (Continued)

	<u>Exhibit/ Schedule</u>	<u>Page</u>
FINANCIAL SECTION (Continued)		
Fund Financial Statements (Concluded):		
Statement of Cash Flows – Proprietary Fund	8	21
Notes to Basic Financial Statements		22-46
Required Supplemental Financial Data:		
Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress		48
Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions		49
Combining and Individual Financial Statements and Schedules:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	1	51-65
Combining Balance Sheet - Nonmajor Governmental Funds	2	68-69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	3	70-71
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – From Inception:		
Home Program Special Revenue Fund	4	72-73
Economic Development Special Revenue Fund	5	74-75
Police Computer Grant Fund	6	76-77
Cemetery Improvement Fund	7	78-79

CITY OF ASHEBORO, NORTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

TABLE OF CONTENTS (Continued)

	<u>Schedule</u>	<u>Page</u>
FINANCIAL SECTION (Concluded)		
Combining and Individual Financial Statements and Schedules (Concluded):		
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - From Inception (Concluded):		
Downtown Farmer's Market Capital Project Fund	8	80-81
North Fayetteville Street Sidewalk Capital Project Fund	9	82-83
Asheboro Skate Park Capital Project Fund	10	84-85
Airport Runway Extension Phase III Capital Project Fund	11	88-89
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):		
Water and Sewer Fund	12	91-97
Water and Sewer Systems Improvement Capital Project Fund	13	98-99
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedules by Source	14	103
Schedule by Function and Activity	15	104-105
Schedule of Changes by Function and Activity	16	106
Other Supplemental Information:		
Schedule of Ad Valorem Taxes Receivable	17	108
Analysis of Current Tax Levy	18	109
STATISTICAL SECTION		
General Governmental Expenditures By Function - Last Ten Fiscal Years	<u>Table</u> 1	<u>Page</u> 111
General Governmental Revenues By Source - Last Ten Fiscal Years	2	112

CITY OF ASHEBORO, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

TABLE OF CONTENTS (Concluded)

	<u>Table</u>	<u>Page</u>
STATISTICAL SECTION (Concluded)		
Property Tax Levies and Collections - Last Ten Fiscal Years	3	113
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	4	114
Property Tax Rates Per \$100 Assessed Valuation - Direct and Overlapping Entities - Last Ten Fiscal Years	5	115
Property Tax Levies – Direct and Overlapping Entities - Last Ten Fiscal Years	5A	116
Special Assessment Billings and Collections - Last Ten Fiscal Years	6	117
Computation of Legal Debt Margin	7	118
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	8	119
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years	9	120
Computation of Direct and Overlapping Bonded Debt	10	121
Demographic Statistics – Last Ten Fiscal Years	11	122
Property Value, Construction, and Bank Deposits - Last Ten Fiscal Years	12	123
Principal Taxpayers	13	124
Miscellaneous Statistics	14	125-129



City of Asheboro

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The Mayor and the City Council
City of Asheboro
Asheboro, North Carolina

December 29, 2005

The Comprehensive Annual Financial Report of the City of Asheboro, North Carolina, for the fiscal year ending June 30, 2005, is submitted for your approval. This report summarizes the financial transactions of all of the City's funds and account groups into statements of financial position, results of operations and cash flows, providing relevant disclosures and supplementary schedules to enhance their usefulness to readers. These financial statements have been audited by Maxton C. McDowell, CPA and their report is included herein. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. We believe the information in this report is accurate in all material respects and presents fairly the financial position, results of operations and cash flows of the City's various funds and account groups. We have included all the disclosures needed to enable the users of these financial statements to gain maximum understanding of the City's financial activities.

The *Comprehensive Annual Financial Report* is presented in three sections: (1) Introductory, (2) Financial and (3) Statistical.

The *Introductory Section* portion consists of this transmittal letter, The Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2004, the City's organizational chart and a listing of the City's principal officials.

The *Financial Section* includes the independent auditors' report, the management's discussion and analysis (MD&A), the Basic Financial Statements composed of government-wide and fund financial statements, with supporting statements included and notes to the financial statements deemed necessary to present fairly the financial position of the City. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of the MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Asheboro's MD&A can be found immediately following the report of the independent auditors.

Finally, the *Statistical Section* includes selected financial, demographic and economic data to allow trend analysis of past performance of the City as an entity and as a community.

This report covers all funds and account groups that are controlled by or dependent upon the City.

CITY PROFILE:

The City of Asheboro has a population of 22,709 and covers 15.34 square miles. Located in the center of the state, its proximity to Charlotte, the Greensboro-High Point area and Raleigh provides great opportunity for growth as the regional economy expands and diversifies. Asheboro serves as the intersection for four major highways, U.S. 220, U.S. 311, U.S. 64 and NC 49, which connect these major cities. Asheboro is 75 miles west of Raleigh, 300 miles north of Atlanta and 480 miles south of New York. The City is served by Norfolk and Southern Railway.

The City is empowered to levy a property tax on the appraised value of all real and certain categories of tangible personal property located in the City. The County is the only other unit levying such taxes within the City's corporate limits. The City is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City operates as a Council-Manager form of government. The Council is the policy-making and legislative body of City government and includes a Mayor and 7 Council members who are elected at large to represent the entire city and who serve staggered terms. The Mayor is the presiding officer of the Council and will vote only in the event of a tie. A Mayor Pro Tempore is selected by the Council from its members.

The City Manager is appointed by the Council as *Chief Executive Officer* and is responsible for carrying out the policies and ordinances of the Council and administering the daily operations and programs of the City through appointed department directors and staff members.

The City of Asheboro provides a full range of services for its citizens: police and fire protection, refuse collection, an airport, recreational facilities and programs, street construction and maintenance and general administration and infrastructure. In addition to these general government functions, the City provides and maintains a water and sewer system, which is included in the reporting entity. Although a related activity, the Asheboro Housing Authority does not meet the established criteria for inclusion in the reporting entity and, accordingly, is excluded from this report.

The City's accounting records are organized and operated on the basis of funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other assets, related liabilities and equities and revenue and expenditures.

The City has four fund types: general governmental, special revenue, capital projects and enterprise. The general governmental fund accounts for all current financial resources not required to be accounted for in another fund. The City has one such fund, the General Fund, which accounts for the ongoing, routine municipal operations independent of the Water and Sewer Fund. Special revenue funds are used where specified revenues are required to be expended for a specific purpose. Capital project funds account for the revenues and expenditures involved in the construction or acquisition of a major capital asset. All of the foregoing fund types report on the modified accrual basis, where revenue is recognized when measurable and available and expenditures are recognized as incurred.

Unlike the other fund types, an enterprise fund uses accounting methods that closely resemble those of a for-profit business. The enterprise fund is financed by user fees and, ideally, generates sufficient revenue to cover its own operating expenditures, service its debt and provide for replacement or expansion of facilities. Unlike the other funds, an enterprise fund accounts for its assets and long-term debt within its

CITY PROFILE (concluded):

own fund structure. The City of Asheboro has one enterprise fund, the Water and Sewer Fund.

The annual budget serves as the foundation for the City's financial planning and control. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year for all funds for which an annual budget is required. The City's General Fund and Water and Sewer Fund operate under budgets adopted on an annual basis. The special revenue and capital project funds exist for specific purposes that may span more than a year, so their budgets are adopted on multi-year basis. In either situation, the City Council must adopt any budget before it becomes effective. The City Manager may make transfers of appropriations between line items within a department. Only the Council can approve amendments affecting the total appropriation per department or on the project level. The North Carolina General Statutes require an encumbrance system and a finance officer certification that funds are available prior to the placement of all purchase orders and contracts. Encumbrance accounting is used to insure that the City does not exceed the spending limits established by these budgets.

In addition to the budgetary controls described above, the City's management is responsible for establishing and maintaining other internal controls to insure the proper use and adequate safeguarding of municipal assets and to provide reasonable assurance that all transactions are recorded promptly and accurately for subsequent reporting in accordance with generally accepted accounting principles. Management believes that the internal control structure now in place provides reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits it is likely to produce, and that the valuation of these costs and benefits requires estimation based on the judgment of management.

ECONOMIC CONDITION AND OUTLOOK

Asheboro enjoys a wide variety of manufacturing oriented employers. Textiles, furniture, consumer goods and paper products comprise the backbone of the area's manufacturing economy. In addition to the wide array of manufacturing employers, many of which appear on our principal taxpayers list, this area is also a large banking and professional services sector. The local economy has been under pressure recently due to factors facing our manufacturing employers. However, the City's diversity and quantity of large and small industry has combined to provide the area with a historically low unemployment rate of around 4.8%, which is below the state average of 5.6%.

Growth, as measured by tax valuation, increased 1.12%. The last countywide revaluation was in 2002. The local economy remains steady. Local retail sales have grown and home sales have been consistent. In the fiscal year ending June 30, 2005, 139 permits were issued for new property construction amounting to \$19,397,696. New residential housing permits issued were 117 for a total value of \$8,292,000 for the period ending June 30, 2005, down from 128 for a total of 96 units valued at \$12,600,000 for the previous year. However, new commercial permits for the period ending June 30, 2005, were 22 at a value of \$11,105,696 compared to 11 units with a value of \$5,026,705 for the previous fiscal year.

The availability of an educated work force is always an important issue. In 1990, the residents of Randolph County voted for a \$32,000,000 school bond issue to help improve the education of our children and insure a brighter future. The final phase of construction for the Asheboro City Schools system is completed. The commitment of area residents to high ideals bodes well for attracting and

ECONOMIC CONDITION AND OUTLOOK (concluded)

retaining new business ventures.

The North Carolina Zoological Park is located just to our southeast. Over 900,000 people who visit the zoo each year have enhanced tourism in the area, resulting in new motel construction and the addition of several new restaurants in recent years.

MAJOR INITIATIVES

The City Council has adopted specific goals for the community, which are as follows:

- Growth and Annexation
- Combating Drug Abuse
- Road System Improvements
- Enhancement of Organizational Performance
- Improvement of Community Appearance
- Meeting Environmental Requirements
- Airport Expansion

Since 1990 the City has annexed 2,791.3 acres with an approximate value of \$209,104,151. Areas that can be economically served with water and sewer services will continue to be studied and will be considered for annexation when funds are available.

In 1996, the City Council adopted a policy that requires any major residential development or any commercial or industrial development desiring water and sewer services from the City to request annexation.

The combating of drug abuse in our community, state and nation is a tremendous challenge facing us all. The City Council continues to place a priority in this area by increased efforts and patrol in high problem areas and encourages public participation and assistance. The City's approach involves the DARE program, the Bike Patrol and the Vice and Narcotics Division of the Police Department. Education to our children through the DARE (Drug Awareness and Resistance Education) has worked well through the Police Department. The efforts of the City of Asheboro and the Asheboro Board of Education continue to be successful in reaching our school children. The units patrol in high traffic areas with the implementation of LEDD unit (Legal Elimination of Drug Dealers) and the Canine Division. The greatest success of this program has come from the involvement of the citizens and the officers. Through the combined effort of the citizens and the Police Department, the neighborhoods and streets are being returned to the community. Another positive addition was the city-wide drug summit that was held this year.

Road system improvements are a cooperative effort on the part of the State of North Carolina and the City of Asheboro. The Presnell Street extension, which connects Highway 220 and Highway 64, was completed in 1995. The extension of Church Street was completed in 1996 and the extension of Carl Drive was completed in 1997. The City Council continues to work for and support the I-73 / 74 project and the Highway 64 / 40 bypass loop.

Increasing fiscal demands on the City and the citizens is an ever-increasing problem. The City must make every effort to improve efficiency and to continue to plan for the future. In order to be successful,

MAJOR INITIATIVES (concluded)

a cooperative effort must exist between the City and the citizens.

A \$1,500,000 expansion and renovation of the Library Building was completed in 1995. Expansion and renovation of the Wastewater Plant was completed in 1998. This expansion increases the treatment capacity from 6 MGD to 9 MGD and should meet the treatment needs of the City until 2005. The replacement of aging outfall lines are almost complete. The Wastewater Plant expansion and outfall line replacement is a \$15,000,000 project and was approved by voters in 1993. Design process is complete for the sewer station #2, sewer pump station #1 and force main improvements with construction began in the 2004-2005 fiscal year..

Community appearance has been enhanced with the completion of major landscaping projects by the State at the Highway 64 and 49 interchanges and the Sunset Avenue and Salisbury Street interchanges. The refurbishment project of Sunset Avenue business district was completed early 2005. The City added a Horticulturist to the staff to aid in the enhancement of community appearance. Playground equipment upgrades, as well as landscaping projects, continue to be a priority in our City parks. Efforts continue to force property owners to remove or restore unsightly and potentially dangerous buildings.

Mandates concerning environmental legislation have had a tremendous impact on the financial structure of the City. In order to make strides in our continuing efforts to meet the twenty-five percent reduction in solid waste by 1994, as required by Senate Bill III, a third recycling drop site has been added in the southern portion of the City. The testing of fuel tanks and the rehabilitation of existing facilities has placed an additional load on the City. While the City Council supports and pledges to meet the standards as set forth by State and Federal Agencies, resolutions have been passed against such mandates that are handed down without funds to meet the regulations.

Improvements to the airport continue to be made. Projects completed include the extension of the runway to 5,500 feet in December 2000, the construction of the perimeter fencing completed in July 2001, and the paving and lighting of the parallel taxiway completed in October 2002. State and Federal funding has been allocated to pay 90% of the cost to widen the runway from 75' to 100' and to strengthen the runway, taxiways and a portion of the apron. These improvements are expected to be completed in 2005.

CASH MANAGEMENT

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City or its agent. All investments held by the City during the year and at June 30, 2005 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Our cash management policy of planning expenditures and scheduling investment maturities to match cash requirements were continued for 2005. Interest earned on General Fund investments increased to \$134,749, while investment earnings in the Water and Sewer Fund increased to \$165,484. Interest earnings showed a overall increase over the prior year largely due to the market conditions. We continue to try to maximize the return on the tax and utility dollars paid by the citizens of Asheboro.

DEBT ADMINISTRATION

\$1,500,000 in general obligation bonds were issued in late 1995 for the expansion and renovation of the public library. The remaining balance on these obligations is \$875,000. The total outstanding general obligation debt in the general long-term debt group of accounts of \$875,000.

The City has executed various installment purchase contracts for the acquisition of vehicles, acquisition and renovation of the Public Works Facility, and acquisition and construction of the Recycling Transfer Station. The balance on all installment purchase contracts for governmental activities at June 30, 2005, was \$1,833,490 and for business type activities was \$41,959.

In November 1995, the City issued \$4,515,000 of refunding bonds. The refunding bonds were issued for the purpose of refunding \$450,000 of outstanding 1984 Sanitary Sewer bonds and \$3,800,000 of 1986 water bonds. This refunding will produce a savings of approximately \$582,000 for taxpayers.

In April 1993, voters approved the issuance of \$10,750,000 of general obligation bonds for the purpose of upgrading the capacity of the wastewater plant and replacing some aging interceptor lines. \$1,500,000 of Sanitary Sewer bonds were issued for this purpose in November 1995. An additional \$8,700,000 of Sanitary Sewer bonds were issued in May 1996. At June 30, 2005, outstanding general obligation bonded indebtedness in the Water and Sewer Fund totaled \$8,213,439.

Due to cost overruns on the Wastewater Plant expansion and the outfall lines replacement, the City has obtained a loan of \$5,000,000 from the State of North Carolina. The City obtained a second loan of \$2,542,173 from the State Clean Water Revolving Loan Program for improvements to the City's wastewater collection system. The City has obtained a third loan in the amount of \$5,331,881 from the State Clean Water Revolving Loan Program for improvements to the City's water distribution system. As of June 30, 2005, \$6,128,228 remains outstanding on these notes.

The City's debt carries an "A2" rating from Moody's, "A+" from Standard and Poor's, and a rating of 83 by the North Carolina Municipal Council.

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, injuries to employees and natural disasters.

The City participates in an insurance pool funded by a group of cities and sponsored by the North Carolina League of Municipalities for its general, automobile, public officials and law enforcement liability insurance's, and its workmen's compensation. Group health and life coverage is provided by Med cost, a self-insured plan. Airport liability coverage has been obtained from an independent carrier. Modifications are made to insurance coverage at the discretion of management and the governing board. Settled claims from these risks have not exceeded commercial insurance coverage in recent history. In addition, various internal control techniques, including employee accident prevention sessions, have been implemented to minimize accident related losses and to safeguard assets.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

The City provides pension benefits for all permanent, full-time employees through the statewide Local Government Employees' Retirement System, a multiple-employer, cost-sharing, defined benefit pension plan, administered by the State of North Carolina. Covered employees are required by State statute to contribute 6% of their salary to the System. The City is required by State Statute to contribute the remaining amounts necessary to pay benefits when due, based on an actuarially determined contribution requirement. The City of Asheboro has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the State.

The General Statutes of North Carolina require the City to provide a special separation allowance for law enforcement officers. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis.

All law enforcement officers employed by the City participate in the State of North Carolina Supplemental Retirement Income Plan, a 401(k) defined contribution pension plan, administered by the State of North Carolina. The City is required to contribute approximately 5% of each officer's salary to the plan. In addition, law enforcement officers may make voluntary contributions to the plan. The 401(k) plan is also open for voluntary contributions from other city employees.

The City of Asheboro also provides postretirement health benefits for qualifying retirees until age 65. As of the end of the current fiscal year, there were 43 retirees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employers' obligation to provide these benefits.

Additional information on the City of Asheboro's pension arrangements can be found in the Notes to the financial statements.

INDEPENDENT AUDIT

An annual audit is required by the North Carolina General Statutes for all units of local government and by the Office of Management and Budget for most recipients of Federal grant monies. The auditor must be approved by the North Carolina Local Government Commission and is selected by and reports to the City Council. While the financial statements are the responsibility of management, the auditor's report is independent of management's control and discloses their opinion as to whether the financial statements present fairly the actual financial condition and results of operation of the City. The independent auditor's report is included as a part of these financial statements.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Asheboro for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable

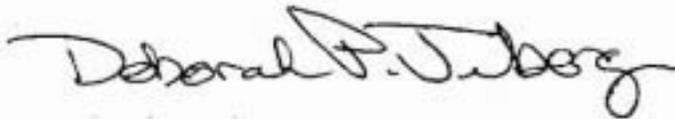
and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

ACKNOWLEDGMENTS

The compilation of certain information presented in the statistical section of this document would not have been possible without the assistance of the staff of the Randolph County Finance Office, and the Randolph County Tax Department. The certified public accounting firm of Maxton C. McDowell, CPA offered valuable advice on the form and content of much of the special information required to qualify this document for consideration by the Government Finance Officers Association for their Certificate of Achievement for Excellence in Financial Reporting Award. We greatly appreciate the assistance of these organizations.

We also appreciate the support of the City Council in granting us the time and funding to generate this document.

Respectfully submitted,

A handwritten signature in black ink that reads "Deborah P. Juberg". The signature is written in a cursive style with a large, stylized initial "D".

Deborah P. Juberg
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Asheboro,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

**CITY OF ASHEBORO
DEPARTMENTAL ORGANIZATION CHART**

Citizens of Asheboro

Mayor and Council

City Manager
John Ogburn

City Attorney
Jeff Sugg

Recreation Allen Oliver	Water Treatment Wastewater Treat. Melvin Allen	Engineering Dumont Bunker	Inspection Larry Trotter	Fire Jim Smith	Police Gary Mason	Human Resources Myers Johnson	Finance Water & Sewer Billing & Coll. Debbie Juberg
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Golf Course
Steve Welch

City Clark Carol Cole	Operations Bobby Kivent	Planning & CD Reynolds Neely Lynn Priest	Information Technology Todd Stout
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Water Maintenance Sewer Maintenance Water Meter Operations Mark Dawalt	Fleet Maintenance Howard Thompson	Grounds Maintenance Felix Ward	Sanitation Collection & Recycling Kermit Williamson	Street Maintenance Pete Rich
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CITY OF ASHEBORO, NORTH CAROLINA

LIST OF PRINCIPAL OFFICERS

June 30, 2005

Title	Name
Mayor	David H. Jarrell
Mayor Pro Tem, Council Member	Archie Priest
Council Member	Talmadge Baker
Council Member	Linda Carter
Council Member	Nancy Hunter
Council Member	John A. McGlohon
Council Member	David Smith
Council Member	Keith Crisco
City Manager	John Ogburn, III
City Attorney	Jeff Sugg
Airport Authority Chair	Allen Holt
Redevelopment Commission Chair	Linda Carter
Planning Board Chair	Van Rich
Board of Adjustment Chair	Phil Skeen
Community Appearance Chair	Nancy Hunter
Solid Waste Management Committee Chair	John A. McGlohon
City Clerk	Carol Cole
Finance Officer	Deborah Juberg
Planning and Zoning Director	Reynolds Neely
Community Development	Lynn Priest
Police Chief	Gary Mason
Fire Chief	Jim Smith
Inspections Director	Larry Trotter
City Shop Director	Richard Lambe
City Engineer	Dumont Bunker
Public Works Director	Robert H. Kivett
Street Department Head	Pete Rich
Sanitation Director	Kermit Williamson
Human Resources Director	Myers Johnson
Recreation Director	Allen Oliver
Grounds Maintenance Director	Felix Ward
Water and Wastewater Treatment Director	Michael Rhoney
Water and Wastewater Distribution Maintenance Director	Mark Dawalt

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MAXTON McDOWELL

Certified Public Accountant

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Mayor and the City Council
City of Asheboro
Asheboro, North Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Asheboro, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the City of Asheboro's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Asheboro, North Carolina's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

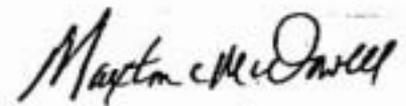
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Asheboro, North Carolina, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit this information and express no opinion thereon.

In accordance with Government Auditing Standards, I have also issued a report dated September 30, 2005, on my consideration of the City of Asheboro's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Asheboro, North Carolina. The introductory information, combining and individual nonmajor fund financial statements and schedules and the statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

September 30, 2005



Certified Public Accountant

Management's Discussion and Analysis

As management of the City of Asheboro, we offer readers of the City of Asheboro's financial statements this narrative overview and analysis of the financial activities of the City of Asheboro for the fiscal year ended June 30, 2005. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

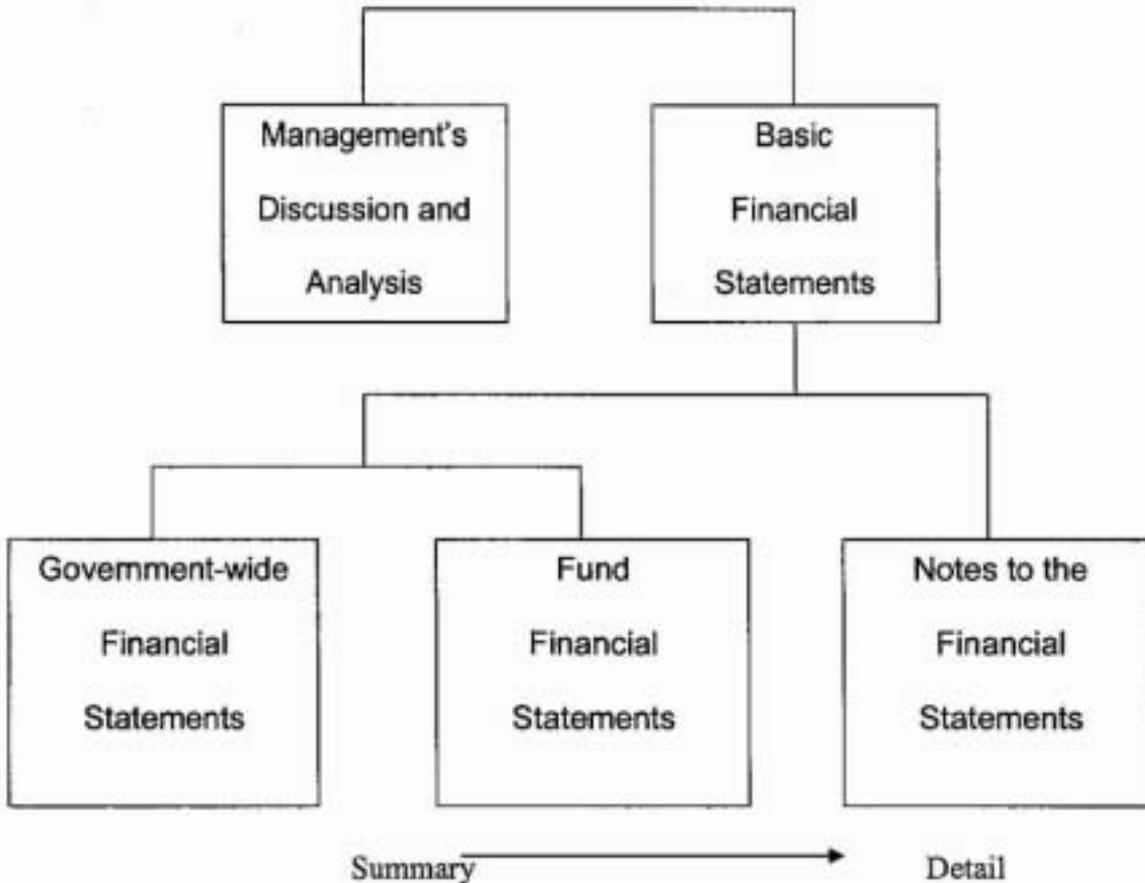
- The assets of the City of Asheboro exceeded its liabilities at the close of the fiscal year by \$67,333,752 (*net assets*).
- The government's total net assets increased by \$3,819,236, primarily due to increases in governmental activities net assets.
- As of the close of the current fiscal year, the City of Asheboro's governmental funds reported combined ending fund balances of \$9,087,993 an increase of \$1,671,165 in comparison with the prior year.
- The City of Asheboro's total debt increased by \$1,534,391 during the current fiscal year. The key factor in this increase was new debt in the amount of \$2,870,980 associated with improvements in the operations of the water and sewer system. The impact of this new debt obligation was softened by the retirement of \$1,030,000 of General Obligation debt for similar purpose.
- The City of Asheboro maintained its AA bond rating from Moody's, "A+" from Standard & Poor's and a rating of 83 by the North Carolina Municipal Council.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Asheboro's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Asheboro.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 8) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. 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 two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Asheboro.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Asheboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Asheboro can be divided into two categories: governmental funds and proprietary funds.

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

The City of Asheboro adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these 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 budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as

Management's Discussion and Analysis
City of Asheboro

the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – City of Asheboro has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Asheboro uses enterprise funds to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Asheboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

Government-Wide Financial Analysis

The City of Asheboro's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 11,206,611	\$ 9,572,342	\$ 9,876,590	\$ 8,163,293	\$ 21,083,201	\$ 17,735,635
Capital assets	24,423,989	24,113,061	43,303,754	41,873,409	67,727,743	65,986,470
Total assets	35,630,600	33,685,403	53,180,344	50,036,702	88,810,944	83,722,105
Long-term liabilities outstanding	4,309,944	4,796,451	14,613,932	13,079,541	18,923,878	17,875,992
Other liabilities	1,755,580	1,751,948	797,736	579,649	2,553,316	2,331,597
Total liabilities	6,065,524	6,548,399	15,411,668	13,659,190	21,477,192	20,207,589
Net assets:						
Invested in capital assets, net of related debt	21,766,060	20,931,387	28,950,351	29,075,233	50,716,411	50,006,620
Restricted	1,507,360	1,361,560			1,507,360	1,361,560
Unrestricted	6,291,656	4,844,057	8,818,325	7,302,279	15,109,981	12,146,336
Total net assets	\$ 29,565,076	\$ 27,137,004	\$ 37,768,676	\$ 36,377,512	\$ 67,333,752	\$ 63,514,518

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Asheboro exceeded liabilities by \$67,333,752 as of June 30, 2005. The City's net assets increased by \$3,819,236 for the fiscal year ended June 30, 2005. The largest portion of net assets, 75.32%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items.

Management's Discussion and Analysis
City of Asheboro

The City of Asheboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Asheboro's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. After accounting for funds restricted for transportation in the 2005 financial statements, the City of Asheboro's unrestricted net asset balance is \$15,109,981.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- An increase in the City of Asheboro property tax revenue associated with a 5 cent tax increase to 55 cents per \$100 valuation passed in June 2004.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.47%.
- Continued low cost of debt due to the City's high bond rating.
- Savings of more than \$525,937 over the life of the \$3,750,000 State Bond Loan due to an interest rate reduction from 5.5% to 3.43%.
- Tight management of total expenditures and operating transfers.

City of Asheboro Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services	\$ 1,442,478	\$ 1,404,153	\$ 8,976,484	\$ 8,180,862	\$ 10,418,962	\$ 9,585,015
Operating grants & contributions	791,245	657,136	238,685	387,109	1,029,930	1,044,245
Capital grants & contributions	1,175,921	882,880	-	679	1,175,921	883,559
General revenues						
Property taxes	9,783,783	8,624,062			9,783,783	8,624,062
Other taxes	5,822,733	5,629,976			5,822,733	5,629,976
Grants & contributions not restricted to specific programs	134,749	65,066	165,484	59,784	300,233	124,850
Other	396,617	301,779			396,617	301,779
Total revenues	19,547,526	17,765,052	9,380,653	8,628,434	28,928,179	26,393,486
Expenses						
General government	2,437,525	2,352,525			2,437,525	2,352,525
Public safety	7,690,500	7,053,883			7,690,500	7,053,883
Highways/streets	2,845,905	2,948,970			2,845,905	2,948,970
Sanitation	1,854,315	1,890,887			1,854,315	1,890,887
Economic development	2,220,540	288,022			2,220,540	288,022
Cultural and recreational	293,623	2,169,500			293,623	2,169,500
Interest on long-term debt	149,186	177,141			149,186	177,141
Water and sewer			7,617,349	8,339,935	7,617,349	8,339,935
Total expenses	17,491,594	16,880,928	7,617,349	8,339,935	25,108,943	25,220,863
Increase in net assets before transfers	2,055,932	884,124	1,763,304	288,499	3,819,236	1,172,623
Transfers	372,140	30,000	(372,140)	(30,000)	-	-
Increase in net assets	2,428,072	914,124	1,391,164	258,499	3,819,236	1,172,623
Net assets, July 1	27,137,004	26,222,880	36,377,512	36,119,013	63,514,516	62,341,893
Net assets, June 30	\$ 29,565,076	\$ 27,137,004	\$ 37,768,676	\$ 36,377,512	\$ 67,333,752	\$ 63,514,516

Management's Discussion and Analysis
City of Asheboro

Governmental activities. Governmental activities increased the City's net assets by \$2,428,072, thereby accounting for 63.57% of the total growth in the net assets of the City of Asheboro. Key elements of this increase are as follows:

- Increase in ad valorem property tax revenues of approximately \$1,050,438 or 11.99% resulting from growth and a 5 cent tax rate increase.
- Increased sales tax revenue due to economic growth in the City.
- Hold Harmless funds received in the amount of \$263,638.
- Increase in investment earnings of \$69,705 or 44.09% due to rising interest rate environment.
- Total General Fund revenues and operating transfers amounted to \$18,377,766 or 6.62% increase over 2004 levels. Total general fund expenditures and operating transfers amounted to \$17,208,663 for 2005, a 6.58% increase over 2004 levels.
- Increase in Capital Grants and Contributions of \$292,362, a 33.09% increase over 2004 levels.
- All other revenues remained steady.

Business-type activities: Business-type activities increased the City of Asheboro's net assets by \$1,391,164, accounting for 36.43% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Revenue from Sale of Water and Sewer charges increased by \$951,958 or 12.3% over 2004 levels. This increase can be attributed to a change in the rates effective July 1, 2005.
- Interest earned on investments increased 176% from a 2004 level of \$59,784 to a 2005 level of \$165,483. This increase can be attributed to the rising interest rate environment.
- Overall water and sewer revenues increased by \$752,219 or 8.72% and water and sewer expenditures decreased by \$722,586 or 8.66% over 2004 levels

Financial Analysis of the City's Funds

As noted earlier, the City of Asheboro uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Asheboro's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Asheboro's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Asheboro. At the end of the current fiscal year, the City of Asheboro's unreserved fund balance was \$ 4,005,747 and its total fund balance reached \$8,213,260. Of this total fund balance, \$ 5,513,107 was available for spending.

Management's Discussion and Analysis
City of Asheboro

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 46.9 percent of the total General Fund expenditures. The non-major governmental fund balance increased to a combined level of \$819,715 as a result of reimbursement from other governmental units on our capital projects.

The governmental funds of City of Asheboro reported a combined total fund balance of \$9,087,993, a 22.53 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General, Special Revenue and Capital Projects Funds.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The General Fund budget for 2004-2005 was adopted at \$17,639,794 and represents a 9 percent increase over the audited FY 2003-2004 expenditures of \$16,178,403. The 2004-2005 budget was amended to \$17,642,794, an increase of \$3,000. The 2004-05 budget was amended to account for unexpected operational expenditures as well as increases in actual revenues in relation to originally estimated revenues. In spite of the unexpected operational costs throughout the year, expenditures were held in check to minimize the overall affect on the budget and to protect the City of Asheboro's fund balance as much as possible. As a result of continued efforts to control expenditures in all areas, the General Fund final audited expenditures were \$494,705 under the amended budget, a savings of 2.8%.

Capital Asset and Debt Administration

Capital assets. The City of Asheboro's investment in capital assets for its governmental and business-type activities as of June 30, 2005, totals \$117,579,768. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions.

- Construction in progress for governmental activities of \$1,206,963 as a result of the Airport Phase III project.
- Construction in progress for business-type activities of \$2,759,111 for the Water and Sewer System Improvement project.
- No major demolitions or disposals were recorded this year.

City of Asheboro's Capital Assets
Figure 4

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Land	\$ 3,067,973	\$ 2,798,306	\$ 5,866,279
Buildings	10,032,528	31,009,014	41,041,542
Improvements other than buildings	8,059,477	78,560	8,138,037
Plant and distribution systems		29,037,101	29,037,101
Street construction	11,682,803		11,682,803
Equipment	4,094,390	2,419,115	6,513,505
Vehicles	7,612,351	1,827,869	9,440,220
Construction in progress	2,433,358	3,426,923	5,860,281
Total	\$ 46,982,880	\$ 70,596,888	\$ 117,579,768

Additional information on the City's capital assets can be found in the relevant notes section of this report.

Long-term Debt. As of June 30, 2005, the City of Asheboro had total bonded debt outstanding of \$9,088,439. All of this debt is backed by the full faith and credit of the City.

City of Asheboro's Outstanding Debt
General Obligation and Revenue Bonds

Figure 5

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
General obligation bonds	\$ 875,000	\$ 975,000	\$ 8,213,439	\$ 9,240,326	\$ 9,088,439	\$ 10,215,326
Revenue bonds					-	-
Total	\$ 875,000	\$ 975,000	\$ 8,213,439	\$ 9,240,326	\$ 9,088,439	\$ 10,215,326

The City of Asheboro's total debt increased by \$1,534,391 during the past fiscal year. This change is due to the combined effects of an increase in debt associated with the current portion of a \$5,331,881 revolving loan commitment from the State Clean Water Revolving Loan Program and a decrease in debt associated with the retirement of general obligation indebtedness of \$1,030,000. The government received \$52,765 in unspent installment purchase proceeds from an obligation in a prior year.

As mentioned in the financial highlights section of this document, the City of Asheboro maintained its AA bond rating from Moody's Investor Service and A+ rating from Standard and Poor's Corporation

Management's Discussion and Analysis
City of Asheboro

and a rating of 83 by the North Carolina Municipal Council. This bond rating is indicative of the sound financial condition of City of Asheboro.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Asheboro is \$155,248,927. The City has \$550,000 in bonds authorized but un-issued at June 30, 2004.

Additional information regarding the City of Asheboro's long-term debt can be found in the relevant notes section of this report.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the City.

- Low unemployment. The City of Asheboro's unemployment rate of 4.8% is below the State average of 5.6%.
- Growth, as measured by tax valuation, increased 1.12%.
- Local retail sales have grown and home sales have been consistent.
- In the period of January 1, 2005 to June 30, 2005, 179 permits were issued for new residential property construction amounting to \$7,726,543.
- In the period of January 1, 2005 to June 30, 2005, Commercial building permits issued were 75 with property valuation of \$7,896,543.

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities: No tax increase was recommended for the General Fund for fiscal year ending June 30, 2006. Revenue is expected to increase due to property tax values and retail sales activity increases benefiting from the economic growth. Grant revenue of \$251,886 and fund balance appropriation of \$125,000 has been included.

Budgeted expenditures in the General Fund are expected to rise to \$19,043,336. The largest increments are in employee compensation, including funding compensation and benefits adjustments. Other expenditures included are government matches to grant requests currently under review (approximately about \$200,000), capital outlay for equipment for public safety functions, and \$125,000 for economic development.

Business – type Activities: Revenue from sale of water and sewer services is expected to increase approximately 2.87% due to regular economic growth. It was recommended that there be no changes to the rate structure. Other water and sewer fund revenues combined are expected to remain constant with \$119,236 appropriated from Retained earnings. General operating expenses will increase to 9,245,177 to cover increased personnel costs, material, supplies, and other operating expenses.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Asheboro, 146 North Church Street, P.O. Box 1106, Asheboro, NC 27204-1106.

CITY OF ASHEBORO, NORTH CAROLINA

Exhibit 1

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 8,650,116	\$ 6,896,661	\$ 15,546,777
Receivables:			
Taxes Receivable - Net	204,239	-	204,239
Accounts Receivable	475,759	1,729,089	2,204,848
Due From Other Governments	1,841,369	387,210	2,228,579
Note Receivable	60,500	-	60,500
Internal Balances	(388,526)	388,526	-
Inventories	363,154	387,015	750,169
Deferred Charges	-	46,109	46,109
Total Current Assets	11,206,611	9,834,610	21,041,221
Restricted Assets:			
Cash and Cash Equivalents	-	41,980	41,980
Capital Assets:			
Land, and Construction in Progress	5,501,331	6,225,229	11,726,560
Other Capital Assets, Net of Depreciation	18,922,658	37,078,525	56,001,183
Total Capital Assets	24,423,989	43,303,754	67,727,743
Total Assets	35,630,600	53,180,344	88,810,944
Liabilities:			
Accounts Payable and Accrued Liabilities	1,452,435	359,871	1,812,306
Retainage Payable	-	100,282	100,282
Deposits	75,315	206,753	282,068
Unearned Revenues	209,210	11,084	220,294
Accrued Interest Payable	18,620	77,766	96,386
Payable From Restricted Assets	-	41,980	41,980
Long-Term Liabilities:			
Due Within One Year	931,009	1,777,786	2,708,795
Due in More Than One Year	3,378,935	12,836,146	16,215,081
Total Liabilities	6,065,524	15,411,668	21,477,192
Net Assets:			
Invested in Capital Assets, Net of Related Debt	21,766,060	28,950,351	50,716,411
Restricted For:			
Transportation	1,507,360	-	1,507,360
Unrestricted	6,291,656	8,818,325	15,109,981
Total Net Assets	\$ 29,565,076	\$ 37,768,676	\$ 67,333,752

The Notes to Financial Statements are an integral part of these Statements.

CITY OF ASHEBORO, NORTH CAROLINA

Exhibit 2

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,437,525	\$ 45,678	\$ -	\$ -	\$ (2,391,847)	\$ -	\$ (2,391,847)
Public Safety	7,690,500	155,690	4,204	35,310	(7,495,296)	-	(7,495,296)
Transportation	2,845,905	24,848	685,865	1,101,875	(1,033,317)	-	(1,033,317)
Environmental Protection	1,854,315	799,652	-	-	(1,054,663)	-	(1,054,663)
Cultural and Recreational	2,220,540	416,610	-	-	(1,803,930)	-	(1,803,930)
Economic and Physical Development	293,623	-	101,176	38,736	(153,711)	-	(153,711)
Interest on Long-term Debt	149,186	-	-	-	(149,186)	-	(149,186)
Total Governmental Activities	17,491,594	1,442,478	791,245	1,175,921	(14,081,950)	-	(14,081,950)
Business-Type Activities:							
Water and Sewer	7,617,349	8,976,484	238,685	-	-	1,597,820	1,597,820
Total Business-Type Activities	7,617,349	8,976,484	238,685	-	-	1,597,820	1,597,820
Total	\$ 25,108,943	\$ 10,418,962	\$ 1,029,930	\$ 1,175,921	(14,081,950)	1,597,820	(12,484,130)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					9,783,783	-	9,783,783
Other taxes and licenses					5,822,733	-	5,822,733
Unrestricted investment earnings					134,749	165,484	300,233
Miscellaneous revenues					396,617	-	396,617
Transfers					372,140	(372,140)	-
Total General Revenues, Special Items, and Transfers					16,510,022	(206,656)	16,303,366
Change in Net Assets					2,428,072	1,391,164	3,819,236
Net Assets Beginning of Year					27,137,004	36,377,512	63,514,516
Net Assets End of Year					\$ 29,565,076	\$ 37,768,676	\$ 67,333,752

14

The Notes to Financial Statements are an integral part of these Statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Major Funds			Total Governmental Funds
	General	Airport Runway Extension Phase III Project Fund	Total Non-Major Funds	
Assets:				
Cash and Cash Equivalents	\$ 7,542,012	\$ 170,745	\$ 937,359	\$ 8,650,116
Receivables:				
Taxes Receivable - Net	204,239	-	-	204,239
Accounts Receivable	430,184	-	45,575	475,759
Due From Other Governments	1,559,160	274,853	7,356	1,841,369
Due From Other Funds	361,474	-	-	361,474
Note Receivable - Wainman Homes	60,500	-	-	60,500
Inventories	363,154	-	-	363,154
Total Assets	\$ 10,520,723	\$ 445,598	\$ 990,290	\$ 11,956,611
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,286,855	\$ 40,580	\$ 125,000	\$ 1,452,435
Due to Other Funds	400,000	350,000	-	750,000
Deposits	75,315	-	-	75,315
Unearned Revenues	209,210	-	-	209,210
Deferred Revenues	336,083	-	45,575	381,658
Total Liabilities	2,307,463	390,580	170,575	2,868,618
Fund Balances:				
Reserved For:				
State Statute	2,279,475	274,853	7,356	2,561,684
Inventories	363,154	-	-	363,154
Encumbrances	57,524	-	-	57,524
Streets - Powell Bill	1,507,360	-	-	1,507,360
Unreserved:				
Undesignated	4,005,747	-	-	4,005,747
Unreserved, Reported in Nonmajor:				
Designated for Capital Projects	-	(219,835)	662,856	443,021
Special Revenue Funds	-	-	149,503	149,503
Total Fund Balances	8,213,260	55,018	819,715	9,087,993
Total Liabilities and Fund Balances	\$ 10,520,723	\$ 445,598	\$ 990,290	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 46,982,880	
Accumulated depreciation	(22,558,891)	24,423,989

Liabilities for earned but deferred revenues in fund statements.

381,658

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(4,328,564)

\$ 29,565,076

CITY OF ASHEBORO, NORTH CAROLINA

Exhibit 4
(Page 1 of 2)

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005**

	Major Funds			Total Governmental Funds
	General	Airport Runway Extension Phase III Project Fund	Total Non-Major Funds	
Revenues:				
Ad Valorem Taxes	\$ 9,813,823	\$ -	\$ -	\$ 9,813,823
Other Taxes and Licenses	281,113	-	-	281,113
Intergovernmental Revenues:				
Unrestricted	5,557,434	-	-	5,557,434
Restricted	718,004	1,101,875	149,236	1,969,115
Permits and Fees	314,331	-	-	314,331
Sales and Services	1,277,732	-	-	1,277,732
Investment Earnings	134,749	-	-	134,749
Miscellaneous Revenue	227,815	-	14,665	242,480
Total Revenues	18,325,001	1,101,875	163,901	19,590,777
Expenditures:				
Current:				
General Government	2,412,785	-	-	2,412,785
Public Safety	7,500,197	-	17,539	7,517,736
Transportation	2,160,172	-	-	2,160,172
Environmental Protection	1,775,841	-	-	1,775,841
Cultural and Recreational	2,278,068	-	-	2,278,068
Economic and Physical Development	215,660	-	12,254	227,914
Debt Service	765,038	-	-	765,038
Capital Outlay	-	1,138,672	68,291	1,206,963
Total Expenditures	17,107,761	1,138,672	98,084	18,344,517
Excess (Deficiency) of Revenues Over Expenditures	1,217,240	(36,797)	65,817	1,246,260
Other Financing Sources (Uses):				
Transfers From Other Funds	-	38,380	462,662	501,042
Transfers to Other Funds	(100,902)	-	(28,000)	(128,902)
Sale of Assets	-	-	-	-
Installment Purchase Obligations	52,765	-	-	52,765
Total Other Financing Sources (Uses)	(48,137)	38,380	434,662	424,905
Net Change in Fund Balances	1,169,103	1,583	500,479	1,671,165
Fund Balance Beginning of Year, July 1	7,044,157	53,435	319,236	7,416,828
Fund Balance End of Year, June 30	\$ 8,213,260	\$ 55,018	\$ 819,715	\$ 9,087,993

The Notes to Financial Statements are an integral part of these Statements.

CITY OF ASHEBORO, NORTH CAROLINA

Exhibit 4
(Page 2 of 2)

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

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

Net changes in fund balances - total governmental funds	\$	1,671,165
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	2,105,169
Depreciation expense for governmental assets		<u>(1,793,641)</u>
		311,528
Cost of capital assets disposed of during the year, not recognized on the modified accrual basis.		(600)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in deferred revenues		(42,651)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		560,964
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(62,153)
Net pension obligation		(12,304)
Accrued interest payable		<u>2,123</u>
Total changes in net assets of governmental activities	\$	<u>2,428,072</u>

The Notes to Financial Statements are an integral part of these Statements.

CITY OF ASHEBORO, NORTH CAROLINA

Exhibit 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005**

	General Fund			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Ad Valorem Taxes	\$ 9,551,500	\$ 9,532,900	\$ 9,813,823	\$ 280,923
Other Taxes and Licenses	240,000	258,600	281,113	22,513
Intergovernmental Revenues:				
Unrestricted	5,375,115	5,376,115	5,557,434	181,319
Restricted	653,760	733,060	718,004	(15,056)
Permits and Fees	266,700	266,700	314,331	47,631
Sales and Services	1,228,000	1,236,100	1,277,732	41,632
Investment Earnings	48,000	52,000	134,749	82,749
Miscellaneous Revenue	276,719	187,319	227,815	40,496
Total Revenues	17,639,794	17,642,794	18,325,001	682,207
Expenditures:				
Current:				
General Government	2,502,239	2,517,239	2,412,785	104,454
Public Safety	7,399,356	7,502,356	7,500,197	2,159
Transportation	2,387,651	2,241,651	2,160,172	81,479
Environmental Protection	1,788,894	1,817,894	1,775,841	42,053
Cultural and Recreational	2,521,232	2,431,232	2,278,068	153,164
Economic and Physical Development	97,000	217,000	215,660	1,340
Debt Service	902,094	875,094	765,038	110,056
Total Expenditures	17,598,466	17,602,466	17,107,761	494,705
Revenues Over (Under) Expenditures	41,328	40,328	1,217,240	1,176,912
Other Financing Sources (Uses):				
Transfers to Other Funds	(41,328)	(41,328)	(100,902)	(59,574)
Sale of Assets	-	1,000	-	(1,000)
Installment Purchase Obligations	-	-	52,765	52,765
Total Other Financing Sources (Uses)	(41,328)	(40,328)	(48,137)	(7,809)
Net Change in Fund Balance	\$ -	\$ -	1,169,103	\$ 1,169,103
Fund Balance Beginning of Year, July 1			7,044,157	
Fund Balance End of Year, June 30			\$ 8,213,260	

The Notes to Financial Statements are an integral part of these Statements.

CITY OF ASHEBORO, NORTH CAROLINA

Exhibit 6

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	<u>Water and Sewer Fund</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 6,896,661
Accounts Receivable - Net	1,729,089
Due from Other Governments	387,210
Due from Other Funds	400,000
Inventories	387,015
Deferred Charges	46,109
Total Current Assets	<u>9,846,084</u>
Noncurrent Assets:	
Restricted Assets:	
Cash and Cash Equivalents	41,980
Capital Assets:	
Land, Improvements and Construction in Progress	6,225,229
Other Capital Assets, Net of Depreciation	37,078,525
Total Capital Assets (Net)	<u>43,303,754</u>
Total Noncurrent Assets	<u>43,345,734</u>
Total Assets	<u>\$ 53,191,818</u>
Liabilities:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 359,871
Retainage Payable	100,282
Due to Other Funds	11,474
Customer Deposits	206,753
Accrued Interest Payable	77,766
Compensated Absences - Current	85,157
General Obligation Bonds Payable - Current	1,015,000
Installment Purchase Agreements Payable - Current	33,926
Notes Payable State of North Carolina - Current	643,703
Total Current Liabilities	<u>2,533,932</u>
Noncurrent Liabilities:	
Liabilities Payable From Restricted Assets:	
Accounts Payable	41,980
Other Noncurrent Liabilities:	
Compensated Absences	145,149
General Obligation Bonds Payable - Noncurrent (Net)	7,198,439
Installment Purchase Agreements Payable - Noncurrent	8,033
Notes Payable State of North Carolina - Noncurrent	5,484,525
Unearned Revenues	11,084
Total Noncurrent Liabilities	<u>12,889,210</u>
Total Liabilities	<u>15,423,142</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	28,950,351
Unrestricted	8,818,325
Total Net Assets	<u>\$ 37,768,676</u>

The Notes to Financial Statements are an integral part of these Statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
 For the Year Ended June 30, 2005

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Water Sales	\$ 4,941,673
Sewer Charges	3,744,493
Water and Sewer Taps	88,200
Sampling and Monitoring Fees	36,259
Surcharges	121,074
Septic Tank Discharge	44,785
Other Operating Revenues	<u>128,699</u>
Total Operating Revenues	<u>9,105,183</u>
Operating Expenses:	
Billing and Collections	231,279
Water Meter Operations	317,296
Water Supply Treatment	1,361,415
Wastewater Treatment	2,345,904
Water Maintenance	620,571
Wastewater Maintenance	792,180
Depreciation	<u>1,340,089</u>
Total Operating Expenses	<u>7,008,734</u>
Operating Income	<u>2,096,449</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	165,484
Interest and Other Charges	(599,347)
Other Nonoperating Revenues	109,986
Amortization of Bond Issue Costs	<u>(9,268)</u>
Total Nonoperating Revenues (Expenses)	<u>(333,145)</u>
Income Before Contributions and Transfers	1,763,304
Transfers to Other Funds:	
To North Fayetteville Street Sidewalk Capital Project Fund	<u>(372,140)</u>
Change in Net Assets	1,391,164
Total Net Assets - Beginning of Year	<u>36,377,512</u>
Total Net Assets - End of Year	<u>\$ 37,768,676</u>

The Notes to Financial Statements are an integral part of these Statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2005

	<u>Water and Sewer Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 8,733,728
Cash Paid for Goods and Services	(2,302,399)
Cash Paid to Employees for Services	(3,138,491)
Customer Deposits Received	22,497
Other Operating Revenues	<u>238,685</u>
Net Cash Provided by Operating Activities	<u>3,554,020</u>
Cash Flows From Noncapital Financing Activities:	
Due From Other Funds	(388,327)
Due to Other Funds	(165,676)
Transfers to Other Funds	<u>(372,140)</u>
Total Cash Flows From Noncapital Financing Activities	<u>(926,143)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(2,770,434)
Principal Paid on Bonds and Installment Purchase Agreements	(1,340,341)
Interest Paid on Bonds and Installment Purchase Agreements	(599,347)
Proceeds From State Sewer/Water Loans	<u>2,870,980</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,839,142)</u>
Cash Flows from Investing Activities:	
Interest Earned on Investments	<u>165,484</u>
Net Increase in Cash and Cash Equivalents	954,219
Cash and Cash Equivalents at Beginning of Year	<u>5,984,422</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,938,641</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 2,096,449</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	1,340,089
Amortization of Deferred Loss on Refunding	3,113
Other Nonoperating Revenue	109,986
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(243,237)
Decrease in Inventory	28,893
Increase in Accounts Payable and Accrued Liabilities	195,110
Increase in Customer Deposits	22,497
Increase in Accrued Compensated Absences	639
Increase in Deferred Revenues	<u>481</u>
Total Adjustments	<u>1,457,571</u>
Net Cash Provided by Operating Activities	<u>\$ 3,554,020</u>

The Notes to Financial Statements are an integral part of these Statements.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Asheboro conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. REPORTING ENTITY.

The City of Asheboro is a municipal corporation which is governed by an elected mayor and a seven-member council. As required by generally accepted accounting principles, these financial statements present all the City's funds.

B. BASIS OF PRESENTATION.

Government-wide Statements: The statement of net assets and the statement of activities display information about the City. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. 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. 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. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, parks and recreation, and general government services.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION. (Concluded)

The Airport Runway Extension Phase III Capital Project Fund. This fund accounts for Federal Aviation Administration and State Aid to Airport grant funding to further extend, widen and strengthen the airport runway.

The City reports the following non-major governmental funds:

The HOME Program Special Revenue Fund. The North Carolina Housing Finance Agency regulates the Home Program; funding is restricted for rehabilitation of housing for individuals deemed to be in economic need of financing.

The Economic Development Special Revenue Fund. This fund accounts for resources to be used in the enhancement of the local business community and is funded from State grants and transfers from the General Fund.

The Cemetery Improvement Special Revenue Fund. This fund is used to account for donations and other revenues to maintain the City's cemetery.

The Police Computer Grant Special Revenue Fund. This fund is used to account for grant monies restricted for specific law enforcement program expenses.

The North Fayetteville Street Sidewalk Capital Project Fund. This fund accounts for City transfers to construct pedestrian sidewalks.

The Downtown Farmer's Market Capital Project Fund. This fund accounts for City transfers and grant monies to construct a facility for local farmers to display and sell produce and other items.

The Asheboro Skate Park Capital Project Fund. This fund accounts for City transfers and other revenues to construct a recreational skate park.

The City reports the following major enterprise fund:

The Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING.

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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, revenue from property taxes is recognized in

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING. (Concluded)

Government-wide and Proprietary Fund Financial Statement (Concluded). the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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, 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 after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Randolph County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Asheboro. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Randolph County from March 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005, because they are intended to finance the City's operations during the 2006 fiscal year.

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

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements, in its accounting and reporting practices for its proprietary operations.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **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 and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Special Revenue Funds, Capital Project Funds, and the Enterprise Fund Capital Projects Fund, which are consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter the total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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.

E. **ASSETS, LIABILITIES AND FUND EQUITY.**

1. **Deposits and Investments**

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S.159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S.159-30(c)] authorizes the City 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 investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. **Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY. (Continued)

3. Restricted Assets

Federal grant monies are classified as restricted assets for the payment of a payable related to a Water and Sewer Project Fund.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2004. As allowed by State law, the City has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Inventory

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as inventory when purchased and expended when consumed.

The inventories of the City's enterprise fund consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed.

7. Capital Assets

The City's purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Minimum capitalization costs are \$1,500 for the following types of assets: land, land improvements, buildings, infrastructure, equipment, and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

General infrastructure capital assets, including roads, bridges, streets and sidewalks, curbs and gutters and storm drainage systems are capitalized along with other capital assets as "Street Construction" or "Land Improvements." General infrastructure capital assets acquired prior to June 30, 1991 are recorded at historical cost. General infrastructure capital assets acquired prior to July 1, 2002 and subsequent to July 1, 1991 are reported at estimated historical cost using deflated replacement cost. General infrastructure capital assets acquired subsequent to July 1, 2002 are recorded at cost.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY. (Continued)

7. Capital Assets (Concluded)

Plant assets used in the business-type activities of the City are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 2% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets used in the business-type activities of the City are depreciated on a class life basis at the following rates:

Furniture and office equipment	10-20 years
Maintenance and construction equipment	10-20 years
Medium and heavy motor vehicles	10-20 years
Automobiles and light trucks	3 years

Capital assets used in the governmental activities of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land Improvements	20 years
Street Construction	20 years
Equipment	5-10 years
Vehicles	5-15 years

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method.

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

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY. (Continued)

9. Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide statements.

The City'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 the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

Reserved.

Reserved by State Statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

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

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

E. ASSETS, LIABILITIES AND FUND EQUITY. (Concluded)

10. Net Assets/Fund Balances (Concluded)

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unreserved.

Designated for Capital Projects - portion of total fund balance available for appropriation which has been designated to fund future capital projects and improvements.

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2005-2006 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS.

1. Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. 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, these deposits are considered to be held by the City's agents in the City's name. 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 or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, 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.

At June 30, 2005, the City's deposits had a carrying amount of \$12,951,326 and a bank balance of \$13,861,894. Of the bank balance, \$500,000 was covered by federal depository insurance and \$13,361,894 was covered by collateral held under the Pooling Method. At June 30, 2005, the City's petty cash fund totaled \$3,528.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. ASSETS (Continued)

2. Investments

At June 30, 2005, the City of Asheboro had \$2,633,903 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

Fund	6/30/2005
General Fund:	
Taxes Receivable	\$ 130,000
Enterprise Fund:	
Customer Accounts Receivable	<u>75,000</u>
Total	<u>\$ 205,000</u>

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. ASSETS. (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,025,982	\$ 42,591	\$ 600	\$ 3,067,973
Construction in Progress	1,226,395	1,206,963	-	2,433,358
Total Capital Assets Not Being Depreciated	<u>4,252,377</u>	<u>1,249,554</u>	<u>600</u>	<u>5,501,331</u>
Capital Assets Being Depreciated:				
Land Improvements	7,954,003	105,474	-	8,059,477
Buildings	9,804,939	227,589	-	10,032,528
Street Construction	11,682,803	-	-	11,682,803
Equipment	3,965,090	129,300	-	4,094,390
Vehicles	7,209,734	402,617	-	7,612,351
Total Capital Assets Being Depreciated	<u>40,616,569</u>	<u>864,980</u>	<u>-</u>	<u>41,481,549</u>
Less Accumulated Depreciation For:				
Land Improvements	2,085,150	361,674	-	2,446,824
Buildings	4,325,870	249,768	-	4,575,638
Street Construction	5,577,652	478,244	-	6,055,896
Equipment	2,792,240	274,312	-	3,066,552
Vehicles	5,974,973	439,008	-	6,413,981
Total Accumulated Depreciation	<u>20,755,885</u>	<u>\$ 1,803,006</u>	<u>\$ -</u>	<u>22,558,891</u>
Total Capital Assets Being Depreciated, Net	<u>19,860,684</u>			<u>18,922,658</u>
Governmental Activity Capital Assets, Net	<u>\$ 24,113,061</u>			<u>\$ 24,423,989</u>

Depreciation expense was charged to functions/programs as follows:

General Government	\$ 79,847
Public Safety	323,052
Transportation	1,014,854
Environmental	142,168
Cultural and Recreational	168,012
Economic Development	65,709
	<u>\$ 1,793,642</u>

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. ASSETS. (Concluded)

4. Capital Assets (Concluded)

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,798,306	\$ -	\$ -	\$ 2,798,306
Construction in Progress	667,812	2,759,111	-	3,426,923
Total Capital Assets Not Being Depreciated	<u>3,466,118</u>	<u>2,759,111</u>	<u>-</u>	<u>6,225,229</u>
Capital Assets Being Depreciated:				
Land Improvements	78,560	-	-	78,560
Buildings	31,009,014	-	-	31,009,014
Plant and Distribution Systems	29,037,101	-	-	29,037,101
Equipment	2,417,156	11,323	9,364	2,419,115
Vehicles	1,827,869	-	-	1,827,869
Total Capital Assets Being Depreciated	<u>64,369,700</u>	<u>11,323</u>	<u>9,364</u>	<u>64,371,659</u>
Less Accumulated Depreciation For:				
Land Improvements	2,259	3,928	-	6,187
Buildings	9,611,074	609,107	-	10,220,181
Plant and Distribution Systems	12,690,557	516,926	-	13,207,483
Equipment	2,049,602	145,494	9,364	2,185,732
Vehicles	1,608,917	64,634	-	1,673,551
Total Accumulated Depreciation	<u>25,962,409</u>	<u>\$ 1,340,089</u>	<u>\$ 9,364</u>	<u>27,293,134</u>
Total Capital Assets Being Depreciated, Net	<u>38,407,291</u>			<u>37,078,525</u>
Business-type Activities Capital Assets, Net	<u>\$ 41,873,409</u>			<u>\$ 43,303,754</u>

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES.

1. Payables

Payables at the government-wide level at June 30, 2005, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,285,356	\$ --	\$ 1,499	\$ 1,286,855
Other Governmental	165,580	--	--	165,580
Total Governmental Activities	\$ 1,450,936	\$ --	\$ 1,499	\$ 1,452,435
Business-type Activities:				
Water and Sewer	\$ 356,237	\$ --	\$ 3,634	\$ 359,871

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System.

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Asheboro are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$500,374, \$463,084, and \$454,860, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES (Continued)

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance.

(1) Plan Description

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminate plan members entitled to but not yet receiving benefits	0
Active plan members	65
Total	<u>73</u>

(2) Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

(3) Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance. (Concluded)

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases.

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

Annual Required Contribution	\$ 97,999
Interest on Net Pension Obligations	15,528
Adjustment to Annual Required Contribution	<u>(12,015)</u>
Annual Pension Cost	101,512
Contributions Made	<u>89,208</u>
Increase (Decrease) in Net Pension Obligation	12,304
Net Pension Obligation, Beginning of Year	<u>214,177</u>
Net Pension Obligation, End of Year	<u>\$ 226,481</u>

Fiscal Year Ended	Annual Pension Cost (APC)	General Fund	
		Percentage of APC Contributed	Net Pension Obligation
6/30/03	\$ 87,684	72.23%	\$ 209,164
6/30/04	\$ 94,694	94.71%	\$ 214,177
6/30/05	\$101,512	87.88%	\$ 226,481

c. Supplemental Retirement Income Plan for Law Enforcement Officers.

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a 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. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

2. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers. (Concluded)

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2005, were \$166,337, which consisted of \$129,722 from the City and \$36,615 from the law enforcement officers.

d. Post-Employment Benefits.

Under the provisions of the City's personnel policy, retiring full time employees are provided with coverage at the City's expense until age 65 under the group health and hospitalization insurance plan under the following conditions:

- (1) An employee who is age 55 years or over and has a minimum of 25 years of service with the City and has retired under the North Carolina Local Governmental Retirement System and receiving benefits.
- (2) An employee with 30 years of service, regardless of age, and who has retired under the North Carolina Local Governmental Retirement System and receiving benefits.
- (3) An employee who is 62 years or over and has a minimum of 15 years of service with the City and who has retired under the North Carolina Local Governmental Retirement System and receiving benefits.
- (4) An employee who has retired due to disability under the North Carolina Local Governmental Retirement System and receiving benefits.

Dependent coverage is available to retiring employees at their expense.

The City finances the post employment health and hospitalization insurance benefits on a pay-as-you-go basis. As of June 30, 2005, fifty-three retirees were eligible for post-retirement health benefits. For the fiscal year ended June 30, 2005, the City made payments for post-retirement health benefit premiums of \$204,851. The City participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

2. Pension Plan Obligations (Concluded)

d. Post-Employment Benefits (Concluded)

The City 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. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the City made contributions to the State for death benefits of \$14,710. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .14% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

e. Firemen's and Rescue Squad Worker's Pension Fund.

Plan Description. The State of North Carolina contributes, on behalf of the City of Asheboro, to the Firemen's and Rescue Squad Worker's Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Worker's Pension Fund 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 the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

3. Deferred / Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid Taxes (General)	\$ --	\$ 30,768
Prepaid Privilege Licenses (General)	--	64,498
Prepaid Vice Narcotics (General)	--	95,171
Prepaid Federal Forfeitures (General)	--	13,313
Prepaid Golf Memberships (General)	--	3,945
Other Collections (General)	--	1,515
Taxes Receivable, Net (General)	204,239	--
Garbage Collections Receivable (General)	71,344	--
Note Receivable (General)	60,500	--
Notes Receivable (Special Revenue)	45,575	--
Total	<u>\$ 381,658</u>	<u>\$ 209,210</u>

4. Commitments

The City had contractual commitments at June 30, 2005, for the following capital projects:

Airport Runway Extension Phase III Project	\$ 231,359
Water and Sewer Systems Improvement Project	379,854
	<u>\$ 611,213</u>

5. 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; injuries to employees; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

5. Risk Management (Concluded)

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

6. Claims, Judgments, and Contingent Liabilities

At June 30, 2005, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

7. Long-Term Obligations

a. Installment Purchases.

Various installment purchase financing agreements were executed between August 19, 1998, and August 24, 1999, for the acquisition of various vehicles and equipment. Terms of payment, payment amounts and interest rates are as follows:

Fire truck, garbage trucks and sewer truck, 84 payments of \$12,166 per month, 4.39%
Leaf loader, garbage truck and equipment, 84 payments of \$5,990 per month, 4.92%

In November 1995, the City entered into an installment purchase contract to finance the acquisition and renovation of property to serve as a public works facility. The contract is for \$1.5 million, to be repaid monthly at \$12,079, including interest at 5.2 percent over fifteen years.

In March 2001, the City entered into an installment purchase contract to finance the acquisition and construction of property to serve as a recycling transfer station. The contract is for \$850,000, to be repaid quarterly at \$21,099, including interest at 5.57 percent over fifteen years. The City is authorized by State law to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In October 1998, the City entered into such a contract to reduce the energy costs associated with various municipal facilities. The financing contract requires principal payments of \$5,347 for seven and one-half years beginning in the fiscal year 1998-1999 with an interest rate of 4.61 percent.

In March 2003, the City entered into an installment purchase contract to finance the acquisition of six police vehicles. The contract is for \$131,000, to be repaid monthly at \$3,831, including interest at 3.34% over three years.

In February 2004, the City entered into an installment purchase contract to finance various equipment and vehicles. The contract is for \$401,529, to be repaid monthly at \$7,255, including interest at 2.58% over five years.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

7. Long-Term Obligations (Continued)

a. Installment Purchases. (Concluded)

The future minimum payments of the installment purchase contracts as of June 30, 2005, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 382,170	\$ 81,672	\$ 33,926	\$ 1,325
2007	276,563	67,076	8,033	86
2008	260,734	55,667	--	--
2009	236,492	43,764	--	--
2010	196,266	33,078	--	--
2011 - 2015	421,677	72,777	--	--
2016 - 2020	59,588	1,750	--	--
Totals	\$ 1,833,490	\$ 355,784	\$ 41,959	\$ 1,411

b. Notes Payable.

The notes payable shown in the Water and Sewer Fund consist of the balances due on three loans: the first is a \$5,000,000 loan from the State of North Carolina for the construction of improvements to the City's Wastewater Treatment Plant. The promissory note requires annual payments of \$250,000, plus interest semi-annually at 3.43% per annum. The second is a \$2,542,173 revolving loan from the State Clean Water Revolving Loan Program for improvements to the City's wastewater collection system. This agreement requires payments over twenty years at a rate of 2.66%. At June 30, 2005, proceeds received from this loan amounted to \$2,400,947. The promissory note requires annual payments of \$127,109, plus interest. The third is a \$5,331,881 revolving loan from the State Clean Water Revolving Loan Program for improvements to the City's water distribution system. This agreement requires payments over twenty years at a rate of 2.66%. At June 30, 2005, proceeds received from this loan amounted to \$727,281.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

7. Long-Term Obligations (Continued)

b. Notes Payable. (Concluded)

Annual debt service requirements to maturity for the notes payable are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2006	\$ 643,703	\$ 370,973
2007	643,703	293,302
2008	571,202	274,255
2009	377,109	134,654
2010	377,109	122,697
2011 – 2015	1,885,543	434,146
2016 – 2020	1,135,543	160,969
2021 – 2025	494,316	50,716
Totals	\$ 6,128,228	\$ 1,841,712

c. General Obligation Indebtedness.

The City's general obligation bonds serviced by the governmental funds were issued to finance the construction of improvements to the City's library. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2005, are comprised of the following individual issues:

<u>General Obligation Bonds</u>	<u>Amount</u>
Serviced by the General Fund:	
\$1,500,000 Library serial bonds due in annual installments ranging from \$50,000 to \$100,000 through 2014; interest ranging from 5.01% to 5.25% per annum.	<u>\$ 875,000</u>
Serviced by the Water and Sewer Fund:	
\$4,515,000 Refunding serial bonds due in annual installments ranging from \$235,000 to \$680,000 through 2006; interest ranging from 4.2% to 4.75% per annum. The amount shown is net of the unamortized deferred loss on the defeasance of \$1,561.	563,439

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Continued)

7. Long-Term Obligations (Continued)

c. General Obligation Indebtedness. (Concluded)

\$1,500,000 Sanitary Sewer serial bonds due in annual installments ranging from \$25,000 to \$100,000 through 2015; interest ranging from 5.1% to 5.3% per annum	975,000
\$8,700,000 Sanitary Sewer serial bonds due in annual installments ranging from \$200,000 to \$800,000 through 2014; interest ranging from 5.4% to 5.6 % per annum	<u>6,675,000</u>
Water and Sewer Total	<u>8,213,439</u>
	<u>\$ 9,088,439</u>

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 100,000	\$ 45,238	\$ 1,015,000	\$ 445,213
2007	100,000	40,138	900,000	394,025
2008	100,000	35,038	900,000	344,925
2009	100,000	29,938	900,000	295,825
2010	100,000	24,738	900,000	246,625
2011 - 2015	<u>375,000</u>	<u>46,950</u>	<u>3,600,000</u>	<u>498,475</u>
Total	<u>\$ 875,000</u>	<u>\$ 222,040</u>	<u>\$ 8,215,000</u>	<u>\$ 2,225,088</u>

At June 30, 2005 the City had bonds authorized but unissued of \$ 550,000 for Wastewater Plant expansion. The City's legal debt margin is \$155,248,927.

CITY OF ASHEBORO, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. LIABILITIES. (Concluded)

7. Long-Term Obligations (Concluded)

d. Changes in Long-Term Liabilities.

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Current Portion of Balance
Governmental Activities:					
Installment Purchases	\$ 2,259,826	\$ 52,765	\$ 479,101	\$ 1,833,490	\$ 382,170
Notes Payable	34,628	--	34,628	--	--
General Obligation					
Bonds	975,000	--	100,000	875,000	100,000
Compensated Absences	1,312,820	510,992	448,839	1,374,973	448,839
Net Pension Obligation	214,177	12,304	---	226,481	---
Governmental Activity					
Long-term Liabilities	<u>\$ 4,796,451</u>	<u>\$ 576,061</u>	<u>\$1,062,568</u>	<u>\$ 4,309,944</u>	<u>\$ 931,009</u>
Business-type Activities:					
General Obligation					
Bonds	\$ 9,245,000	\$ --	\$1,030,000	\$ 8,215,000	\$1,015,000
Less Deferred Loss on					
Defeasance	4,674	--	3,113	1,561	--
Total General Obligation					
Bonds	9,240,326	--	1,026,887	8,213,439	1,015,000
Installment Purchases	102,299	--	60,340	41,959	33,926
Notes Payable	3,507,248	2,870,980	250,000	6,128,228	643,703
Compensated					
Absences	229,668	85,795	85,157	230,306	85,157
Business-type Activity					
Long-term Liabilities	<u>\$ 13,079,541</u>	<u>\$2,956,775</u>	<u>\$1,422,384</u>	<u>\$ 14,613,932</u>	<u>\$1,777,786</u>

Compensated absences typically have been liquidated in the general fund.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Continued)

C. INTERFUND BALANCES AND ACTIVITY.

1. Transfers To / From Other Funds

Transfers to / from other funds at June 30, 2005, consists of the following:

From the General Fund to the Airport Runway Extension Phase III Capital Project Fund for runway extension expenditures.	\$ 38,380
From the General Fund to the Asheboro Skate Park Capital Project Fund for expenditures related to construction of a skate park.	60,000
From the General Fund to the Police Computer Grant Fund for the purchase of information technology equipment for the City's police force.	1,167
From the General Fund to the Cemetery Improvement Fund for final expenditures related to cemetery improvements.	1,355
From the Water and Sewer Fund to the North Fayetteville Street Sidewalk Capital Project Fund for expenditures related to sidewalk expansion.	372,140
From the Water and Sewer Fund to the Water and Sewer Systems Improvement Project Fund for expenditures related to water and sewer expansion.	88,000
From the Home Program Fund to the Downtown Farmer's Market Capital Project Fund for expenditures related to construction of buildings.	28,000
Total	<u>\$ 589,042</u>

2. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2005, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects: Airport Runway Extension Phase III - to fund grant project.	\$ 350,000
	Enterprise Fund: Water and Sewer Fund - to fund operations.	<u>11,474</u>
		<u>\$ 361,474</u>

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. DETAIL NOTES ON ALL FUNDS (Concluded)

C. INTERFUND BALANCES AND ACTIVITY. (Concluded)

2. Interfund Receivables and Payables (Concluded)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	<u>\$ 400,000</u>

D. REVENUES, EXPENDITURES AND EXPENSES.

On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2005, the City of Asheboro has recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$3,349 for fifteen employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

III. JOINT VENTURE

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2005, the City reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no entity has been reflected in the financial statements at June 30, 2004. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

IV. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with seven counties and forty-two other municipalities, established the Piedmont Triad Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$11,184 to the Council during the fiscal year ended June 30, 2005.

V. RELATED ORGANIZATION

The five-member board of the City of Asheboro Housing Authority is appointed by the Asheboro City Council. 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. The City of Asheboro is also disclosed as a related organization in the notes to the financial statements for the City of Asheboro Housing Authority.

VI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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.

**CITY OF ASHEBORO
NORTH CAROLINA**

Required Supplemental Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.

CITY OF ASHEBORO, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued Liability</u> <u>(AAL) Projected</u> <u>Unit Credit</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/95	-	\$ 260,111	\$ 260,111	-	\$ 1,111,503	23.40%
12/31/96	-	\$ 289,267	\$ 289,267	-	\$ 1,224,129	23.63%
12/31/97	-	\$ 311,887	\$ 311,887	-	\$ 1,248,237	24.99%
12/31/98	-	\$ 371,243	\$ 371,243	-	\$ 1,436,006	25.85%
12/31/99	-	\$ 417,140	\$ 417,140	-	\$ 1,818,294	22.94%
12/31/00	-	\$ 722,340	\$ 722,340	-	\$ 1,994,659	36.21%
12/31/01	-	\$ 806,743	\$ 806,743	-	\$ 2,158,301	37.38%
12/31/02	-	\$ 854,881	\$ 854,881	-	\$ 2,205,679	38.76%
12/31/03	-	\$ 937,315	\$ 937,315	-	\$ 2,181,296	42.97%
12/31/04	-	\$ 985,500	\$ 985,500	-	\$ 2,343,974	42.04%

CITY OF ASHEBORO, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 41,454	32.60%
1999	\$ 43,999	49.90%
2000	\$ 52,227	61.70%
2001	\$ 60,573	82.30%
2002	\$ 75,592	74.70%
2003	\$ 84,213	75.20%
2004	\$ 91,005	98.50%
2005	\$ 97,999	91.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/2004
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases*	From 5.9% to 9.8%
*Includes Inflation at	3.75%
Cost-of-Living Adjustments	None

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**CITY OF ASHEBORO
NORTH CAROLINA**

General Fund

The General Fund accounts for all non-enterprise governmental services for which an annual budget is adopted. By definition, the General Fund accounts for all resources and activities except those which are more appropriately recorded in another fund. Functions provided by the City which are accounted for by the General Fund include general government activities, public safety, transportation, environmental protection, grounds maintenance, cultural and recreational activities, and economic and physical development.

CITY OF ASHEBORO, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

Revenues:

Ad Valorem Taxes:

Current Year

Prior Years

Penalties and Interest

Total

Other Taxes and Licenses:

Gross Receipts Tax on Short-Term Rental Property

Animal Tax

Privilege Licenses

Total

Intergovernmental Revenues:

Unrestricted:

Local Option Sales Tax

Utilities Franchise Tax

Hold Harmless

Tax Refunds - Net

Court Fees

Payment in Lieu of Taxes

Total

Restricted:

State Street Aid Allocation

Local Fire Protection and Training

On-Behalf of Payments - Fire and Rescue

Other

Vice and Narcotics Allocation

Federal Forfeiture Allocation

Total

2005		
Budget	Actual	Variance Positive (Negative)
\$ 9,420,000	\$ 9,602,532	\$ 182,532
86,000	169,637	83,637
26,900	41,654	14,754
<u>9,532,900</u>	<u>9,813,823</u>	<u>280,923</u>
18,000	23,349	5,349
600	685	85
<u>240,000</u>	<u>257,079</u>	<u>17,079</u>
<u>258,600</u>	<u>281,113</u>	<u>22,513</u>
3,523,115	3,616,500	93,385
1,545,000	1,651,726	106,726
260,000	263,639	3,639
26,000	2,595	(23,405)
14,000	15,814	1,814
8,000	7,160	(840)
<u>5,376,115</u>	<u>5,557,434</u>	<u>181,319</u>
620,000	685,865	65,865
800	855	55
-	3,349	3,349
78,500	3,125	(75,375)
23,186	16,186	(7,000)
10,574	8,624	(1,950)
<u>\$ 733,060</u>	<u>\$ 718,004</u>	<u>\$ (15,056)</u>

CITY OF ASHEBORO, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2005

Revenues (Concluded):

Permits and Fees:

Building Permits and Inspection Fees
Franchise Fees
Rezoning and Cemetery Fees
Other

Total

Sales and Services:

Rents and Concessions
Cemeteries
Recreation Service Revenues
Refuse Collection
Recycling Revenues
Contracted Maintenance - NCDOT
Airport Revenue

Total

Investment Earnings

Miscellaneous:

Sales of Material and Services
Reimbursements
Other

Total

Total Revenues

Expenditures:

General Government:

Governing Body:

Salaries and Employee Benefits
Other Operating Expenditures

Total

2005		
Budget	Actual	Variance Positive (Negative)
\$ 116,700	\$ 139,876	\$ 23,176
120,000	128,777	8,777
30,000	45,654	15,654
-	24	24
266,700	314,331	47,631
53,600	63,756	10,156
20,000	37,500	17,500
282,000	352,854	70,854
850,000	789,314	(60,686)
6,000	9,460	3,460
20,000	21,178	1,178
4,500	3,670	(830)
1,236,100	1,277,732	41,632
52,000	134,749	82,749
-	1,049	1,049
105,000	179,303	74,303
82,319	47,463	(34,856)
187,319	227,815	40,496
17,642,794	18,325,001	682,207
-	71,840	-
-	40,184	-
\$ 116,569	\$ 112,024	\$ 4,545

CITY OF ASHEBORO, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

Expenditures (Continued):

General Government (Continued):

Administration:

Salaries and Employee Benefits
Operating Expenditures

Total

City Clerk:

Salaries and Employee Benefits
Operating Expenditures

Total

Information Technology:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Finance:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Public Buildings:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Tax Collections:

Tax Collection Fee - Randolph County
Tax Refunds

Total

2005		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$	\$ 97,137	\$
	35,825	
<u>141,444</u>	<u>132,962</u>	<u>8,482</u>
	62,558	
	4,137	
<u>71,087</u>	<u>66,695</u>	<u>4,392</u>
	52,470	
	47,051	
	7,213	
<u>123,855</u>	<u>106,734</u>	<u>17,121</u>
	249,274	
	55,510	
	1,842	
<u>331,468</u>	<u>306,626</u>	<u>24,842</u>
	784	
	55,876	
	1,008	
<u>75,663</u>	<u>57,668</u>	<u>17,995</u>
	122,673	
	63,693	
<u>\$ 191,000</u>	<u>\$ 186,366</u>	<u>\$ 4,634</u>

CITY OF ASHEBORO, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2005

Expenditures (Continued):

General Government (Concluded):

Legal Services:

Salaries and Employee Benefits

Operating Expenditures

Total

Planning and Zoning:

Salaries and Employee Benefits

Other Operating Expenditures

Total

City Shop:

Salaries and Employee Benefits

Operating Expenditures

Total

Human Resources:

Salaries and Employee Benefits

Other Operating Expenditures

Total

Total General Government

Public Safety:

Police:

Salaries and Employee Benefits

Operating Expenditures

Capital Outlay

Total

Fire:

Salaries and Employee Benefits

Operating Expenditures

Capital Outlay

Total

2005		
Budget	Actual	Variance Positive (Negative)
\$	\$ 98,936 15,139	\$
<u>117,616</u>	<u>114,075</u>	<u>3,541</u>
	330,122 30,038	
<u>374,608</u>	<u>360,160</u>	<u>14,448</u>
	524,548 124,750	
<u>649,389</u>	<u>649,298</u>	<u>91</u>
	251,279 68,898	
<u>324,540</u>	<u>320,177</u>	<u>4,363</u>
<u>2,517,239</u>	<u>2,412,785</u>	<u>104,454</u>
	3,715,820 864,123 126,232	
<u>4,695,206</u>	<u>4,706,175</u>	<u>(10,969)</u>
	2,201,977 347,331 64,815	
<u>\$ 2,623,941</u>	<u>\$ 2,614,123</u>	<u>\$ 9,818</u>

CITY OF ASHEBORO, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2005

Expenditures (Continued):

Public Safety (Concluded):

Inspections:

Salaries and Employee Benefits
Operating Expenditures

Total

Total Public Safety

Transportation:

Operations:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Street and Highways:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

City Engineer Office:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Airport Authority:

Operating Expenditures

Total Transportation

2005		
Budget	Actual	Variance Positive (Negative)
\$	\$ 168,716	\$
	11,183	
183,209	179,899	3,310
7,502,356	7,500,197	2,159
	280,522	
	170,082	
	21,495	
501,320	472,099	29,221
	651,056	
	692,778	
	148,134	
1,481,709	1,491,968	(10,259)
	123,816	
	22,481	
	9,879	
178,244	156,176	22,068
80,378	39,929	40,449
\$ 2,241,651	\$ 2,160,172	\$ 81,479

CITY OF ASHEBORO, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2005

Expenditures (Continued):

Environmental Protection:

Sanitation:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Recycling Transfer Station:

Salaries and Employee Benefits
Operating Expenditures

Total

Total Environmental Protection

Cultural and Recreational:

Recreation:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Grounds Maintenance:

Salaries and Employee Benefits
Operating Expenditures
Capital Outlay

Total

Golf Course:

Salaries and Employee Benefits
Operating Expenditures

Total

2005		
Budget	Actual	Variance Positive (Negative)
\$	\$ 618,931	\$
	1,000,032	
	65,927	
<u>1,728,497</u>	<u>1,684,890</u>	<u>43,607</u>
	40,022	
	50,929	
<u>89,397</u>	<u>90,951</u>	<u>(1,554)</u>
<u>1,817,894</u>	<u>1,775,841</u>	<u>42,053</u>
	374,212	
	419,319	
	181,471	
<u>1,049,460</u>	<u>975,002</u>	<u>74,458</u>
	869,312	
	196,383	
	35,020	
<u>1,175,491</u>	<u>1,100,715</u>	<u>74,776</u>
	81,249	
	49,117	
<u>\$ 134,181</u>	<u>\$ 130,366</u>	<u>\$ 3,815</u>

CITY OF ASHEBORO, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2005

Expenditures (Concluded):

Cultural and Recreational (Concluded):

Library:

Operating Expenditures

Capital Outlay

Total

Total Cultural and Recreational

Economic and Physical Development:

Community Promotion:

Operating Expenditures

Total Economic and Physical Development

Debt Service:

Principal Retirement

Interest and Fees

Total Debt Service

Total Expenditures

Revenues Over (Under) Expenditures

Other Financing Sources (Uses):

Transfers to Other Funds:

To Airport Runway Extension Phase III Capital Project Fund

To Asheboro Skate Park Project Fund

To Police Computer Grant Fund

To Cemetery Improvement Fund

Sale of Assets

Proceeds From Installment Purchase Agreement

Total Other Financing Sources (Uses)

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1

End of Year, June 30

2005		
Budget	Actual	Variance Positive (Negative)
\$	\$ 71,085	\$
	900	
72,100	71,985	115
2,431,232	2,278,068	153,164
	215,660	
217,000	215,660	1,340
	610,978	
	154,060	
875,094	765,038	110,056
17,602,466	17,107,761	494,705
40,328	1,217,240	1,176,912
(38,380)	(38,380)	-
-	(60,000)	(60,000)
(1,593)	(1,167)	426
(1,355)	(1,355)	-
1,000	-	(1,000)
-	52,765	52,765
(40,328)	(48,137)	(7,809)
\$ -	1,169,103	\$ 1,169,103
	7,044,157	
	\$ 8,213,260	

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**CITY OF ASHEBORO,
NORTH CAROLINA**

Combining Statements for Nonmajor Funds

Special Revenue Funds:

The HOME Program Special Revenue Fund. The North Carolina Housing Finance Agency regulates the Home Program; funding is restricted for rehabilitation of housing for individuals deemed to be in economic need of financing.

The Economic Development Special Revenue Fund. This fund accounts for resources to be used in the enhancement of the local business community and is funded from State grants and transfers from the General Fund.

The Police Computer Grant Special Revenue Fund. This fund is used to account for grant monies restricted for specific law enforcement program expenses.

The Cemetery Improvement Fund. This fund is used to account for donations and other revenues to maintain the City's cemetery.

Capital Project Funds:

The Downtown Farmer's Market Capital Project Fund. This fund accounts for City transfers and grant monies to construct a facility for local farmers to display and sell produce and other items.

The North Fayetteville Street Sidewalk Capital Project Fund. This fund accounts for City transfers to construct pedestrian sidewalks.

The Asheboro Skate Park Capital Project Fund. This fund accounts for City transfers and other revenues to construct a recreational skate park.

CITY OF ASHEBORO, NORTH CAROLINA
COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2005

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	HOME Program	Economic Development Fund	Police Computer Grant Fund	Cemetery Improvement Fund	
Assets:					
Current Assets:					
Cash and Investments	\$ 148,023	\$ 125,000	\$ 1,480	\$ -	\$ 274,503
Accounts Receivable	45,575	-	-	-	45,575
Due From Other Governments	-	-	1,805	-	1,805
Total Assets	\$ 193,598	\$ 125,000	\$ 3,285	\$ -	\$ 321,883
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000
Due to Other Funds	-	-	-	-	-
Deferred Revenues	45,575	-	-	-	45,575
Total Liabilities	45,575	125,000	-	-	170,575
Fund Balances:					
Reserved by State Statute	-	-	1,805	-	1,805
Unreserved:					
Designated for Capital Projects	-	-	-	-	-
Undesignated	148,023	-	1,480	-	149,503
Total Fund Balances	148,023	-	3,285	-	151,308
Total Liabilities and Fund Balances	\$ 193,598	\$ 125,000	\$ 3,285	\$ -	\$ 321,883

Capital Project Funds					
Downtown Farmer's Market Project Fund	North Fayetteville Street Sidewalk Project Fund	Asheboro State Park Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds	
\$ 112,567	\$ 490,289	\$ 60,000	\$ 662,856	\$ 937,359	
-	-	-	-	45,575	
539	5,012	-	5,551	7,356	
<u>\$ 113,106</u>	<u>\$ 495,301</u>	<u>\$ 60,000</u>	<u>\$ 668,407</u>	<u>\$ 990,290</u>	
\$ -	\$ -	\$ -	\$ -	\$ 125,000	
-	-	-	-	-	
-	-	-	-	45,575	
-	-	-	-	-	
-	-	-	-	170,575	
539	5,012	-	5,551	7,356	
112,567	490,289	60,000	662,856	662,856	
-	-	-	-	149,503	
113,106	495,301	60,000	668,407	819,715	
<u>\$ 113,106</u>	<u>\$ 495,301</u>	<u>\$ 60,000</u>	<u>\$ 668,407</u>	<u>\$ 990,290</u>	

CITY OF ASHEBORO, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	HOME Program	Economic Development Fund	Police Computer Grant Fund	Cemetery Improvement Fund	
Revenues:					
Restricted Intergovernmental	\$ -	\$ -	\$ 10,500	\$ -	\$ 10,500
Investment Earnings	-	-	-	-	-
Miscellaneous	14,664	-	-	1	14,665
Total Revenues	14,664	-	10,500	1	25,165
Expenditures:					
Public Safety	-	-	17,539	-	17,539
Economic and Physical Development	2,003	-	-	10,251	12,254
Capital Outlay	-	-	-	-	-
Total Expenditures	2,003	-	17,539	10,251	29,793
Revenues Over (Under) Expenditures	12,661	-	(7,039)	(10,250)	(4,628)
Other Financing Sources (Uses):					
Transfers to Other Funds:					
Downtown Farmer's Market Project Fund	(28,000)	-	-	-	(28,000)
Transfers From Other Funds:					
From General Fund	-	-	1,167	1,355	2,522
From Home Program Fund	-	-	-	-	-
From Water and Sewer Fund	-	-	-	-	-
Total Other Financing Sources (Uses)	(28,000)	-	1,167	1,355	(25,478)
Net Change in Fund Balances	(15,339)	-	(5,872)	(8,895)	(30,106)
Fund Balances:					
Beginning of Year, July 1	163,362	-	9,157	8,895	181,414
End of Year, June 30	<u>\$ 148,023</u>	<u>\$ -</u>	<u>\$ 3,285</u>	<u>\$ -</u>	<u>\$ 151,308</u>

Capital Project Funds			Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Downtown Farmer's Market Project Fund	North Fayetteville Street Sidewalk Project Fund	Asheboro Skate Park Project Fund		
\$ 100,000	\$ 38,736	\$ -	\$ 138,736	\$ 149,236
-	-	-	-	-
-	-	-	-	14,665
100,000	38,736	-	138,736	163,901
-	-	-	-	17,539
-	-	-	-	12,254
14,894	53,397	-	68,291	68,291
14,894	53,397	-	68,291	98,084
85,106	(14,661)	-	70,445	65,817
-	-	-	-	(28,000)
-	-	60,000	60,000	62,522
28,000	-	-	28,000	28,000
-	372,140	-	372,140	372,140
28,000	372,140	60,000	460,140	434,662
113,106	357,479	60,000	530,585	500,479
-	137,822	-	137,822	319,236
<u>\$ 113,106</u>	<u>\$ 495,301</u>	<u>\$ 60,000</u>	<u>\$ 668,407</u>	<u>\$ 819,715</u>

CITY OF ASHEBORO, NORTH CAROLINA
SPECIAL REVENUE FUND - HOME PROGRAM

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2005

Revenues:

Restricted Intergovernmental Revenues:

HOME Program Grant

Miscellaneous:

Program Income - Repayments

Total Revenues

Expenditures:

Economic and Physical Development:

Original Programs:

Down Payment Assistance

Owner Occupied Rehabilitation

Investor Owned Rehabilitation

Administration

Revolving Loans:

Down Payment Assistance

Owner Occupied Rehabilitation

Investor Owned Rehabilitation

Down Payment/Closing Cost

Administration - Down Payment

Fiscal Agent Fees

Total Expenditures

Revenues Over Expenditures

Other Financing (Uses):

Transfers to Other Funds:

Downtown Farmer's Market Project Fund

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1

End of Year, June 30

Project Authorization	Prior Years	Actual Current Year	Total To Date
\$ 375,000	\$ 375,000	\$ -	\$ 375,000
<u>191,000</u>	<u>289,619</u>	<u>14,664</u>	<u>304,283</u>
<u>566,000</u>	<u>664,619</u>	<u>14,664</u>	<u>679,283</u>
69,750	69,750	-	69,750
186,000	186,000	-	186,000
93,000	93,000	-	93,000
26,250	26,250	-	26,250
12,000	11,152	-	11,152
48,300	74,832	-	74,832
49,700	26,034	302	26,336
32,000	5,436	1,328	6,764
6,000	-	-	-
<u>15,000</u>	<u>8,803</u>	<u>373</u>	<u>9,176</u>
<u>538,000</u>	<u>501,257</u>	<u>2,003</u>	<u>503,260</u>
<u>28,000</u>	<u>163,362</u>	<u>12,661</u>	<u>176,023</u>
<u>(28,000)</u>	<u>-</u>	<u>(28,000)</u>	<u>(28,000)</u>
<u>\$ -</u>	<u>\$ 163,362</u>	<u>(15,339)</u>	<u>\$ 148,023</u>
		<u>163,362</u>	
		<u>\$ 148,023</u>	

CITY OF ASHEBORO, NORTH CAROLINA
SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2005

Expenditures:

Economic and Physical Development:

Energizer/Everready

Unilever/Bestfoods

Total Expenditures

Other Financing Sources:

Transfers From Other Funds:

From General Fund

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1

End of Year, June 30

Project Authorization	Prior Years	Actual		Total To Date
		Current Year	-	
\$ 375,000	-	\$ -	-	\$ -
<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
500,000	125,000	-	-	125,000
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
500,000	125,000	-	-	125,000
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

CITY OF ASHEBORO, NORTH CAROLINA
SPECIAL REVENUE FUND - POLICE COMPUTER GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2005

Revenues:

Restricted Intergovernmental Revenues:

Federal Grants

Investment Earnings

Total Revenues

Expenditures:

Public Safety:

Police Grant Match

Capital Outlay

Supplies and Materials

Total Expenditures

Revenues (Under) Expenditures

Other Financing Sources:

Transfers From Other Funds:

General Fund

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1

End of Year, June 30

Project Authorization	Prior Years	Actual		Total To Date
		Current Year		
\$ 95,341	\$ 84,841 150	\$ 10,500 -	\$ 95,341 150	
95,341	84,991	10,500	95,491	
10,594	7,834	2,760	10,594	
89,384	75,070	13,086	88,156	
5,957	3,957	1,693	5,650	
105,935	86,861	17,539	104,400	
(10,594)	(1,870)	(7,039)	(8,909)	
10,594	11,027	1,167	12,194	
\$ -	\$ 9,157	(5,872)	\$ 3,285	
		9,157		
		\$ 3,285		

CITY OF ASHEBORO, NORTH CAROLINA
SPECIAL REVENUE FUND - CEMETERY IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2005

Revenues:

Donations
Investment Earnings

Total Revenues

Expenditures:

Physical Development:
Improvements

Revenues Over (Under) Expenditures

Other Financing Sources:

Transfers From Other Funds:
From General Fund

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1

End of Year, June 30

Project Authorization	Prior Years	Actual		Total To Date
		Current Year		
\$ 8,876 20	\$ 8,875 20	\$ 1 -	\$ 8,876 20	
8,896	8,895	1	8,896	
10,251	-	10,251	10,251	
(1,355)	8,895	(10,250)	(1,355)	
1,355	-	1,355	1,355	
\$ -	\$ 8,895	(8,895)	\$ -	
		8,895	\$ -	

CITY OF ASHEBORO, NORTH CAROLINA
CAPITAL PROJECT FUND - DOWNTOWN FARMER'S MARKET

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2005

Revenues:

Restricted Intergovernmental:
Appropriation - State of North Carolina
Gold Leaf Foundation

Total Revenues

Expenditures:

Capital Outlay:
Professional Services

Total Expenditures

Revenues Over (Under) Expenditures

Other Financing Sources:

Transfers From Other Funds:
From Home Program Fund

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1
End of Year, June 30

Project Authorization	Prior Years	Actual	
		Current Year	Total To Date
\$ 100,000	-	\$ 100,000	\$ 100,000
65,000	-	-	-
<u>165,000</u>	-	<u>100,000</u>	<u>100,000</u>
193,000	-	14,894	14,894
193,000	-	14,894	14,894
<u>(28,000)</u>	-	<u>85,106</u>	<u>85,106</u>
28,000	-	28,000	28,000
<u>\$ -</u>	<u>\$ -</u>	<u>113,106</u>	<u>\$ 113,106</u>
			<u>\$ 113,106</u>

CITY OF ASHEBORO, NORTH CAROLINA
CAPITAL PROJECT FUND - NORTH FAYETTEVILLE STREET SIDEWALK

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2005

Revenues:

Restricted Intergovernmental:
 Federal Grants
Investment Earnings

Total Revenues

Expenditures:

Capital Outlay:
 Sidewalk Construction - North Fayetteville Street
 Sidewalk Construction - South Church Street
 Sidewalk Construction - Sunset Avenue
 Water Lines - Steele Street
 Water Lines - Woodcrest Drive
 Water Lines - Keystone Drive
 Water Lines - Sherwood Avenue
 Water Lines - Fisher Circle
 Sewer Lines - Sherwood Avenue
 Sewer Lines - Harvell Street

Total Expenditures

Revenues (Under) Expenditures

Other Financing Sources:

Transfers From Other Funds:
 From General Fund
 From Water and Sewer Fund

Total Other Financing Sources

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1

End of Year, June 30

Project Authorization	Prior Years	Actual Current Year	Total To Date
\$ 172,032	\$ 127,438	\$ 38,736	\$ 166,174
-	19,377	-	19,377
<u>172,032</u>	<u>146,815</u>	<u>38,736</u>	<u>185,551</u>
168,000	15,982	5,066	21,048
122,832	100,143	-	100,143
188,200	139,868	48,331	188,199
41,340	-	-	-
175,000	-	-	-
60,000	-	-	-
10,000	-	-	-
19,200	-	-	-
10,000	-	-	-
26,600	-	-	-
<u>821,172</u>	<u>255,993</u>	<u>53,397</u>	<u>309,390</u>
<u>(649,140)</u>	<u>(109,178)</u>	<u>(14,661)</u>	<u>(123,839)</u>
217,000	217,000	-	217,000
432,140	30,000	372,140	402,140
<u>649,140</u>	<u>247,000</u>	<u>372,140</u>	<u>619,140</u>
<u>\$ -</u>	<u>\$ 137,822</u>	<u>357,479</u>	<u>\$ 495,301</u>
		<u>137,822</u>	
		<u>\$ 495,301</u>	

CITY OF ASHEBORO, NORTH CAROLINA
CAPITAL PROJECT FUND - ASHEBORO SKATE PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2005

Revenues:

Restricted Intergovernmental:

Grant - Parks and Recreation Trust Fund

Total Revenues

Expenditures:

Capital Outlay:

Sidewalk Construction - North Fayetteville Street

Total Expenditures

Revenues (Under) Expenditures

Other Financing Sources:

Transfers From Other Funds:

From General Fund

Net Change in Fund Balance

Fund Balance:

Beginning of Year, July 1

End of Year, June 30

Project Authorization	Actual		
	Prior Years	Current Year	Total To Date
\$ 100,000	-	\$ -	\$ -
100,000	-	-	-
200,000	-	-	-
200,000	-	-	-
(100,000)	-	-	-
100,000	-	60,000	60,000
\$ -	\$ -	60,000	\$ 60,000
		\$ -	\$ -
		\$ 60,000	\$ 60,000

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**CITY OF ASHEBORO,
NORTH CAROLINA**

Other Major Fund

Capital Project Funds:

The Airport Runway Extension Phase III Capital Project Fund. This fund accounts for Federal Aviation Administration and State Aid to Airport grant funding to further extend, widen and strengthen the airport runway.

CITY OF ASHEBORO, NORTH CAROLINA
CAPITAL PROJECT FUND - AIRPORT RUNWAY EXTENSION PHASE III

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and For the Year Ended June 30, 2005

Revenues:

 Restricted Intergovernmental:
 Federal Grant
 State Grant
 Investment Earnings

Total Revenues

Expenditures:

 Capital Outlay:
 Professional Services
 Administration
 Contractors
 Land
 Miscellaneous
 Contingency

Total Expenditures

Revenues (Under) Expenditures

Other Financing Sources:

 Transfers From Other Funds:
 From General Fund

Net Change in Fund Balance

Fund Balance:

 Beginning of Year, July 1

 End of Year, June 30

Project Authorization	Actual		
	Prior Years	Current Year	Total To Date
\$ 2,750,000	\$ 2,301,575	\$ 198,021	\$ 2,499,596
2,517,500	1,460,759	903,854	2,364,613
15,000	30,196	-	30,196
<u>5,282,500</u>	<u>3,792,530</u>	<u>1,101,875</u>	<u>4,894,405</u>
653,463	538,868	87,850	626,718
4,655	4,654	-	4,654
4,850,925	3,514,795	1,050,822	4,565,617
212,500	212,500	-	212,500
15,000	-	-	-
151,478	-	-	-
<u>5,888,021</u>	<u>4,270,817</u>	<u>1,138,672</u>	<u>5,409,489</u>
<u>(605,521)</u>	<u>(478,287)</u>	<u>(36,797)</u>	<u>(515,084)</u>
<u>605,521</u>	<u>531,722</u>	<u>38,380</u>	<u>570,102</u>
<u>\$ -</u>	<u>\$ 53,435</u>	<u>1,583</u>	<u>\$ 55,018</u>
		<u>53,435</u>	
		<u>\$ 55,018</u>	

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**CITY OF ASHEBORO,
NORTH CAROLINA**

Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes. An enterprise fund charges fees sufficient to fund on-going operations, service its debt and provide for replacement and expansion of its capital facilities.

The City of Asheboro has a single enterprise fund, the Water and Sewer Fund, and one Water and Sewer Capital Projects Fund, the Water and Sewer System Improvements Project; which accounts for multi-year capital expansion. The detail of activity in this fund appears on Schedule 13. It is consolidated with the Water and Sewer Fund on Exhibit 6.

CITY OF ASHEBORO, NORTH CAROLINA
ENTERPRISE FUND - WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2005

Revenues:

Operating Revenues:

Water Sales
Sewer Charges
Water and Sewer Taps
Sampling and Monitoring Fees
Surcharges
Septic Tank Discharge
Other Operating Revenues

Total Operating Revenues

Nonoperating Revenues:

Interest Earned on Investments
Sales of Materials and Services
Sale of Assets
Other Nonoperating Revenues

Total Nonoperating Revenues

Total Revenues

Expenditures:

Billing and Collections:

Salaries and Employee Benefits
Supplies
Other Operating Expenditures

Total

Water Meter Operations:

Salaries and Employee Benefits
Supplies
Other Operating Expenditures

Total

Water Supply and Treatment:

Salaries and Employee Benefits
Supplies
Other Operating Expenditures

Total

2005		
Budget	Actual	Variance Positive (Negative)
\$ 5,000,000	\$ 4,941,673	\$ (58,327)
3,360,000	3,744,493	384,493
113,075	88,200	(24,875)
19,834	36,259	16,425
70,000	121,074	51,074
50,150	44,785	(5,365)
88,438	128,699	40,261
<u>8,701,497</u>	<u>9,105,183</u>	<u>403,686</u>
55,000	165,484	110,484
1,000	-	(1,000)
1,000	-	(1,000)
64,988	109,986	44,998
<u>121,988</u>	<u>275,470</u>	<u>153,482</u>
<u>8,823,485</u>	<u>9,380,653</u>	<u>557,168</u>
	189,506	
	25,181	
	17,602	
<u>290,715</u>	<u>232,289</u>	<u>58,426</u>
	253,861	
	32,549	
	30,612	
<u>339,240</u>	<u>317,022</u>	<u>22,218</u>
	631,660	
	223,220	
	505,576	
<u>\$ 1,623,996</u>	<u>\$ 1,360,456</u>	<u>\$ 263,540</u>

CITY OF ASHEBORO, NORTH CAROLINA
ENTERPRISE FUND - WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2005

Expenditures (Concluded):

Wastewater Treatment:

Salaries and Employee Benefits
Supplies
Other Operating Expenditures

Total

Water Maintenance:

Salaries and Employee Benefits
Supplies
Other Operating Expenditures

Total

Wastewater Maintenance:

Salaries and Employee Benefits
Supplies
Other Operating Expenditures

Total

Debt Service:

Principal on Bonds and Note
Principal on Capital Lease
Interest and Fees

Total

Capital Outlay:

Wastewater Maintenance
Wastewater Treatment

Total

Total Expenditures

Revenues Over Expenditures (Forward)

2005		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$	\$ 1,103,515	\$
	388,474	
	856,215	
<u>2,553,669</u>	<u>2,348,204</u>	<u>205,465</u>
	398,624	
	168,407	
	51,680	
<u>643,604</u>	<u>618,711</u>	<u>24,893</u>
	561,325	
	79,235	
	150,764	
<u>802,095</u>	<u>791,324</u>	<u>10,771</u>
	1,280,000	
	60,341	
	611,423	
<u>1,965,326</u>	<u>1,951,764</u>	<u>13,562</u>
	8,825	
	2,498	
<u>55,000</u>	<u>11,323</u>	<u>43,677</u>
<u>8,273,645</u>	<u>7,631,093</u>	<u>642,552</u>
<u>\$ 549,840</u>	<u>\$ 1,749,560</u>	<u>\$ 1,199,720</u>

CITY OF ASHEBORO, NORTH CAROLINA
ENTERPRISE FUND - WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2005

Revenues Over Expenditures: (Brought Forward)

Other Financing (Uses):

Transfers to Other Funds:

- To North Fayetteville Street Sidewalk Capital Project Fund
- To Water and Sewer System Improvement Project

Total Other Financing (Uses)

Revenues Over Expenditures and Other Uses

Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:

Revenues Over Expenditures and Other Uses

- Payment of Bond and Note Principal
- Payment on Capital Leases
- Amortization of Deferred Loss on Refunding
- Amortization of Bond Issue Costs
- Capital Outlay
- Depreciation
- Increase In Accrued Compensated Absences
- Decrease In Accrued Interest Expense
- Transfer to Water and Sewer System Improvement Project

Total Reconciling Items

Change in Net Assets

2005		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>\$ 549,840</u>	<u>\$ 1,749,560</u>	<u>\$ 1,199,720</u>
(410,140)	(372,140)	38,000
<u>(139,700)</u>	<u>(88,000)</u>	<u>51,700</u>
<u>(549,840)</u>	<u>(460,140)</u>	<u>89,700</u>
<u>\$ -</u>	<u>\$ 1,289,420</u>	<u>\$ 1,289,420</u>

<u>\$ 1,289,420</u>
1,280,000
60,341
(3,113)
(9,268)
11,323
(1,340,089)
(639)
15,189
<u>88,000</u>
<u>101,744</u>
<u>\$ 1,391,164</u>

CITY OF ASHEBORO, NORTH CAROLINA
WATER AND SEWER SYSTEMS IMPROVEMENT FUND

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)

From Inception and For the Year Ended June 30, 2005

Revenues:

Investment Earnings

Expenditures:

Water System Improvements:

Professional Services

Administrative

Payment to Contractors

Right-of-Way and Easements

Contingency

Sewer Pump Station # 2:

Professional Services — Water and Sewer

Administrative

Payment to Contractors

Right-of-Way and Easements

Contingency

Sewer Pump Station # 1:

Professional Services

Administrative

Payment to Contractors

Right-of-Way and Easements

Contingency

Water System Power Generators:

Professional Services

Administrative

Payment to Contractors

Contingency

Total Expenditures

Revenues (Under) Expenditures

Other Financing Sources:

Transfers From Other Funds:

Water and Sewer Fund

Proceeds of State Water Loan

Proceeds of State Sewer Loan

Total Other Financing Sources

Revenues and Other Financing Sources Over (Under) Expenditures

Project Authorization	Actual		
	Prior Years	Current Year	Total To Date
\$ -	\$ 3,566	\$ -	\$ 3,566
397,850	232,406	8,953	241,359
84,500	1,201	79,484	80,685
3,568,931	-	498,287	498,287
150,000	10,566	4,400	14,966
30,600	-	739	739
257,987	225,099	30,963	256,062
2,000	46,836	4,559	51,395
1,892,120	-	1,696,285	1,696,285
20,764	20,764	-	20,764
94,600	-	-	-
69,405	50,640	8,968	59,608
2,830	2,518	-	2,518
434,200	-	382,540	382,540
4,566	4,566	-	4,566
21,700	3,700	16,750	20,450
116,700	69,500	-	69,500
28,000	16	27,183	27,199
973,000	-	-	-
82,300	-	-	-
<u>8,232,053</u>	<u>667,812</u>	<u>2,759,111</u>	<u>3,426,923</u>
<u>(8,232,053)</u>	<u>(664,246)</u>	<u>(2,759,111)</u>	<u>(3,423,357)</u>
358,000	270,000	88,000	358,000
5,331,881	-	727,281	727,281
<u>2,542,172</u>	<u>257,248</u>	<u>2,143,699</u>	<u>2,400,947</u>
<u>8,232,053</u>	<u>527,248</u>	<u>2,958,980</u>	<u>3,486,228</u>
\$ -	\$ (136,998)	\$ 199,869	\$ 62,871

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**CITY OF ASHEBORO,
NORTH CAROLINA**

**Capital Assets Used in the Operation of
Governmental Funds**

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CITY OF ASHEBORO, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Schedule 14

COMPARATIVE SCHEDULES BY SOURCE

June 30, 2005

	<u>2005</u>	<u>2004</u>
Governmental Funds Capital Assets:		
Land	\$ 3,067,973	\$ 3,025,982
Land Improvements	8,059,477	7,954,003
Buildings	10,032,528	9,804,939
Street Construction	11,682,803	11,682,803
Equipment	4,094,390	3,965,090
Vehicles	7,612,351	7,209,734
Construction in Progress	<u>2,433,358</u>	<u>1,226,395</u>
Total Capital Assets	<u>\$ 46,982,880</u>	<u>\$ 44,868,946</u>
Investment in Governmental Funds Capital Assets - by Source:		
General Fund	\$ 19,032,249	\$ 18,324,291
Special Revenue Funds	77,165	64,211
Capital Projects Funds	18,810,437	17,603,474
Donations	<u>9,063,029</u>	<u>8,876,970</u>
	<u>\$ 46,982,880</u>	<u>\$ 44,868,946</u>

CITY OF ASHEBORO, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>
General Government:			
Governing Body	\$ -	\$ -	\$ -
Administration	-	-	-
Personnel and City Clerk	-	-	-
Finance	-	-	-
Human Resources	13,908	-	41,725
Legal Services	-	-	-
Planning and Zoning	-	-	-
Public Buildings	188,965	73,215	685,142
Information Technology	-	-	-
City Shop	67,274	-	-
Total General Government	<u>270,147</u>	<u>73,215</u>	<u>726,867</u>
Public Safety:			
Police	116,129	11,676	633,098
Fire	68,250	10,933	452,951
Inspections	-	-	-
Total Public Safety	<u>184,379</u>	<u>22,609</u>	<u>1,086,049</u>
Transportation:			
Public Works	273,697	-	2,644,245
Streets	222,638	45,070	-
City Engineer	-	-	-
Airport	777,577	6,472,892	671,466
Total Transportation	<u>1,273,912</u>	<u>6,517,962</u>	<u>3,315,711</u>
Environmental Protection:			
Sanitation	21,152	-	699,940
Cultural and Recreational:			
Parks, Lakes and Playgrounds	877,579	1,066,500	1,767,115
Municipal Golf Course	28,015	111,898	67,418
Grounds Maintenance	85,675	62,918	136,934
Total Cultural and Recreational	<u>991,269</u>	<u>1,241,316</u>	<u>1,971,467</u>
Economic and Physical Development:			
Community Promotion	327,114	204,375	2,232,494
Construction in Progress	-	-	-
Total Governmental Funds Capital Assets	<u>\$ 3,067,973</u>	<u>\$ 8,059,477</u>	<u>\$ 10,032,528</u>

Street Construction	Equipment	Vehicles	Construction In Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ -
-	3,756	-	-	3,756
-	7,048	-	-	7,048
-	57,178	-	-	57,178
-	49,732	20,248	-	125,613
-	2,849	-	-	2,849
-	69,176	22,651	-	91,827
-	33,655	-	-	980,977
-	66,872	-	-	66,872
-	317,079	227,067	-	611,420
-	607,345	269,966	-	1,947,540
-	481,621	1,690,136	-	2,932,660
-	228,855	1,207,236	-	1,968,225
-	5,844	33,015	-	38,859
-	716,320	2,930,387	-	4,939,744
-	231,809	104,084	-	3,253,835
11,682,803	796,947	1,309,104	-	14,056,562
-	87,914	42,141	-	130,055
-	127,048	27,000	-	8,075,983
11,682,803	1,243,718	1,482,329	-	25,516,435
-	711,772	2,391,059	-	3,823,923
-	155,239	74,983	-	3,941,416
-	59,644	-	-	266,975
-	581,708	463,627	-	1,330,862
-	796,591	538,610	-	5,539,253
-	18,644	-	-	2,782,627
-	-	-	2,433,358	2,433,358
\$ 11,682,803	\$ 4,094,390	\$ 7,612,351	\$ 2,433,358	\$ 46,982,880

CITY OF ASHEBORO, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Schedule 16

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the Year Ended June 30, 2005

Function and Activity	Governmental Fund			Governmental Fund
	Capital Assets June 30, 2004	Additions	Retirements	Capital Assets June 30, 2005
General Government:				
Governing Body	\$ -	\$ -	\$ -	\$ -
Administration	3,756	-	-	3,756
Personnel and City Clerk	7,048	-	-	7,048
Finance	55,336	1,842	-	57,178
Human Resources	114,340	-	-	114,340
Legal Services	2,849	-	-	2,849
Planning and Zoning	78,913	-	-	78,913
Public Buildings	953,167	70,402	600	1,022,969
Information Technology	66,872	-	-	66,872
City Shop	600,146	-	-	600,146
Total General Government	1,882,427	72,244	600	1,954,071
Public Safety:				
Police	2,819,302	139,186	-	2,958,488
Fire	1,928,247	62,524	-	1,990,771
Inspections	38,859	-	-	38,859
Total Public Safety	4,786,408	201,710	-	4,988,118
Transportation:				
Public Works	3,247,502	6,333	-	3,253,835
Streets	13,906,958	148,966	-	14,055,924
City Engineer	120,177	9,878	-	130,055
Airport	7,899,289	176,694	-	8,075,983
Total Transportation	25,173,926	341,871	-	25,515,797
Environmental Protection:				
Sanitation	3,757,996	65,927	-	3,823,923
Cultural and Recreational:				
Parks, Lakes and Playgrounds	3,759,944	181,471	-	3,941,415
Municipal Golf Course	266,975	-	-	266,975
Grounds Maintenance	1,272,651	44,348	-	1,316,999
Total Cultural and Recreational	5,299,570	225,819	-	5,525,389
Economic and Physical Development:				
Community Promotion	2,742,224	-	-	2,742,224
Construction in Progress	1,226,395	1,206,963	-	2,433,358
Total Governmental Fund Capital Assets	\$ 44,868,946	\$ 2,114,534	\$ 600	\$ 46,982,880

**CITY OF ASHEBORO,
NORTH CAROLINA**

Other Supplemental Information

The following supplemental schedules are provided to enhance the financial statement user's understanding of municipal finance by providing additional detail of ad valorem taxes levied, collected and receivable at year end.

CITY OF ASHEBORO, NORTH CAROLINA

Schedule 17

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

For the Year Ended June 30, 2005

<u>Fiscal Year</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2005</u>
2004-2005	\$ -	\$ 9,848,017	\$ 9,697,180	\$ 150,837
2003-2004	209,257		78,441	130,816
2002-2003	146,539		120,634	25,905
2001-2002	6,836		2,313	4,523
2000-2001	4,581		245	4,336
1999-2000	3,009		105	2,904
1998-1999	6,967		84	6,883
1997-1998	3,098		156	2,942
1996-1997	3,470		22	3,448
1995-1996	1,763		118	1,645
1994-1995	2,758		2,758	-
	<u>\$ 388,278</u>	<u>\$ 9,848,017</u>	<u>\$ 9,902,056</u>	334,239
Less Allowance for Uncollectible Ad Valorem Taxes Receivable				<u>(130,000)</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 204,239</u>
Reconciliation with Revenues:				
Ad Valorem Taxes Collected - General Fund			\$ 9,813,823	
Discounts Allowed			94,648	
Releases and Adjustments			32,481	
Taxes Written Off			2,758	
Interest Collected			<u>(41,654)</u>	
Total Collections and Credits			<u>\$ 9,902,056</u>	

ANALYSIS OF CURRENT TAX LEVY

For the Year Ended June 30, 2005

	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	\$ 1,698,256,487	.55	\$ 9,340,411	\$ 8,753,415	\$ 586,996
Motor Vehicles Taxed at Prior Year's Rate	46,871,182	.55	257,792		257,792
Penalties			11,253	11,253	
Total	<u>1,745,127,669</u>		<u>9,609,455</u>	<u>8,764,668</u>	<u>844,787</u>
Discoveries:					
Current Year Taxes	58,637,820	.55	322,508	322,508	
Penalties			2,947	2,947	
	<u>58,637,820</u>		<u>325,455</u>	<u>325,455</u>	
Abatements	<u>(2,046,027)</u>		<u>(86,893)</u>	<u>(60,009)</u>	<u>(26,884)</u>
Total Valuation	<u>\$ 1,801,719,462</u>				
Net Levy			9,848,017	9,030,114	817,903
Uncollected Taxes at June 30, 2005			<u>(150,837)</u>	<u>(33,408)</u>	<u>(117,429)</u>
Current Year's Taxes Collected			<u>\$ 9,697,180</u>	<u>\$ 8,996,706</u>	<u>\$ 700,474</u>
Current Levy Collection Percentage			<u>98.47%</u>	<u>99.63%</u>	<u>85.64%</u>

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CITY OF ASHEBORO, NORTH CAROLINAGENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>General Governmental</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Environmental Protection</u>	<u>Cultural and Recreational</u>	<u>Economic and Physical Development</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1996	\$ 1,289,696	\$ 4,077,383	\$ 1,770,184	\$ 1,138,859	\$ 1,481,237	\$ 230,853	\$ 852,678	\$ 495,797	\$ 11,336,687
1997	1,268,377	4,189,887	1,967,423	994,268	1,494,665	387,271	1,426,075	584,070	12,312,036
1998	1,351,633	4,304,061	2,085,506	1,117,175	1,600,147	311,665	1,025,122	582,189	12,377,498
1999	1,867,726	5,712,940	2,118,030	1,621,689	1,639,441	209,475	1,003,543	664,362	14,837,206
2000	1,867,031	5,606,369	2,430,510	1,746,532	1,935,535	285,218	2,210,706	633,904	16,715,805
2001	2,137,131	5,755,573	2,403,789	1,621,421	1,762,739	213,682	2,765,735	591,013	17,251,103
2002	2,330,737	6,356,382	2,299,081	1,609,963	1,846,474	211,965	2,317,177	601,800	17,573,579
2003	2,073,076	6,281,573	1,902,843	2,061,310	1,833,031	104,075	406,987	617,687	15,280,582
2004	2,242,248	6,621,061	1,900,253	1,714,596	1,982,377	222,043	1,850,974	724,566	17,258,118
2005	2,412,785	7,517,736	2,160,172	1,775,841	2,278,068	227,914	1,206,963	765,038	18,344,517

(1) Includes General, Special Revenue and Capital Project Funds.

CITY OF ASHEBORO, NORTH CAROLINA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Ad Valorem Taxes	Other Taxes and Licenses	Unrestricted	Restricted	Permits and Fees	Sales and Services	Investment Earnings	Miscellaneous	Total
1996	\$ 5,555,885	\$ 1,802,667	\$ 2,032,622	\$ 652,413	\$ 227,020	\$ 656,223	\$ 245,329	\$ 263,182	\$ 11,435,341
1997	5,961,995	1,881,426	2,101,355	1,697,232	249,342	643,026	307,152	132,622	12,974,150
1998	6,412,520	1,939,090	2,247,662	1,138,403	231,111	768,695	361,364	330,261	13,429,106
1999	6,604,305	2,509,540	2,445,554	972,389	281,085	856,462	375,180	146,369	14,190,884
2000	6,817,355	2,659,998	4,198,485	754,242	295,357	938,743	363,308	295,048	16,322,536
2001	7,325,269	2,710,880	2,550,221	1,519,808	288,158	961,224	348,902	410,071	16,114,533
2002	7,778,688	2,860,647	1,430,274	1,249,428	241,623	975,082	119,527	973,842	15,629,111
2003 (2)	8,681,837	254,361	4,564,881	1,341,939	288,088	989,053	60,688	182,714	16,363,561
2004	8,763,385	265,461	5,380,871	1,523,541	306,411	1,221,479	65,066	191,931	17,718,145
2005	9,813,823	281,113	5,557,434	1,969,115	314,331	1,277,732	134,749	242,480	19,590,777

(1) Includes General, Special Revenue and Capital Project Funds.

(2) Revenues reclassified from other taxes to unrestricted intergovernmental revenues.

Table 3

CITY OF ASHEBORO, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current Tax Collected	Collections Prior Year Taxes	Total Tax Collections	Ratio of Total Collections to Total Tax Levy	Outstanding Delinquent Taxes (Net)	Ratio of Total Delinquent Taxes to Total Tax Levy
1996	\$ 5,556,010	\$ 5,448,548	98.07%	\$ 157,960	\$ 5,606,508	100.91%	\$ 250,863	4.52%
1997	5,994,587	5,884,153	98.16%	127,633	6,011,786	100.29%	233,664	3.90%
1998	6,478,482	6,348,526	97.99%	124,648	6,473,174	99.92%	238,972	3.69%
1999	6,648,400	6,520,459	98.08%	129,927	6,650,386	100.03%	236,986	3.56%
2000	6,879,493	6,746,983	98.07%	110,833	6,857,816	99.68%	258,663	3.76%
2001	7,379,242	7,229,680	97.97%	128,273	7,357,953	99.71%	279,952	3.79%
2002	7,812,058	7,686,547	98.39%	142,863	7,829,410	100.22%	262,599	3.36%
2003	8,823,016	8,636,124	97.88%	110,889	8,747,013	99.14%	338,602	3.84%
2004	8,872,487	8,663,230	97.64%	159,581	8,822,811	99.44%	388,278	4.38%
2005	9,848,017	9,697,180	98.47%	204,876	9,902,056	100.55%	334,239	3.39%

Table 4

CITY OF ASHEBORO, NORTH CAROLINA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Ratio of Assessed Value to Estimated Actual Value (1)		Real Property	Personal Property	Public Service Companies	Total Assessed Value
	Real Property	Personal Property and Public Service Companies				
1996	90.00%	100%	662,677,108	379,273,980	26,512,308	1,068,463,396
1997	85.43%	100%	676,537,296	446,619,933	29,647,948	1,152,805,177
1998	80.60%	100%	686,981,279	522,940,227	25,657,458	1,235,578,964
1999	75.38%	100%	726,581,712	521,655,796	27,194,800	1,275,432,308
2000	71.51%	100%	751,862,860	532,264,052	35,585,090	1,319,712,002
2001	63.91%	100%	788,956,944	594,480,558	26,023,399	1,409,460,901
2002 (2)	98.00%	100%	1,126,304,848	563,247,314	35,674,463	1,725,226,625
2003	92.00%	100%	1,144,589,219	582,672,043	39,467,656	1,766,728,918
2004	94.00%	100%	1,211,422,247	531,607,638	38,762,481	1,781,792,366
2005	86.00%	100%	1,195,451,271	742,658,630	33,781,507	1,971,891,408

(1) The annual decline in the ratio of assessed value to estimated value of real estate results from the failure to recognize appreciating real estate values in years between octennial revaluations. Personal property is revalued annually by the Randolph County Tax Supervisor's office. Annual assessed values of Personal Service Corporation assets approximate actual value.

(2) Increase due to octennial property revaluation.

CITY OF ASHEBORO, NORTH CAROLINA
PROPERTY TAX RATES PER \$100 ASSESSED VALUATION -
DIRECT AND OVERLAPPING ENTITIES
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>City of Asheboro</u>	<u>Randolph County</u>	<u>Asheboro School District</u>
1996	0.52	0.465	0.145
1997	0.52	0.465	0.145
1998	0.52	0.465	0.145
1999	0.52	0.465	0.145
2000	0.52	0.5125	0.145
2001	0.52	0.5125	0.145
2002 (1)	0.45	0.48	0.1385
2003	0.50	0.48	0.1385
2004	0.50	0.50	0.1385
2005	0.55	0.50	0.1385

(1) Tax rates were decreased to offset the effect of property values increased by the octennial revaluation.

CITY OF ASHEBORO, NORTH CAROLINAPROPERTY TAX LEVIES - DIRECT AND OVERLAPPING ENTITIES
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>City of Asheboro</u>	<u>Randolph County</u>	<u>Asheboro School District</u>
1996	\$ 5,556,010	\$ 22,665,732	\$ 1,707,272
1997	5,994,587	24,362,674	1,824,050
1998	6,478,482	25,664,442	1,882,350
1999	6,648,400	26,382,094	1,958,154
2000	6,879,493	30,226,296	2,024,649
2001	7,379,242	31,570,635	2,088,948
2002	7,812,058	39,302,404	2,598,549
2003	8,823,016	40,079,649	2,614,133
2004	8,872,487	42,114,342	2,609,296
2005	9,848,017	42,769,290	2,615,374

CITY OF ASHEBORO, NORTH CAROLINA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Special Assessments Collected</u>
1996	-
1997	-
1998	-
1999	-
2000	-
2001	-
2002	-
2003	-
2004	-
2005	-

The City's last special assessment was in 1982.

CITY OF ASHEBORO, NORTH CAROLINACOMPUTATION OF LEGAL DEBT MARGIN

June 30, 2005

Assessed Value of Taxable Property	\$ 1,981,891,408
Debt Limit - 8 Percent of Assessed Value	X <u>0.08</u>
	<u>\$ 158,551,313</u>
Gross Debt:	
Total Bonded Debt	\$ 9,088,439
Authorized and Unissued Bonds	550,000
Installment Purchase Agreements	<u>1,877,386</u>
Gross Debt	<u>11,515,825</u>
Less Water and Sewer Bonds	<u>8,213,439</u>
Total Amount of Debt Applicable to Debt Limit (Net Debt)	<u>3,302,386</u>
Legal Debt Margin	<u>\$ 155,248,927</u>

CITY OF ASHEBORO, NORTH CAROLINA

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Bonded Debt Per Capita</u>
1996	17,971	\$ 1,068,463,396	\$ 1,765,000	0.17%	98
1997	18,832	\$ 1,152,805,177	\$ 1,665,000	0.14%	88
1998	18,935	\$ 1,235,578,964	\$ 1,565,000	0.13%	83
1999	19,145	\$ 1,275,432,308	\$ 1,465,000	0.11%	77
2000	19,554	\$ 1,319,712,002	\$ 1,365,000	0.10%	70
2001	21,672	\$ 1,409,460,901	\$ 1,265,000	0.09%	58
2002	21,787	\$ 1,725,226,625	\$ 1,175,000	0.07%	54
2003	21,969	\$ 1,766,728,918	\$ 1,075,000	0.06%	49
2004	22,709	\$ 1,781,792,366	\$ 975,000	0.05%	43
2005	22,709	\$ 1,981,891,408	\$ 875,000	0.04%	39

Sources:

(1) U.S. Bureau of the Census, N.C. Office of Management and Budget, Piedmont Triad Council of Governments, State Demographer.

(2) From Table 4

CITY OF ASHEBORO, NORTH CAROLINA

Table 9

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest and Fees (1)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures (2)</u>
1996	\$ 50,000	\$ 19,795	\$ 69,795	\$ 11,336,687	0.62%
1997	100,000	93,808	193,808	12,312,036	1.57%
1998	100,000	88,107	188,107	12,377,498	1.52%
1999	100,000	82,407	182,407	14,837,206	1.23%
2000	100,000	76,707	176,707	16,715,805	1.06%
2001	100,000	71,008	171,008	17,251,103	0.99%
2002	90,000	65,308	155,308	17,573,579	0.88%
2003	100,000	60,538	160,538	15,280,602	1.05%
2004	100,000	55,438	155,438	17,258,038	0.90%
2005	100,000	50,338	150,338	19,590,777	0.77%

(1) Includes fees paid to bond paying agents; does not include bond issuance costs.

(2) Includes General, Special Revenue, and Capital Project Funds.

CITY OF ASHEBORO, NORTH CAROLINA**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2005

	<u>City of Asheboro</u>	<u>Randolph County</u>	<u>Total</u>
Gross Long-Term Bonded Debt	\$ 9,088,439	\$ 10,515,000	\$ 19,603,439
Deductions from Gross Long-Term Bonded Debt: Enterprise Long-Term Bonded Debt Directly Supported by Operating Revenues	<u>8,213,439</u>	<u>-</u>	<u>8,213,439</u>
Net Long-Term Bonded Debt Supported by Taxes or Other General Government Revenues	<u>\$ 875,000</u>	<u>\$ 10,515,000</u>	<u>\$ 11,390,000</u>
Percent of Net Overlapping Debt Applicable to City Based on Assessed Valuation	100.00%	21.15% (1)	
121 City Overlapping Net Long-Term Bonded Debt Supported by Taxes or Other General Government Revenues	<u>\$ 875,000</u>	<u>\$ 2,223,770</u>	<u>\$ 3,098,770</u>
Long-Term Bonded Debt Per Capita (2):			
Gross	<u>\$ 400</u>	<u>\$ 463</u>	<u>\$ 863</u>
Net Overlapping Debt	<u>\$ 39</u>	<u>\$ 98</u>	<u>\$ 137</u>

(1) Ratio of City valuation to County valuation

(2) All based on City population of 22,709

CITY OF ASHEBORO, NORTH CAROLINADEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Population (1)	Per Capita Income (2)	Median Age (3)	Public School Enrollment (4)	Average Unemployment Rate (5)
1996	17,971	20,417	36.6	3,970	3.50%
1997	18,532	21,075	36.6	4,018	2.70%
1998	18,935	21,821	36.6	4,148	2.80%
1999	19,145	22,606	36.6	4,209	2.90%
2000	19,554	23,548	36.6	4,174	3.10%
2001	21,672	25,490	34.0	4,234	4.75%
2002	21,787	27,852	34.0	4,388	4.80%
2003	21,969	32,960	34.0	4,335	5.20%
2004	22,709	33,490	34.0	4,384	3.78%
2005	22,709	31,676	34.0	4,463	4.80%

(1) Source: North Carolina Department of Revenue

(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis

(3) Source: U.S. Bureau of Census

(4) Source: Asheboro City School Board

(5) Source: North Carolina Employment Security Commission, Randolph County Labor Force Statistics

Table 12

CITY OF ASHEBORO, NORTH CAROLINAPROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Real Property Value (1)			Construction (2)		Deposits (3)	
	Commercial	Residential	Total	Number Of Units	Value	Commercial Banks	Savings & Loan
1996	\$ 247,258,216	\$ 415,418,892	\$ 662,677,108	90	\$ 10,105,780	\$ 626,382,000	-
1997	261,376,657	415,160,639	676,537,296	102	23,110,861	655,856,000	-
1998	272,567,269	414,414,010	686,981,279	85	9,588,568	683,867,000	-
1999	295,813,194	430,768,518	726,581,712	144	20,536,117	713,579,000	-
2000	312,960,354	438,902,506	751,862,860	122	23,722,599	744,453,000	-
2001	528,744,753	260,212,191	788,956,944	145	19,521,248	768,040,000	-
2002	456,364,524	669,940,324	1,126,304,848	108	13,115,199	790,713,000	-
2003	452,338,013	692,251,206	1,144,589,219	139	17,626,705	752,655,000	-
2004	493,373,236	718,049,011	1,211,422,247	139	19,397,696	319,255,347	-
2005	467,485,263	727,966,007	1,195,451,270	176	11,620,703	460,874,494	-

(1) Source: Randolph County Tax Department. Property values are estimated based on beginning tax levy.

(2) Source: Inspections Department.

(3) Source: North Carolina Office of the Commissioner of Banks, Market Share Report as of 6/30/05.

CITY OF ASHEBORO, NORTH CAROLINAPRINCIPAL TAXPAYERS

June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Eveready Battery Co.	Manufacturing - Batteries	\$ 128,788,859	7.15%
Goodyear Tire & Rubber Co.	Manufacturing - Steel Cord for Tires	30,069,732	1.67%
Klaussner Furniture Industries	Manufacturing - Furniture	28,872,684	1.60%
Unilever - Best Foods	Food Packaging	27,628,357	1.53%
Technimark, Inc.	Manufacturing Plastic Injection Molding	24,858,720	1.38%
Starpet, Inc.	Manufacturing - Polyester Yarn	20,066,968	1.11%
Centerpoint Plaza	Commercial Real Estate	18,831,120	1.05%
Oliver Rubber Co.	Manufacturing - Tires	17,932,192	1.00%
Central Telephone	Telecommunications	17,741,290	0.98%
JG Randolph LLC	Commercial Real Estate	16,274,970	0.90%
		<u>\$ 331,064,892</u>	<u>18.37%</u>

Source: Tax scroll provided by Randolph County Tax Department

CITY OF ASHEBORO, NORTH CAROLINA

Table 14
(Page 1 of 5)

MISCELLANEOUS STATISTICS

June 30, 2005

Date of Incorporation	December 25, 1796
Form of Government	Mayor/Council/Manager
Population:	
2001 Census	22,709
By Gender:	
Male	48.90%
Female	51.10%
By Race:	
White	76.50%
Black	12.10%
Other	11.40%
By Age:	
0-19	5,783
20-64	12,733
65+	3,271
Average Household Size	2.4 Persons
Number of Households	8,756
Housing:	
2001 Census:	
Owner-Occupied Units	4,738
Renter-Occupied Units	4,020
Land Area	15.34 Square Miles
Debt Information:	
Bonded Debt Outstanding	\$ 875,000
Bonded Debt Per Capita	\$ 439
Bond Rating:	
Moody's	A2
Standard and Poor's	A+
NC Municipal Council	83
Tax Rate	\$.55 Per \$100 Valuation
Property Valuation, January 1, 2005:	
Real Estate	\$ 1,195,451,271
Personal Property	742,658,630
Public Service Companies	33,781,507
Total Valuation	<u>\$ 1,971,891,408</u>

CITY OF ASHEBORO, NORTH CAROLINA

Table 14
(Page 2 of 5)

MISCELLANEOUS STATISTICS

June 30, 2005

Investment Earnings, General Fund:		
Amount	\$	134,749
Police Protection:		
Sworn Officers		69
Civilian Employees		5
Responses to Calls, 2004		20,437
Number of training manhours in calander year		10,672
Number of traffic accidents investigated		1,726
Number of traffic citations issued		7,504
Number of traffic fatalities		4
Number of criminal homicides		2
Fire Protection:		
Fire Stations		2
Employees		46
Volunteer Firemen		2
Number of Responses to Emergency Calls, 2004		1,148
Number of training manhours in calander year		11,456
Streets:		
City Maintained: Miles Paved		90.14
City Maintained: Miles Unpaved		0.61
State Maintained: Miles		41.20
Water System Information:		
Number of Customers		12,123
Average Daily Consumption		4.67 MGD
Maximum 5 Day Peak Consumption Rate in a Calendar Year		5.48 MGD
Treatment Facility Capacity		12 MGD
Billions of gallons of Water Treated in Fiscal Period		1.65 BG
Distribution (Pumping) Capacity		12 MGD
Storage Capacity Gallons		6,660,000,000
Storage Capacity (in Days, at Average Consumption)		667 Days
Miles of Distribution Lines		201
Revenue Generated, for Year Ended June 30, 2005	\$	4,941,673
Rate for Use per 100 Cubic Feet	\$	2.19
Cost - 1,000 Gallons Treated (Not Including Debt)	\$	0.83
Number of State Certified Personnel		9
Number of Advancements in Certification in Fiscal Year		1
Wastewater Treatment:		
Number of Customers		10,205
Average Daily Discharge Processed		5.50 MGD
Facility Capacity		9 MGD
Miles of Sewer Lines		193
Revenue Generated, for Year Ended June 30, 2005	\$	3,744,493
Rate for Use per 100 Cubic Feet	\$	1.79
Billions of gallons of Water Treated in Fiscal Period		1.70 BG
Cost - 1,000 Gallons Treated (Not Including Debt)	\$	1.41
Number of State Certified Personnel		11
Number of Advancements in Certification in Fiscal Year		2

CITY OF ASHEBORO, NORTH CAROLINA

Table 14
(Page 3 of 5)

MISCELLANEOUS STATISTICS

June 30, 2005

Sanitation:

Household (2001) Census	9,515
Commercial Customers (Approximate)	316
Annual Number of Commercial Dumpster Pickups	34,892
Residential Customers (Approximate)	106
Annual Number of Residential Dumpster Pickups	12,376
Tons of Refuse Collected per Year	19,634
Tons of Recyclables Collected per Year	1,006

Airport:

Number of Operations per Year (Approximate)	16,000
Aircraft Storage Capacity:	
Hangars	36
Tie-Down Spaces	38
Length of Runway	5,500 Feet
Total Area of Facility	453.71 Acres

Recreation:

Area of Parks, Lakes and Golf Courses	103,220 Acres
Area of Two City Owned Ballfields	28.6 Acres
Area of Two Additional Ballfields Maintained by City	16.6 Acres
Separate Programs Offered	65
Number of Participants in All Programs	51,851

Planning Department:

Zoning and Sign Permits Issued	414
Number of Responses to Code and Ordinance Violations	310
Rezoning Cases Considered	34
Special Use Permits Issued	8
Board of Adjustments	9

Community Development:

Rental Units Rehabilitated under Rental Rehabilitation Program	0
HOME Program Units	3
First Time Home Buyer	1

Inspection Department:

Permits Issued:	
Number	1,277
Amount	\$ 129,466
Privilege Licenses Issued:	
Number	1,423
Amount	\$ 257,079

CITY OF ASHEBORO, NORTH CAROLINA

Table 14
(Page 4 of 5)

MISCELLANEOUS STATISTICS

June 30, 2005

City Employees:	
Full-time	292
Part-time	48
Annual Payroll (Wages Only)	\$ 11,054,559
Licenses Motor Vehicles Owned by the City	263
Transportation:	
Major Highways:	
U.S. Routes 220, 64, 311	
N.C. Routes 42, 49	
Rail Service	Norfolk and Southern Railway
Utilities:	
Electricity	Progress Energy Randolph Electric Membership Corp. Duke Power
Gas	Piedmont Natural Gas
Telephone	Sprint Randolph Telephone Membership Corp. Northstate Communications
Water and Sewer	City of Asheboro
Newspapers:	
Local	The Courier Tribune The Randolph Guide
Regional	Greensboro News and Record
Financial Institutions:	
Commercial Banks	8
Savings Banks	0
Credit Unions	2
Education:	
Asheboro City School System:	
Elementary Schools	5
Middle Schools	2
High Schools	1
Private Schools	2
Community Colleges	1

CITY OF ASHEBORO, NORTH CAROLINA

Table 14
(Page 5 of 5)

MISCELLANEOUS STATISTICS
June 30, 2005

	<u>Units</u>
Motels:	
Asheboro Inn	83
Comfort Inn	42
Days Inn	138
Hampton Inn	110
Holiday Inn Express	65
Jarvison Inn	40

