

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2011

**BUNCOMBE
COUNTY**

NORTH CAROLINA

GOVERNMENT

Introduction from County Manager

Dear Buncombe County Residents,

We are pleased to present the Buncombe County Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2011. Analyzing financial statements can be challenging, especially for those who do not do so on a regular basis. The PAFR is designed to address that issue by providing a summary of the County's financial position without the use of technical accounting terms or excessive detail. This report represents the ongoing commitment of Buncombe County officials to keep citizens informed about County finances and to be accountable for the receipt and use of public funds.

The PAFR summarizes and simplifies the information contained in the Buncombe County Comprehensive Annual Financial Report (CAFR). We encourage you to read the CAFR, which is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is audited by the County's external auditors. The CAFR contains more detailed and extensive information, such as the audited financial statements, notes, schedules, and other relevant information. The CAFR, as well as the PAFR, are available online at www.buncombecounty.org in the Budget & Finance section under "County Services."

The PAFR is intended to be a supplement to the CAFR, not a replacement. The information contained in the PAFR is unaudited and focuses more on the primary governmental activities. It is designed to be a user-friendly report on Buncombe County's overall financial position.



Wanda Greene
PhD, CPA

We hope that you find the PAFR to be informative and understandable. As you review the PAFR, please share any questions, concerns or recommendations that you may have with us. We value your input and look forward to addressing any comments you may have.

Wanda Greene



2011 Economic Highlights

The past few years have provided many challenges to local governments across the nation and in North Carolina. Local governments often face increased caseloads during times of economic downturn and often have the added challenge of meeting those needs with decreased revenues from sources such as sales tax. Key economic factors of 2011 compared to the same time period in 2010 indicated the following:

- The population of the area continues to grow, which has been the trend for the past four decades. Since 2001, the County's population has increased by 14.4 percent.
- The unemployment rate decreased from 9.1 percent to 8.2 percent in the metropolitan area. The total number of jobs increased 0.2 percent.
- Existing home sales remained stagnant from 2010 to 2011, with the average cost of homes sold decreasing 5.2 percent from \$245,630 to \$232,796.
- Healthcare and tourism continue to be leading economic drivers for the area. Hotel/Motel room sales saw an increase of 11.3 percent and the number of jobs in the tourism industry increased 2.1 percent.

The information for this Popular Annual Financial Report (PAFR) has been taken from the County's **Comprehensive Annual Financial Report (CAFR)**. The CAFR contains more detailed financial information and is available for public review on the County's website at buncombecounty.org, and in the County Finance Department at 200 College Street, Suite 460, Asheville, NC 28801.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Buncombe County for its Popular Annual Financial Report for the fiscal year ended June 30, 2010. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards for creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**Buncombe County
North Carolina**

for the Fiscal Year Ended

June 30, 2010



Linda C. Hankson
President

Jeffrey L. Esser
Executive Director

Buncombe County Board of Commissioners

The County operates under a commissioner/manager form of government. Presently, a five-member Board of County Commissioners governs Buncombe County with one commissioner elected by the voters to serve as Chair of the Board. The Board of Commissioners is chosen every four years in partisan elections during presidential election years. Recent State legislation will stagger elections to a two-year cycle and split Buncombe County into three commission districts that mirror the County's State Representative districts. With the election to be held in 2012, two commissioners will now be elected within each district. Only the Commission Chair will be elected countywide. This will increase the Board of County Commissioners to seven members. Commissioners will continue to serve four-year terms.

Commissioners hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the County Manager, Finance Director, County Attorney, and Clerk to the Board. The County Manager is the chief administrative officer and prepares and recommends the annual budget in addition to being responsible for implementing policies, managing daily operations, and appointing department heads.

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CHAIRMAN

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VICE CHAIRMAN

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COMMISSIONER

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HOLLY JONES
COMMISSIONER

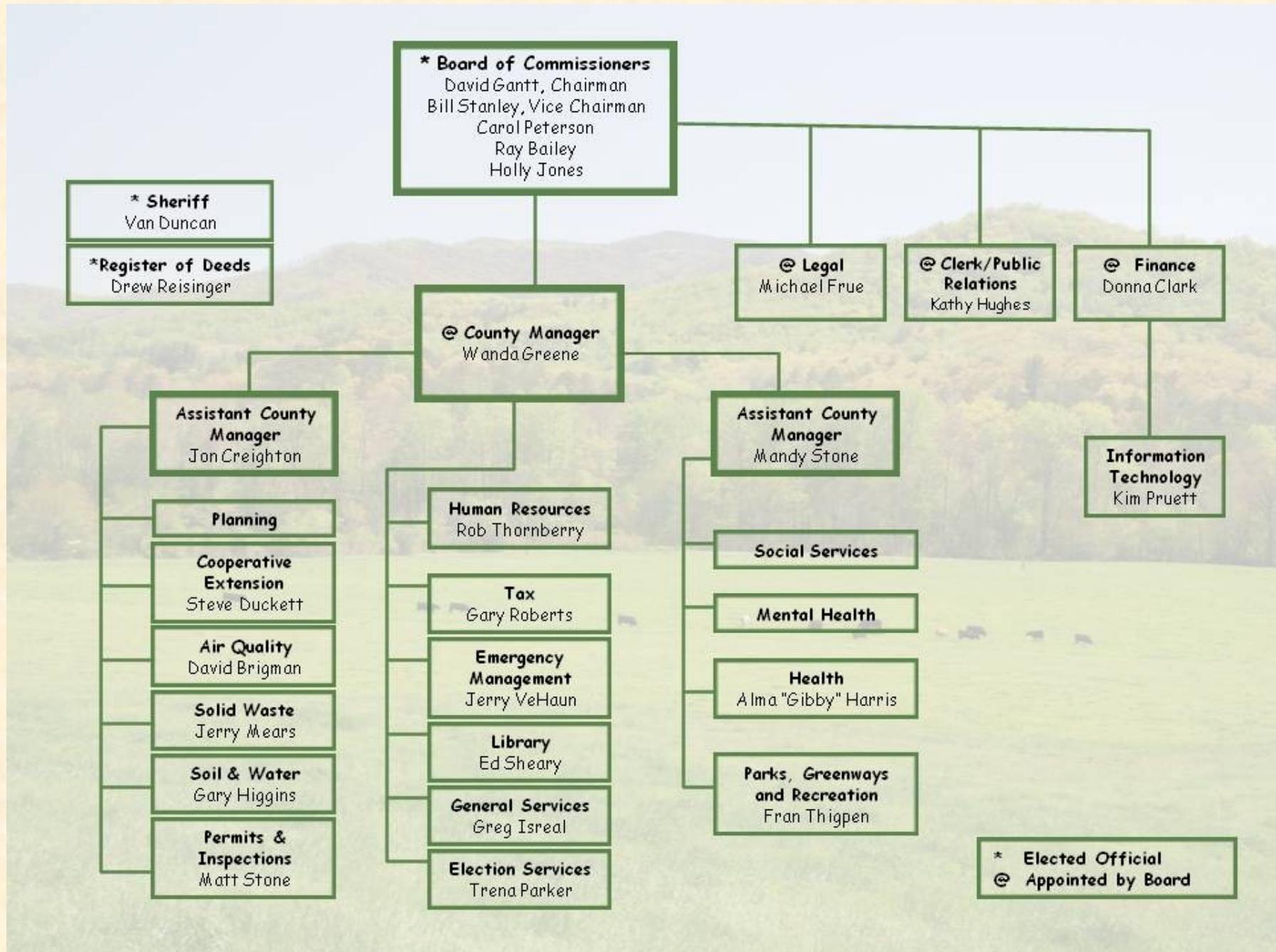
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PHOTO:
K. RAY BAILEY
HOLLY JONES
DAVID GANTT
CAROL PETERSON
BILL STANLEY

BUNCOMBECOUNTY.ORG

Buncombe County Organizational Chart



Demographics and Statistics for Buncombe County

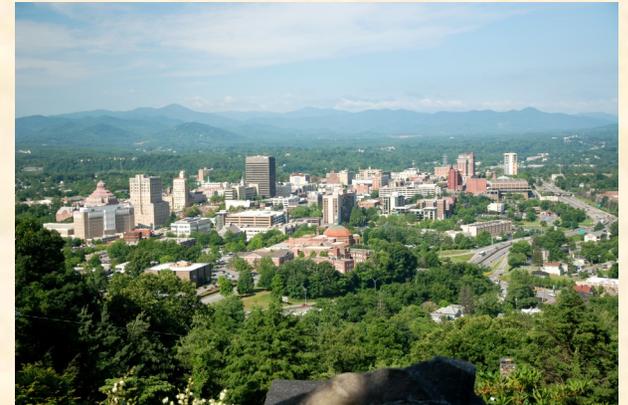


Principal Employers / % of Total Employment

Mission Health System	6.29%
Buncombe County Schools	3.60%
Buncombe County Government	1.51%
The Biltmore Company	1.42%
VA Medical Center	1.02%
Ingles Markets, Inc.	1.02%
Grove Park Inn & Resort	0.99%
Eaton Corporation	0.91%
City of Asheville	0.90%
CarePartners	0.82%

BUNCOMBE COUNTY, NORTH CAROLINA

Established 220 years ago in 1791, Buncombe County has a rich history of its residents being working folks determined to make a better life for themselves. Our County is ever-changing and growing and the government is still determined to meet the needs of its citizens in the most efficient, reliable and effective way possible.



Size 660 square miles

Average Temperature (59 years)

January - 37.3 degrees

July - 73.3 degrees

Average Elevation...2,171 ft Asheville Airport

Total Population.....233,764

Public school students.....29,113

Total Households..... 99,512

Median household income.....\$44,099

Average price of homes sold.....\$232,796

Median monthly rent.....\$825

Median Age.....40.7

Gender

Males48.1%

Females51.9%



Core Functions

County Government can be divided into three core functions: Education, Public Safety and Human Services.

Education

The County's education function is made up of Buncombe County Schools, Asheville City Schools, and Asheville-Buncombe Technical Community College. Funding for public education is a major responsibility of County government. The County's appropriations comprise only a small portion of the required funds with the State of North Carolina providing most of the funding.

Education accounts for 30.9 percent of the total governmental activities expenses or \$95.6 million



Public Safety

The Public Safety function is composed of the Sheriff's Office, Detention Center, Emergency Medical Services, Court Support, Pre-trial Services, Identification Bureau, Centralized Data Entry, Permits & Inspections, Physical Facilities and the County Garage.

Public Safety accounts for 24.4 percent of the governmental activities expenses or \$75.6 million



Human Services

The Human Services function is composed of the Health Center, Social Services, Other Youth Services, Aging Services, Other Human Services, and Transportation (Mountain Mobility).

Human Services accounts for 26.6 percent of the total governmental activities expenses or \$82.2 million

Statistics:	Amount Spent Per Student: \$2,148	Food & Lodging Inspections: 4,496	Training Hours by Patrol Officers: 6,894
	Number of Septic Permits Issued: 1,350	Emergency Calls Dispatched: 64,867	Street Value of Illegal Drugs Seized: \$5.3 million
	School Health Student Contacts: 11,111	Value of Food Assistance Benefits: \$56 million	Received Services from outpost workers: 5,451
	Inmates Processed: 14,821	Covered by Medicaid Programs: 40,456	Animal Control Service Calls: 9,308

Capital Improvement Program

The County uses a Capital Improvement Program (CIP) to identify all capital projects (projects costing over \$250,000) requiring funding for the next five years. The CIP is formulated under the direction of the County Manager based upon priorities outlined by the Board of Commissioners. The approved CIP budget through fiscal year 2016 is \$62.5 million.

Major projects include the following:

FY2012

- \$30.5 million New courts building addition

FY2013

- \$9.4 million Preparation and construction of Landfill cell #7

FY2014

- \$3.0 million East Asheville Library and satellite office for Human Services
- \$1.5 million South Buncombe satellite office for Human Services
- \$1.5 million West Buncombe Satellite office for Human Services
- \$5.1 million Renovations and sprinkler system for current courthouse
- \$2.0 million Sports Park Improvements

FY2015

- \$2.4 million Relocate Swannanoa Library along US 70 Corridor
- \$3.0 million Construction of outdoor swimming pool in TC Roberson area

FY2016

- \$2.4 million Sweeten Creek Library Branch



Courthouse Life Safety Tower Construction



Renovations to courtrooms

Overview of Buncombe County Finances

What is the General Fund?

Buncombe County, like all other governmental entities in North Carolina, uses *fund accounting* to ensure and demonstrate compliance with finance related legal requirements. The General Fund is the chief operating fund of the County.

What is Fund Balance?

Fund balance is the difference between fund assets and fund liabilities in a governmental fund. New reporting requirements implemented in FY11 provide clearer fund balance classifications, such as nonspendable, restricted, committed, assigned and unassigned.

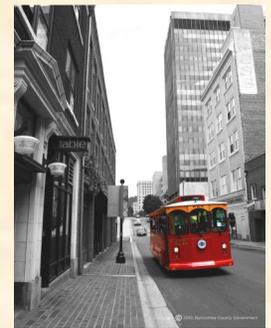
FY11 General Fund Revenue Sources



FY11 Revenue Sources

Property Taxes	\$153,298,703
Restricted Intergovernmental	43,148,608
Sales Taxes	29,166,747
Sales & Services	14,893,429
* Other	<u>9,105,612</u>
TOTAL	\$249,613,099

**Includes other taxes and licenses, permits and fees, unrestricted intergovernmental, investment earnings, and miscellaneous.*

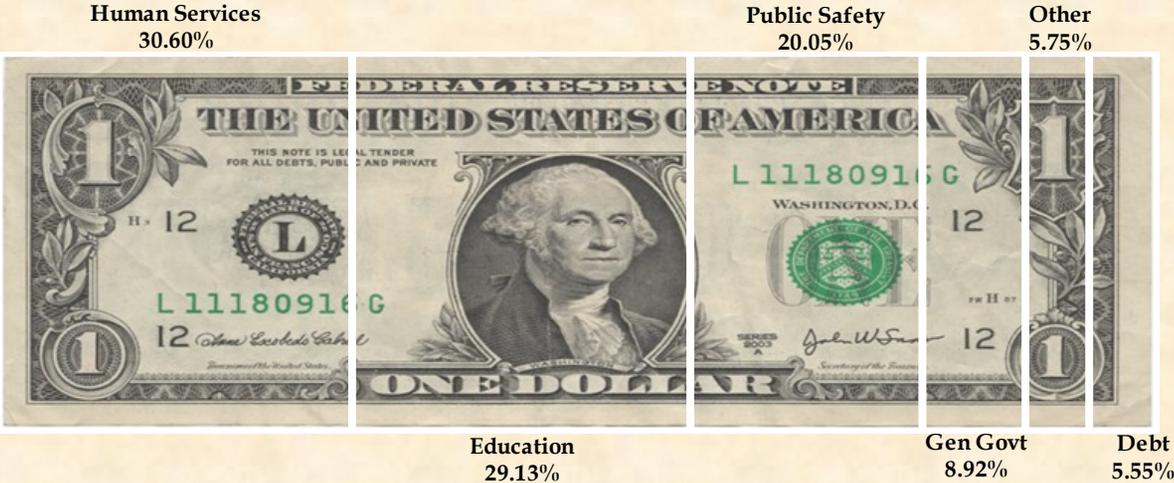


Overview of Buncombe County Finances, continued

Fund Balance Facts for FY11

- The available fund balance for the General Fund at the end of fiscal year 2011 was \$43.4 million.
- The Board of Commissioners has determined that the County should maintain an available fund balance of 15 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County has exceeded this requirement with an available fund balance of 17.4 percent.
- The County has been able to maintain its fund balance position during the economic downturn because of operational efficiencies and controlled spending within the departments.

FY11 General Fund Expenditures



FY11 Expenditures

Human Services	\$74,180,145
Education	70,634,616
Public Safety	48,608,280
General Government	21,629,654
* Other	13,938,408
Debt Service	<u>13,464,809</u>
TOTAL	\$242,455,912

**Includes economic and physical development, and cultural and recreational.*



Overview of Buncombe County Finances, continued

The Statement of Net Assets, which is Exhibit 1 in the CAFR, reflects the County's net assets at the end of the fiscal year. It shows what the government has in relation to assets (what we own) and liabilities (what we owe). Measuring net assets is one way to evaluate the County's financial condition. At June 30, 2011, assets exceeded liabilities by \$110.9 million. Net assets for the County are reported in three categories: Invested in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets.

Net Asset Facts for FY11

- \$103.8 million (93.6 percent) reflects the County's investment in capital assets, less any related debt outstanding that was used to acquire the asset.
- Net assets decreased by \$7.6 million.
- In FY11, new reporting standards were implemented that changed how the County classifies Restricted net assets.
- Like other counties in North Carolina, the County is responsible for providing capital funding to education systems and the airport authority. Therefore, the County incurs debt for education and the airport authority, but does not acquire an asset. This yields a deficit in net assets.
- In FY11, \$124.5 million of the debt outstanding was related to assets included on the financial statements of the school systems, community college, and the airport authority. In the prior fiscal year, this amount was \$130.5 million.

Statement of Net Assets (in millions)

	Governmental Activities		Business Type Activities		Total	
	2011	2010*	2011	2010*	2011	2010*
Current and other assets	\$ 208.7	\$ 189.0	\$ 24.8	\$ 25.2	\$ 233.5	\$ 214.2
Capital assets	139.8	123.0	51.4	53.0	191.2	176.0
Total assets	348.5	312.0	76.2	78.2	424.7	390.2
Long-term liabilities	255.5	217.3	30.6	32.7	286.1	250.0
Other liabilities	26.4	20.9	1.2	0.7	27.6	21.6
Total liabilities	281.9	238.2	31.8	33.4	313.7	271.6
Net assets:						
Invested in capital assets, net of related debt	69.6	68.0	34.2	32.6	103.8	100.6
Restricted	91.7	100.7	1.5	1.0	93.2	101.7
Unrestricted	(94.7)	(95.0)	8.6	11.2	(86.1)	(83.8)
Total Net Assets	\$ 66.6	\$ 73.7	\$ 44.3	\$ 44.8	\$ 110.9	\$ 118.5

* For comparison purposes, net assets for 2010 have been reclassified according to new reporting standards implemented in FY11.



Overview of Buncombe County Finances, continued

The Statement of Activities, which is Exhibit 2 in the CAFR, reflects the revenues (sources of income) and expenses (the use of money) that yield the annual change in net assets of the primary government. It shows the revenues by type, the expenses by function, and also any transfers, special items and contributions. As of June 30, 2011, the net assets for governmental activities decreased \$7.1 million.

Statement of Activities Facts for FY11

- Program revenues increased by \$3.1 million for governmental activities.
- General revenues and other revenues increased by \$3.5 million for governmental activities.
- Program revenues covered 30.6 percent of program expenses, a decrease of 1.2 percent.
- Expenses for governmental activities increased by \$21.4 million. \$17.2 million of this increase was for education capital expenses.

Statement of Activities (in millions)

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 25.7	\$ 24.2	\$ 9.7	\$ 9.4	\$ 35.4	\$ 33.6
Operating grants/contributions	52.2	52.7	0.3	0.3	52.5	53.0
Capital grants/contributions	17.1	15.0	1.1	-	18.2	15.0
General revenues						
Property taxes	167.5	165.8	-	-	167.5	165.8
Other taxes	38.1	36.8	-	-	38.1	36.8
Other	2.3	1.8	0.2	0.2	2.5	2.0
Total Revenues	302.9	296.3	11.3	9.9	314.2	306.2
Expenses:						
General government						
General government	22.5	22.1	-	-	22.5	22.1
Public safety	75.6	71.5	-	-	75.6	71.5
Economic & physical development	15.1	13.8	-	-	15.1	13.8
Human services	82.2	85.2	-	-	82.2	85.2
Culture & recreation	9.2	9.9	-	-	9.2	9.9
Education	95.6	78.4	-	-	95.6	78.4
Interest on long-term debt	9.8	7.7	-	-	9.8	7.7
Solid waste disposal	-	-	6.1	6.2	6.1	6.2
Other	-	-	5.7	5.0	5.7	5.0
Total Expenses	310.0	288.6	11.8	11.2	321.8	299.8
Increase (decrease) in net assets before transfers, contributions, & special items						
	(7.1)	7.7	(0.5)	(1.3)	(7.6)	6.4
Transfers, contributions, & special items						
	-	(1.6)	-	1.6	-	-
Increase (decrease) in net assets						
	(7.1)	6.1	(0.5)	0.3	(7.6)	6.4
Net assets, beginning of year						
	73.7	67.3	44.8	47.7	118.5	115.0
Prior period adjustment						
	-	0.3	-	(3.2)	-	(2.9)
Net assets, end of year	\$ 66.6	\$ 73.7	\$ 44.3	\$ 44.8	\$ 110.9	\$ 118.5



General Fund 2012 Budget and Revenue and Expenditure Trends

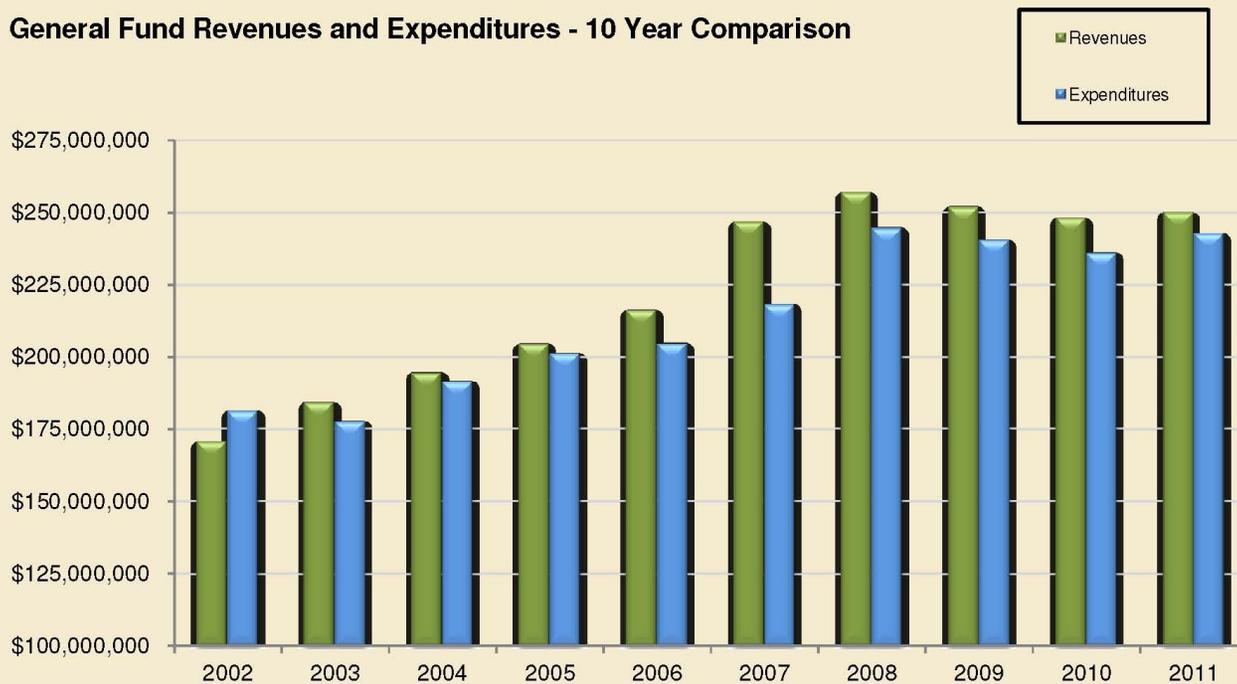
Next Year's Budget (Fiscal Year 2012)

The County has approved a \$257.5 million General Fund budget for fiscal year 2012, which represents a 0.7 percent decrease over the 2011 final budget.

Fiscal Year 2012 Budget—Factors Considered

- Economic recovery has not arrived as quickly as hoped and the County faces significant challenges as the prolonged economic downturn continues to increase the needs citizens have for government assistance.
- General fund revenues are derived primarily from three sources: property tax, sales tax, and intergovernmental transfers. At best, these revenues can be described as stagnant. The economic downturn continues to impact sales tax and other growth-related revenues.
- As a continued focus to sustain core services, the County is required to provide and develop community partnerships to maintain services that are not “core” to County government but are essential for the community’s economic vitality.

General Fund Revenues and Expenditures - 10 Year Comparison



Property Taxes

The Buncombe County Tax Department has a new home. In fall of 2010, the Tax Department moved out of the County Courthouse to the building that previously was the Health Center, which has been renovated for Tax, Register of Deeds, Election Services, and DSS Social Work. This move was necessary to open up space in the County Courthouse for the renovations taking place. The address is 35 Woodfin Street, Asheville, NC 28801.

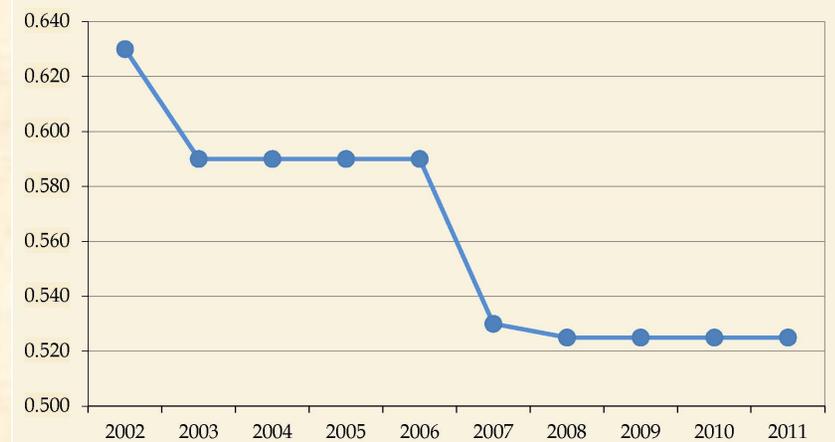
Fiscal year 2011 Property Tax Facts:

- Tax rate remained at \$0.525 (per \$100)
- Property taxes account for 55.3 percent of revenues for Governmental Activities
- 98.67 percent of 2011 levy already collected
- Assessed Value of Taxable Property = \$29,086,915

Principal Property Taxpayers

(Percentage of Total Taxable Assessed Value)

Progress Energy Carolinas	1.03%
Ingles Markets, Inc	0.67%
The Cliffs at Walnut Cove	0.44%
Town Square West LLC	0.41%
Jack Tar Hotels (Grove Park)	0.35%
Biltmore Company	0.34%
Arvato Digital Services	0.31%
Asheville LLC	0.27%
Bellsouth Telephone Company	0.27%
Southeastern Container	0.24%



10 Year Tax Rate History

Outstanding Debt

The County's outstanding debt increased by \$35.6 million (or 15.7 percent) in FY11. As of June 30, 2011, the County's total debt outstanding was \$262.4 million, of which \$58.8 million is debt backed by the full faith and credit of the County, and \$5.5 million is special obligation revenue bonds for which revenues are pledged to the payment of and as security for the bonds. Installment notes account for \$185.3 million. Collateral for these notes are the assets purchased or constructed. The remaining \$12.8 million is for Product Development Financing (PDF) Bonds issued in fiscal year 2009 to fund the Woodfin Downtown District Project. PDF bonds are a financing mechanism whereby the County can promote economic development and redevelopment by capturing the incremental increase in tax revenue created by the project as a means of funding the debt service.

Outstanding Debt (in millions)

	Governmental Activities		Business Type Activities		Total Debt	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 58.8	\$ 65.5	\$ -	\$ -	\$ 58.8	\$ 65.5
Special Obligation Revenue Bonds	-	-	5.5	7.5	5.5	7.5
Installment Notes Payable	172.1	127.2	13.2	13.8	185.3	141.0
Product Development Financing Bonds	12.8	12.8	-	-	12.8	12.8
Total Debt	243.7	\$ 205.5	\$ 18.7	\$ 21.3	\$ 262.4	\$ 226.8

Bond Ratings

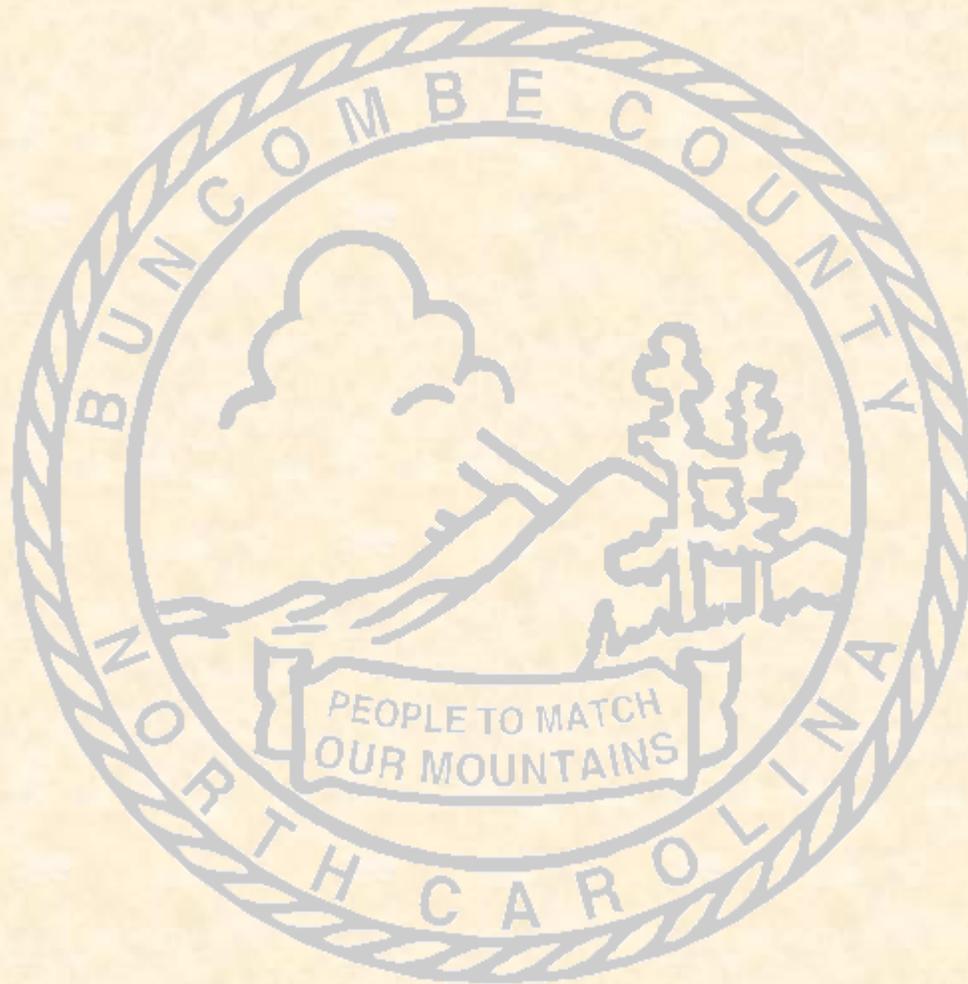
Bond ratings are a clear indication of the sound financial condition of the County, which helps insure low interest rates on the County's debt. In 2011, Buncombe County maintained its AA+ bond rating from Standard & Poor and its Aa2 rating with Moody's. These ratings reflect on the County's strong fiscal position supported by management's long-term adherence to sound fiscal policies and Buncombe County's role as the regional economic center of Western North Carolina.



Buncombe County Service Directory

Air Quality Agency	250-6777	Law Library	250-4724	Social Services	250-5500
Animal Shelter	250-6430	Library:		Administration	250-5700
Burning Control	250-6777	Pack Memorial (Main)	250-4700	Adult Services	250-5814
BCTV	250-4109	TDD for hearing impaired	250-4718	Child Support Enforcement	232-1416
Child Care Services	250-6700	Mountain Mobility	258-0186	Children/Family Services	250-5822
City/County ID Bureau	250-4665	Mountain Area Job Training	250-4761	Food Assistance	250-5500
Background Checks	250-4661	Parking - College Street Deck	250-4248	Foster Home Licensing	250-5868
Clerk to the Board	250-4105	Parks & Recreation	250-4260	Health Choice	250-5939
Cooperative Extension	255-5522	Permits & Inspections	250-5360	Medicaid	250-5500
County Commissioners	250-4001	Planning	250-4830	Protective Services Intake:	
County Jobline	250-4183	Pretrial Services	250-6285	Adults	250-5800
County Manager	250-4100	Purchasing	250-4130	Children	250-5900
Election Services	250-4200	Records Management	250-4147	Veterans Services	250-5726
Emergency Services	250-6630	Register of Deeds	250-4300	Work First Employment	250-5500
Emergencies	911	Sheriff	250-6670	Workforce Development	250-4760
Erosion Control	250-4848	Animal Control (County)	253-6670	Work Permit	250-5500
Finance	250-4130	Civil Process	250-4410	Soil and Water Conservation	250-4785
Fire Marshal	250-6620	Crime Stoppers	255-5050	Solid Waste	250-5460
GIS Property Info System	250-6860	Crime Prevention	775-2672	Environmental Control	250-5472
Health, Department of	250-5000	Detention Center (Jail)	250-4550	Household Hazardous Waste	250-5473
Administration	250-5214	Inmate Booking	250-4571	Junk Cars/Mobile Home Removal	250-5470
BCCCP	250-6006	Senior Reassurance	250-4475	Landfill	250-5462
Community Health	285-5055	Warrants	250-4468	Transfer Station	250-6205
Disease Control	250-5109			Street Addressing (Planning)	250-4845
Environmental Health	250-5016			Tax Department:	
Immunizations	250-5096			Business Personal Property	250-4930
Restaurant/Septic Inspection	250-5016			Collections	250-4910
Water Testing	250-5016			Land Records	250-4970
WIC/Nutrition	250-5170			Personal Property	250-4920
Human Resources	250-4166			Real Estate	250-4940
Joblink	250-4761			Whistleblower Hotline	866-908-7236





Buncombe County Department of Finance

828.250.4130

buncombecounty.org