



ASHEVILLE CITY SCHOOLS

ASHEVILLE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Comprehensive Annual Financial Report
of the
Asheville City Schools

Asheville, North Carolina
For the Fiscal Year Ended June 30, 2007



Prepared by Finance Department
Timothy F. Amos, CPA, Assistant Superintendent
Donna W. Watson, CPA, Director of Financial Services

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INTRODUCTORY SECTION



Asheville City Schools

Administrative Offices • PO Box 7347 • 85 Mountain Street • Asheville, North Carolina 28802

LETTER OF TRANSMITTAL

November 15, 2007

**To the Members of the Asheville City Board of Education and
Citizens of Asheville and Buncombe County, North Carolina**

In compliance with the *Public School Laws of North Carolina*, The Comprehensive Annual Financial Report of The Asheville City Board of Education (Board), operating as the "Asheville City Schools," for the fiscal year ended June 30, 2007, is herewith submitted. Responsibility for the accuracy, completeness, and clarity of the report rests with the Superintendent and the Assistant Superintendent for Business/Support Services.

The report has been prepared by the Finance Department following the requirements and guidelines promulgated by the Governmental Accounting Standards Board. We believe the data presented is accurate in all material respects and that it is presented in a manner designed to fairly reflect the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain the maximum understanding of the Board's financial activity have been included.

REPORTING ENTITY

The Board is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes (G.S.)] with the

responsibility to oversee and control all activities related to public school education in Asheville, North Carolina. It was established in 1887 by action of the state legislature. For fiscal year 2007, the Board operated nine schools that provided a continuum of service from birth through twelfth grade. These schools include a preschool; one comprehensive high school, including the School of Inquiry and Life Sciences at Asheville (SILSA); one middle school; a small alternative middle/high school; five elementary schools; and several alternative classrooms/programs. The average daily membership for the 2006-07 school year was 3,730 students.

Within the context of a strong system-wide curricular emphasis, Asheville City Schools offers parents a choice from among five elementary magnet schools. Each school has adopted a theme that guides instructional decisions and strategies. The themes are Arts and Humanities; Human Diversity and Ecology; Core Knowledge; Science; Math and Technology; and Experiential Learning. The magnet themes provide unique opportunities for students and their families to experience a curriculum suited to their individual interests and needs.

The Asheville City Council is responsible for appointing the members of the Board for Asheville City Schools, but the City's accountability for the Board does not extend beyond making those appointments. The Buncombe County Board of Commissioners levies all taxes, but the Asheville City Board of Education determines how the school system will spend the funds generated for schools. The County cannot modify the school system's budget, nor is the County entitled to share in any

surpluses or required to finance any deficits of the school system. For these reasons, the Board is not fiscally dependent on the County and therefore is recognized as a primary government, as defined by the Governmental Accounting Standards Board. The Board also receives state, local, and federal government funding and must comply with the legal requirements of each funding agency.

In 1997, the North Carolina General Assembly passed legislation creating charter schools, an alternative to traditional public schools. Charter schools receive a per pupil allocation of local county funds as defined by the legislation. Although the County funding for the charter schools passes through the Board, the Board has no authority or responsibility related to the charter schools and, therefore, they are not a component unit of the Board.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Accounting records of the school system must be maintained in a uniform state format. Monthly reports of transactions of state and federal funds and details of disbursements from these funds are submitted to the North Carolina Department of Public Instruction for review. Financial activities throughout the year are controlled in accordance with the *North Carolina School Budget and Fiscal Control Act* which requires a pre-audit procedure to ensure availability of funds prior to the issuance of purchase orders or payment of claims. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The Board's annual budget resolution authorizes expenditures by purpose or function on a modified accrual basis. For internal management purposes, the budget is allocated

by line item within each purpose or function. The Board also uses a purchase order encumbrance system that records encumbrances outstanding against each line item of expenditure. Outstanding encumbrances at the end of the fiscal year related to normal operations are considered to be continuing contracts and are transferred at the end of the fiscal year to appropriations in future years.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Board operates. The cost of public school education in North Carolina is financed by the State, which establishes minimum programs. Local funds, in varying amounts by district, supplement the basic program and are generated from the general tax levies of the county. Some school districts, such as Asheville City Schools, have also established a supplemental tax levy through a referendum. These funds are collected by the County and passed through to the school district since local boards of education have no direct tax levying or borrowing authority.

Asheville City Schools is located within Buncombe County and the City of Asheville. Buncombe County and the City of Asheville serve as the economic and service center for a twenty-two county region. According to the Asheville Area Chamber of Commerce, the Asheville metro area is experiencing stable economic growth. A balance of forces, centered around the area's quality of life amenities, will continue to support this durable pattern.

Through the first quarter of 2007, the Asheville metro has participated in 39 straight months of record-setting job levels. Over the year, 2,700 net new jobs have been added. With current total employment of 173,000 and a growth rate of 1.7 percent through the first quarter, Asheville is maintaining a pace close to its historic average. At 3.7 percent, Asheville's unemployment rate holds well below the state, the nation, and all but two of North Carolina's 13 other metro areas.

Economic strength of the Asheville metro is being led by:

- Record-setting professional services sector
- Specialized healthcare industry
- Stable tourism activity
- Resilient housing market
- Baby-boom population growth
- Re-structured manufacturing sector

The strength of the local economy should help Asheville City Schools remain a strong and viable source for the education of its students.

FIVE-YEAR STRATEGIC PLAN

As the 2006-07 school year ended, Asheville City Schools was putting the finishing touches on a new strategic plan that will guide the district into a new decade. The plan contains five new goals, each reflective of the 21st Century global economy:

- Asheville City Schools will produce globally competitive students.
- 21st Century professionals will lead and teach in Asheville City Schools.
- Asheville City Schools' students will be healthy, responsible and engaged in positive relationships.
- District Leadership will guide innovation and continuous improvement in Asheville City Schools through collaboration and partnership with all stakeholders.
- Asheville City Schools will use 21st Century systems to foster efficiency, accountability and communication.

The new plan contains 27 "desired outcomes" and 50 major strategies. Input was gathered in a March 2007 survey of more than 3,000 stakeholders and at a Community Conversation event held in May 2007.

Meanwhile, the district made significant academic and efficiency gains during the 2006-07 school year:

- Asheville High School outpaced the state in every demographic related to graduation. Of the students who enrolled at Asheville High School in 2003, 77% graduated in 2007, a 14 percentage point increase over the prior year.
- Nine of nine schools met or exceeded expected growth under North Carolina's ABCs standards.
- Math and reading scores improved in grades 3-8 and the achievement gap narrowed.
- 62.5% of the district's schools met the tough, all-or-nothing Adequate Yearly Progress (AYP) standards under No Child Left Behind; 44.6% of the state's schools achieved this standard.
- Asheville High seniors outpaced the nation by 50 points on the 2007 SAT with a high participation rate of 80%.
- The new Freshman Experience program at Asheville High School combined with an expanding Advancement Via Individual Determination (AVID) program and the innovative School of Inquiry and Life Sciences netted fewer absences, less dropouts, better grades and a reduction in disciplinary actions.
- Asheville High School's Childcare program advanced to a 4-Star rating while the award-winning Asheville City Schools Preschool sustained its 5-Star status.
- The system was awarded a \$500,000+ IMPACTING School Leadership Grant and became a partner in the \$480,000+ regional Safe Schools Consortium.
- With 1,674 computers, 480 phones, 3,000 ethernet jacks and 2,000 Cisco ports – all connected with fiber optics – Asheville City maintained its position as a leader in school technology.
- Asheville City Schools contributed \$32,000 to the community's 2006 United Way Campaign.
- The extensive renovation of Claxton Elementary School was completed in 2006-07. A new and multi-faceted cafeteria at Asheville High School came online for the 2006-07 school year and work commenced on major repairs/updates at Asheville High School.

CASH MANAGEMENT

The Board uses a pooled cash concept to maximize funds available for investment. Temporary idle cash from the General Fund, Capital Outlay Fund, Child Nutrition Fund, and Individual Schools Fund is invested in various instruments according to applicable state law. Funds from the State Public School and Federal Grants Funds are not available to the Board until warrants are drawn against the State Treasury, and therefore are unavailable for investment.

The objective of the investment policy is to minimize credit and market risks while maintaining a competitive yield on the investment portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. Interest earnings for the year totaled \$320,910.

RISK MANAGEMENT

The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and blanket finance and forgery bonds. The Board participates in the North Carolina School Boards Trust (NCSBT) for general and professional liability insurance and automobile insurance. NCSBT was established in 1982 by the North Carolina School Boards Association as an independent entity for the purpose of providing insurance protection needed by member school districts and school employees. For hazard and theft insurance, the Board participates in the Public School Insurance Fund, a voluntary, self-funded risk financing fund administered by the North Carolina Department of Public Instruction.

The Board also participates in the Teachers and State Employees Comprehensive Major Medical Plan to provide health benefits to permanent, full-time employees. The Plan is a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina.

INDEPENDENT AUDIT

The financial statements have been audited by Dixon Hughes PLLC, independent certified public accountants, whose opinion is included in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements of Asheville City Schools for the fiscal year ended June 30, 2007, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Asheville City Schools financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with accounting principles generally accepted in the United States of America.

The independent audit of the financial statements of the Asheville City Schools was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and legal requirements involving the administration of federal awards. These reports are available in the Asheville City Schools separately issued Single Audit Report.

FINANCIAL REPORTING AWARDS

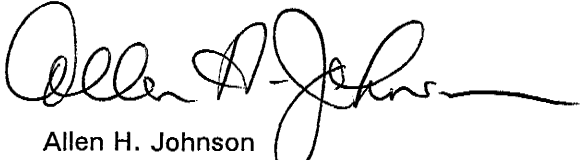
Each year since 1985, the Asheville City Schools Comprehensive Annual Financial Report has earned the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting Award. The Report has also earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the past twenty years. These awards are made to governmental units that publish a comprehensive annual financial report that is easily readable, efficiently organized, and conforms to program standards as well as satisfies accounting principles generally accepted in the United States of America and applicable legal requirements. The awards are valid for a period of one year only. We believe the accompanying Report continues to conform to ASBO and GFOA

requirements, and we will submit it to the respective organizations for consideration of awards for the 2006-2007 fiscal year.

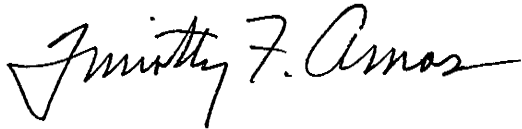
ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the personnel in the Finance Department, Superintendent's Office, Community Relations and the staff of our independent auditor. Assistance received from the personnel in Buncombe County's Finance Department, Buncombe County's Tax Department and the Asheville Area Chamber of Commerce was also invaluable. We would like to express our appreciation to all of these people for their assistance and contributions in developing the final report.

Respectfully submitted,



Allen H. Johnson
Interim Superintendent



Timothy F. Amos, CPA
Assistant Superintendent for Business/Support Services



Donna W. Watson, CPA
Director of Financial Services

Certificate of Excellence - Association of School Business Officials International

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

ASHEVILLE CITY SCHOOLS

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement - Government Finance Officers Association

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

Presented to

**Asheville City Schools
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

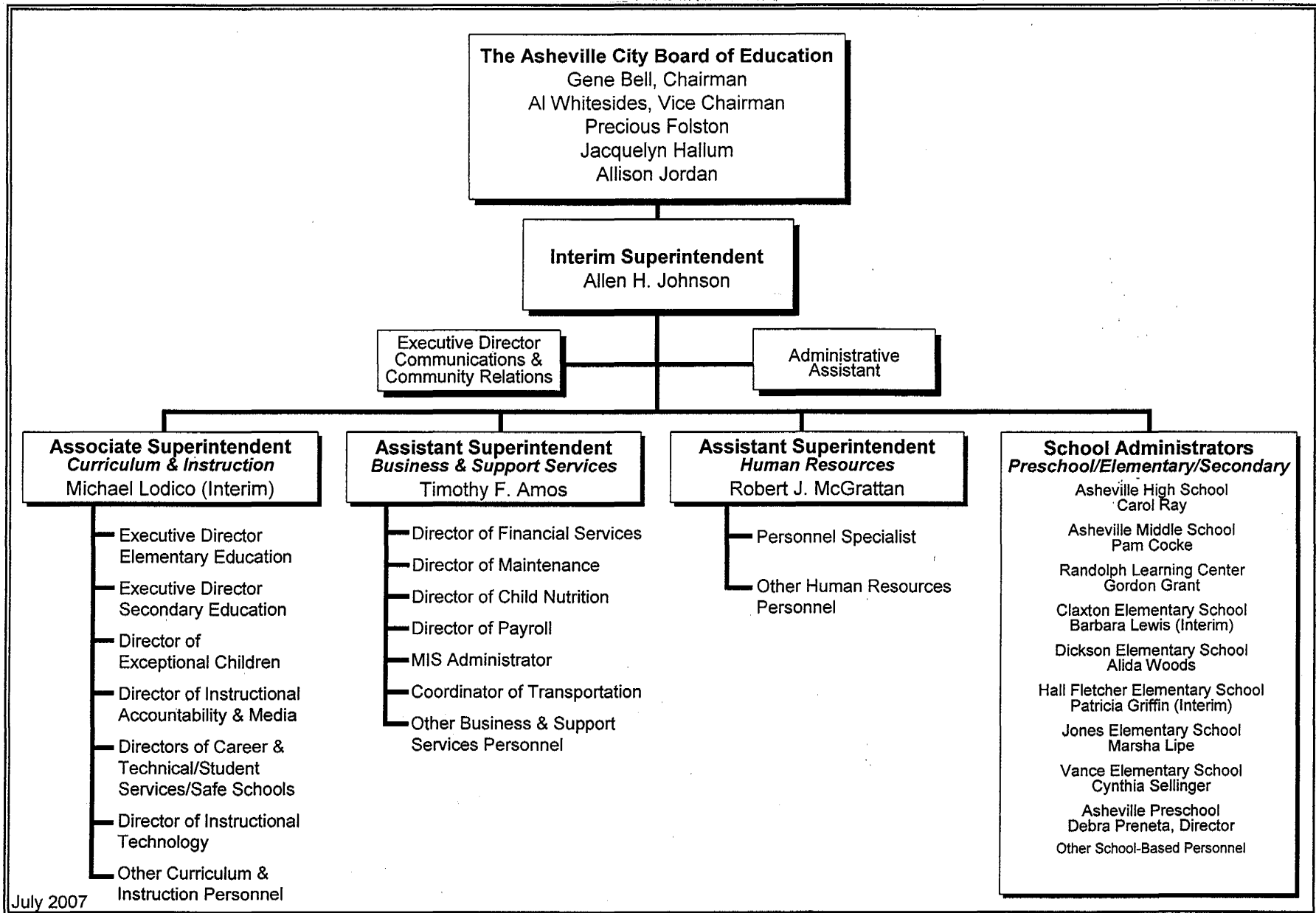
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Organizational Chart



July 2007

Dr. Pam Cocke
*Principal,
Asheville Middle School
2006-07
Asheville City Schools
Principal of the Year
2006-07
North Carolina
Western Region
Principal of the Year*



Jerome Hughes
*Teacher,
Asheville High School
2006-07
Asheville City Schools
Teacher of the Year
2006-07
North Carolina
Western Region
Teacher of the Year*



*Asheville City Schools Board Members pictured from left to right:
Gene Bell, Allison Jordan, Jacquelyn Hallum,
Precious Folston and Al Whitesides*

FINANCIAL SECTION



DIXON HUGHES PLLC
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

The Asheville City Board of Education
Asheville City Schools
Asheville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Asheville City Schools, as of and for the year ended June 30, 2007, which collectively comprise Asheville City Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Asheville City Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Asheville City Schools as of June 30, 2007, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the general and the State Public School funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, on our consideration of the Asheville City Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Asheville City Schools. The introductory section, combining and individual non-major fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

November 15, 2007

Dixon Hughes PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Asheville City Schools' (Board) financial performance provides a narrative overview of the Board's financial activities for the fiscal year ended June 30, 2007. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$47,355,265.
- The Board's total net assets increased by \$104,913.
- Renovations to the historic 1922 Claxton Elementary School facility were completed for the start of the 2006-07 school year. The \$9.2 million dollar project took several years to complete and included renovations to the existing facility and construction of a new cafeteria.
- During fiscal year 2005, construction began on a new cafeteria building at Asheville High School. Construction of the cafeteria building was completed for the start of the 2006-07 school year at a total cost of \$3.2 million.

Overview of the Financial Statements

The audited financial statements of Asheville City Schools consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for governmental and enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets includes all of the Board's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary fund is presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net assets and how they have changed. Net assets – the difference between the Board's assets and liabilities – is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, one needs to consider additional non-financial factors such as changes in the County's property tax base and the condition of the Board's school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- **Governmental activities:** Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding, the Asheville City Schools supplemental city school tax, and state and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help cover the costs of certain services it provides. Child nutrition is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds – not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants fund.

Asheville City Schools has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

Proprietary fund: Services for which the Board charges a fee are generally reported in the proprietary fund. The proprietary fund statement is reported on the same full accrual basis of accounting as the government-wide statements. Asheville City Schools has one proprietary fund, an enterprise fund, the Child Nutrition Fund.

Fiduciary fund: Assets held by the Board as an agent for other organizations are accounted for using an Agency fund. Since the resources of the Agency fund are not available to support government programs, they are excluded from the government-wide statements.

Financial Analysis of the Schools as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$47,355,265 as of June 30, 2007, compared to \$47,250,352 as of June 30, 2006. Capital assets represented the largest component of net assets. Capital assets totaled \$42,885,243 at June 30, 2007, a decrease of \$351,903 compared to June 30, 2006. As noted earlier, two large multi-year construction projects, the new cafeteria building at Asheville High School and the addition and renovation project at Claxton Elementary School, were completed at the start

of the 2006-07 school year. Consequently, the costs of these two projects were transferred from construction in progress to buildings and the Board began to depreciate the completed projects. The end result was that depreciation expense reported in the governmental activities exceeded asset additions for fiscal year 2007. However, completion of these same construction projects during fiscal year 2007 also led to a significant reduction in current liabilities reported in the governmental activities at year end since there were no construction contracts payable at June 30, 2007. In the business-type activities, the current year loss (before transfers in) created a negative balance in unrestricted net assets, causing an internal balance owed to the governmental activities in excess of current assets, thereby creating the negative current assets in business-type activities. However, the increase in capital assets of the business-type activities, accompanied by the reduction in current liabilities of the governmental activities, led to a small increase in the overall net assets of the Board.

Following is a summary of the Statement of Net Assets:

Table 1
Condensed Statement of Net Assets
June 30, 2007 and 2006

	2007			2006		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Current assets	\$ 7,967,713	\$ (80,485)	\$ 7,887,228	\$ 7,968,562	\$ 61,370	\$ 8,029,932
Capital assets	42,579,373	305,870	42,885,243	43,180,650	56,496	43,237,146
Total assets	<u>50,547,086</u>	<u>225,385</u>	<u>50,772,471</u>	<u>51,149,212</u>	<u>117,866</u>	<u>51,267,078</u>
Current liabilities	1,730,369	19,639	1,750,008	2,360,385	16,681	2,377,066
Long-term liabilities	1,648,400	18,798	1,667,198	1,615,246	24,414	1,639,660
Total liabilities	<u>3,378,769</u>	<u>38,437</u>	<u>3,417,206</u>	<u>3,975,631</u>	<u>41,095</u>	<u>4,016,726</u>
Invested in capital assets	42,579,373	305,870	42,885,243	43,180,650	56,496	43,237,146
Restricted net assets	262,136	-	262,136	302,351	-	302,351
Unrestricted net assets	<u>4,326,808</u>	<u>(118,922)</u>	<u>4,207,886</u>	<u>3,690,580</u>	<u>20,275</u>	<u>3,710,855</u>
Total net assets	<u>\$47,168,317</u>	<u>\$ 186,948</u>	<u>\$47,355,265</u>	<u>\$47,173,581</u>	<u>\$ 76,771</u>	<u>\$47,250,352</u>

The following table shows the revenues and expenses for the Board for the current fiscal year.

Table 2
Condensed Statement of Activities
For the Years Ended June 30, 2007 and 2006

	2007			2006		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Revenues:						
Program revenues:						
Charges for services	\$ 1,443,047	\$ 507,126	\$ 1,950,173	\$ 1,395,058	\$ 446,497	\$ 1,841,555
Operating grants and contributions	25,468,050	965,387	26,433,437	24,621,723	929,235	25,550,958
Capital grants and contributions	5,588	-	5,588	23,345	-	23,345
General revenues:						
State of North Carolina	-	-	-	452,372	-	452,372
Buncombe County	8,395,933	-	8,395,933	13,592,503	-	13,592,503
Supplemental city school tax	7,402,672	-	7,402,672	6,677,152	-	6,677,152
Local option sales tax	3,125,067	-	3,125,067	2,848,259	-	2,848,259
Other revenues	1,171,268	1,819	1,173,087	791,591	16,414	808,005
Total revenues	<u>47,011,625</u>	<u>1,474,332</u>	<u>48,485,957</u>	<u>50,402,003</u>	<u>1,392,146</u>	<u>51,794,149</u>
Expenses:						
Governmental activities:						
Instructional programs	32,144,863	-	32,144,863	30,113,067	-	30,113,067
Support services	11,579,037	-	11,579,037	11,217,031	-	11,217,031
Community services	200,547	-	200,547	200,399	-	200,399
Non-programmed charges	424,340	-	424,340	403,197	-	403,197
Unallocated depreciation expense	2,313,179	-	2,313,179	1,908,699	-	1,908,699
Business-type activities:						
Child Nutrition	-	1,719,078	1,719,078	-	1,621,843	1,621,843
Total expenses	<u>46,661,966</u>	<u>1,719,078</u>	<u>48,381,044</u>	<u>43,842,393</u>	<u>1,621,843</u>	<u>45,464,236</u>
Revenues over (under) expenses	349,659	(244,746)	104,913	6,559,610	(229,697)	6,329,913
Transfers in (out)	(354,923)	354,923	-	(60,682)	60,682	-
Change in net assets	(5,264)	110,177	104,913	6,498,928	(169,015)	6,329,913
Net assets--beginning	47,173,581	76,771	47,250,352	40,674,653	245,786	40,920,439
Net assets--ending	<u>\$ 47,168,317</u>	<u>\$ 186,948</u>	<u>\$ 47,355,265</u>	<u>\$ 47,173,581</u>	<u>\$ 76,771</u>	<u>\$ 47,250,352</u>

Governmental activities generated revenues of \$47.0 million for fiscal year 2007 compared to \$50.4 million for the previous year. The completion of two major construction projects at the beginning of fiscal year 2007 led to a \$5.6 million decrease in restricted County appropriations for construction projects. This decrease was partially offset by increases in grant funding, the County general appropriation, the Asheville City Schools supplemental city school tax and local option sales tax. Governmental activities expenses totaled \$46.7 million for fiscal year 2007 compared to \$43.8 million for the previous year. The increase in expenses for governmental activities was largely due to salary increases for certified and classified employees, increased benefits costs, additional grant funding and increased depreciation expense related to major building improvement projects.

The Asheville City Schools supplemental city school tax comprised 16% and 13%, respectively, of total governmental revenues for fiscal years 2007 and 2006. County funding decreased from 27% in 2006 to 18% in 2007 due to the reduction in restricted County funding necessary for construction projects. Much of the remaining governmental revenues consist of restricted State and federal money. Instructional expenses comprised 69% of total governmental expenses for both fiscal years 2007 and 2006. Support services accounted for 25% of expenses in fiscal year 2007 compared to 26% for fiscal year 2006.

Business-type activities generated revenue of \$1.5 million in fiscal year 2007 and \$1.4 million in fiscal year 2006, and had expenses of \$1.7 million in 2007 and \$1.6 million in 2006. The overall increase in revenue in 2007 was due to a combination of factors like the increase in the federal free and reduced price meal reimbursement rates, increased participation in the state kindergarten breakfast program and increased supplemental sales. Increases in expenses kept pace with the increased revenues in fiscal year 2007 due to increases in salaries and benefits, the higher cost of serving healthier foods and increased depreciation expense of new equipment in two new cafeterias. However, because of the transfer of the cost of the new cafeteria equipment from the governmental activities to the business-type activities, the business-type activities ended the year with a \$110,177 increase in net assets.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Asheville City Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board'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. Table 3 on the following page compares fund balance at June 30, 2007 and 2006 for the General Fund, the Capital Outlay Fund and the Non-Major Governmental Funds. The State Public School Fund does not maintain a fund balance since revenues must equal expenditures. Thus it has been excluded from Table 3.

At June 30, 2007, the governmental funds of Asheville City Schools reported a combined fund balance of \$6,443,072, a \$627,914 increase over last year. All of the increase occurred within the Capital Outlay Fund. Part of this increase resulted from an activity bus budgeted for and ordered during fiscal year 2007, but not completed and delivered until after June 30, 2007. Funds budgeted but not used for a new maintenance facility also contributed to the fund balance increase in the Capital Outlay Fund. The City of Asheville has

agreed to let the Asheville City Schools Maintenance Department continue to use space within one of its buildings for the foreseeable future.

Table 3
Summary of Fund Balances—Governmental Funds
June 30, 2007 and 2006

	2007				2006			
	General Fund	Capital Outlay Fund	Other Governmental Funds	Total	General Fund	Capital Outlay Fund	Other Governmental Funds	Total
Reserved	\$ 630,740	\$ 182,615	\$ -	\$ 813,355	\$ 599,109	\$ 635,076	\$ -	\$ 1,234,185
Unreserved	4,162,286	1,205,295	262,136	5,629,717	4,269,660	8,962	302,351	4,580,973
Total	\$4,793,026	\$1,387,910	\$ 262,136	\$6,443,072	\$4,868,769	\$ 644,038	\$ 302,351	\$5,815,158

Proprietary Fund: The Board's proprietary fund reflected a net increase of \$110,177 for 2007 compared to a net loss of \$169,015 for 2006. The \$296,656 transfer from the Capital Outlay Fund for the cost of new cafeteria equipment installed in the new cafeterias at Asheville High School and Claxton Elementary School accounted for the net increase.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to increase or decrease appropriations in light of revised revenue estimates. As of June 30, 2007, net increases in estimated revenues and appropriations totaled \$78,820 in the General Fund. Grants awarded by external sources after the original budget ordinance was adopted accounted for most of the budget increases approved for the General Fund.

State funds allocated but not used during fiscal year 2007 for the initial purchase or replacement of textbooks available from the state textbook warehouse contributed \$288,291 to the negative budget variance when comparing the final amended budget for State of North Carolina revenues in the General Fund to actual revenues. Conversely, these same funds were included in the instructional programs regular expenditure budget and, thus, contributed the same amount as a positive variance in that line item. The State of North Carolina textbook warehouse allotment carries forward indefinitely for Asheville City Schools to use to order textbooks from the state textbook warehouse in future fiscal years.

Similarly, \$172,910 of federal Early Head Start grant funds budgeted as U.S. Government revenues and instructional programs special expenditures but not received/spent until fiscal year 2008 resulted in a negative revenues budget variance and a positive expenditures budget variance. This situation occurs each year because the funding cycle for the Early Head Start grant does not coincide with Asheville City Schools' fiscal year July 1 to June 30, but instead runs from September 1 to August 31.

Higher than expected growth in both the Asheville City Schools supplemental city school tax and sales tax revenues led to significant positive budgetary variances when comparing budgeted local revenues to actual receipts. The positive revenue variance for the Asheville City Schools supplemental city school tax was \$242,863 and the positive revenue variance for sales tax revenues was \$365,888.

Capital Assets

As noted and explained on Page 5 of Management's Discussion and Analysis, capital assets decreased \$351,903 over the previous year. Following is a summary of capital assets, net of depreciation at year-end. Additional information regarding the Board's capital assets can be found in the notes to the basic financial statements on Pages 29 and 32 of this report.

Table 4
Summary of Capital Assets
June 30, 2007 and 2006

	2007			2006		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Land	\$ 1,307,576	\$ -	\$ 1,307,576	\$ 1,307,576	\$ -	\$ 1,307,576
Land improvements	1,798,122	-	1,798,122	1,198,704	-	1,198,704
Buildings	37,698,656	-	37,698,656	26,889,548	-	26,889,548
Construction in progress	70,929	-	70,929	12,212,538	-	12,212,538
Equipment and furniture	1,398,140	305,870	1,704,010	1,216,755	56,496	1,273,251
Vehicles	305,950	-	305,950	355,529	-	355,529
Total	\$42,579,373	\$ 305,870	\$42,885,243	\$43,180,650	\$ 56,496	\$43,237,146

Debt Outstanding

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds all debt issued for school capital construction. The Board has not entered into any other financing arrangements as of June 30, 2007. The long-term obligations shown on the Statement of Net Assets represent the long-term liability for compensated absences to be paid from governmental and proprietary funds. Additional information regarding the Board's debt can be found in the notes to the basic financial statements on Pages 29 and 36 of the report.

Economic Factors

The Board anticipates stable enrollment over the next several years and will need continued increases in funding to accomplish the goals outlined in the Board's five-year strategic plan. County funding and the Asheville City Schools supplemental city school tax are major sources of income for the Board; therefore the County's economic outlook directly affects that of the schools. The following factors should positively affect the economic outlook of Buncombe County.

- The County is experiencing positive employment growth rates with 2,700 net new jobs added over the past year.
- The County's unemployment rate is lower than both the state and the national rate.
- The housing market is stable with appreciation rates well exceeding the national rate.
- Stable population growth patterns are projected.

Requests for Information

This report is intended to provide a summary of the financial condition of Asheville City Schools. Questions or requests for additional information should be addressed to:

Donna Watson, CPA
Director of Financial Services
Asheville City Schools
Post Office Box 7347
Asheville, NC 28802

ASHEVILLE CITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 6,383,449	\$ 100	\$ 6,383,549
Internal balances	118,209	(118,209)	-
Due from other governments	1,391,667	9,459	1,401,126
Accounts receivable (net)	17,067	1,533	18,600
Inventories	-	26,632	26,632
Prepaid expense	57,321	-	57,321
Capital assets:			
Land and construction in progress	1,378,505	-	1,378,505
Other capital assets, net of depreciation	41,200,868	305,870	41,506,738
Total capital assets	<u>42,579,373</u>	<u>305,870</u>	<u>42,885,243</u>
Total assets	<u>50,547,086</u>	<u>225,385</u>	<u>50,772,471</u>
Liabilities:			
Accounts payable	205,268	3,864	209,132
Accrued salaries and wages payable	1,188,443	3,245	1,191,688
Unearned revenue	130,930	7,936	138,866
Long-term liabilities:			
Due in one year	205,728	4,594	210,322
Due in more than one year	1,648,400	18,798	1,667,198
Total liabilities	<u>3,378,769</u>	<u>38,437</u>	<u>3,417,206</u>
Net assets:			
Invested in capital assets	42,579,373	305,870	42,885,243
Restricted for:			
Individual schools	262,136	-	262,136
Unrestricted	4,326,808	(118,922)	4,207,886
Total net assets	<u>\$ 47,168,317</u>	<u>\$ 186,948</u>	<u>\$ 47,355,265</u>

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
Instructional programs:							
Regular	\$ 19,967,209	\$ 119,586	\$ 13,571,486	\$ -	\$ (6,276,137)	\$ -	\$ (6,276,137)
Special	7,390,520	543,792	5,461,644	-	(1,385,084)	-	(1,385,084)
Co-curricular	1,211,285	773,041	109,131	-	(329,113)	-	(329,113)
Student service	3,056,522	-	2,287,848	-	(768,674)	-	(768,674)
Other	519,327	-	283,735	-	(235,592)	-	(235,592)
Support services:							
Pupil	42,651	-	29,120	-	(13,531)	-	(13,531)
Instructional staff	659,885	-	203,047	-	(456,838)	-	(456,838)
Administrative	1,261,169	-	709,225	-	(551,944)	-	(551,944)
School administration	2,853,995	-	1,653,247	-	(1,200,748)	-	(1,200,748)
Business	5,769,500	-	802,411	5,588	(4,961,501)	-	(4,961,501)
Central	968,005	-	55,974	-	(912,031)	-	(912,031)
Other	23,832	-	-	-	(23,832)	-	(23,832)
Community services	200,547	6,628	3,818	-	(190,101)	-	(190,101)
Non-programmed charges	424,340	-	297,364	-	(126,976)	-	(126,976)
Unallocated depreciation expense**	2,313,179	-	-	-	(2,313,179)	-	(2,313,179)
Total governmental activities	<u>46,661,966</u>	<u>1,443,047</u>	<u>25,468,050</u>	<u>5,588</u>	<u>(19,745,281)</u>	<u>-</u>	<u>(19,745,281)</u>

(continued)

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
Business-type activities:							
Child Nutrition	\$ 1,719,078	\$ 507,126	\$ 965,387	\$ -	\$ -	\$ (246,565)	\$ (246,565)
Total government-wide	\$ 48,381,044	\$ 1,950,173	\$ 26,433,437	\$ 5,588	(19,745,281)	(246,565)	(19,991,846)
General revenues:							
Restricted:							
Buncombe County					1,561,433	-	1,561,433
Unrestricted:							
U.S. Government					198,993	-	198,993
Buncombe County					6,834,500	-	6,834,500
Supplemental city school tax					7,402,672	-	7,402,672
Local option sales tax					3,125,067	-	3,125,067
Interest earned on investments					319,091	1,819	320,910
Other revenues					653,184	-	653,184
Transfers					(354,923)	354,923	-
Total general revenues and transfers					19,740,017	356,742	20,096,759
Change in net assets					(5,264)	110,177	104,913
Net assets--beginning					47,173,581	76,771	47,250,352
Net assets--ending					\$ 47,168,317	\$ 186,948	\$ 47,355,265

** This amount excludes the depreciation that is included in the direct expenses of the various programs.

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

ASHEVILLE CITY SCHOOLS
BALANCE SHEET--GOVERNMENTAL FUNDS
June 30, 2007

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Capital Outlay</u>		
<u>Assets</u>					
Cash and cash equivalents	\$ 4,761,802	\$ -	\$ 1,359,511	\$ 262,136	\$ 6,383,449
Due from other funds	118,209	-	-	-	118,209
Due from other governments	426,995	838,320	42,024	84,328	1,391,667
Accounts receivable (net)	17,067	-	-	-	17,067
Prepays	57,321	-	-	-	57,321
	<u>57,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,321</u>
Total assets	<u>\$ 5,381,394</u>	<u>\$ 838,320</u>	<u>\$ 1,401,535</u>	<u>\$ 346,464</u>	<u>\$ 7,967,713</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 188,242	\$ -	\$ 13,625	\$ 3,401	\$ 205,268
Accrued salaries and wages payable	275,173	837,182	-	76,088	1,188,443
Unearned revenue	124,953	1,138	-	4,839	130,930
Total liabilities	<u>588,368</u>	<u>838,320</u>	<u>13,625</u>	<u>84,328</u>	<u>1,524,641</u>

(continued)

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Capital Outlay</u>		
Fund balances:					
Reserved for:					
Prepays	\$ 57,321	\$ -	\$ -	\$ -	\$ 57,321
Encumbrances	11,148	-	140,591	-	151,739
State statute	562,271	-	42,024	-	604,295
Unreserved, reported in:					
General Fund	2,144,286	-	-	-	2,144,286
Special Revenue Funds	-	-	-	262,136	262,136
Capital Outlay Fund	-	-	205,295	-	205,295
Unreserved, designated for:					
Subsequent year's budget	2,018,000	-	1,000,000	-	3,018,000
Total fund balances	<u>4,793,026</u>	<u>-</u>	<u>1,387,910</u>	<u>262,136</u>	<u>6,443,072</u>
Total liabilities and fund balances	<u>\$ 5,381,394</u>	<u>\$ 838,320</u>	<u>\$ 1,401,535</u>	<u>\$ 346,464</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

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

42,579,373

Compensated absences are not due and payable with current financial resources and therefore are not reported in the funds.

(1,854,128)

Net assets of governmental activities

\$ 47,168,317

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Capital Outlay</u>		
Revenues:					
State of North Carolina	\$ 508,656	\$ 20,479,003	\$ -	\$ -	\$ 20,987,659
U.S. Government	1,233,233	-	-	3,041,838	4,275,071
Local:					
Buncombe County - unrestricted	6,229,763	-	896,101	-	7,125,864
Buncombe County - restricted	-	-	1,561,433	-	1,561,433
Supplemental city school tax	6,902,672	-	500,000	-	7,402,672
Local option sales tax	3,125,067	-	-	-	3,125,067
Other local revenues	1,596,552	-	159,168	882,172	2,637,892
Total revenues	<u>19,595,943</u>	<u>20,479,003</u>	<u>3,116,702</u>	<u>3,924,010</u>	<u>47,115,658</u>
Expenditures:					
Current:					
Instructional programs:					
Regular	3,671,124	10,352,011	-	325,068	14,348,203
Special	1,718,456	1,820,526	-	1,557,406	5,096,388
Co-curricular	-	-	-	1,048,188	1,048,188
Student services	545,015	1,742,126	-	68,028	2,355,169
Other	4,657,637	3,527,910	-	731,341	8,916,888
Support services:					
Pupil	55	-	-	19,583	19,638
Instructional staff	403,993	123,491	-	46,260	573,744
Administrative	667,621	386,174	-	71,197	1,124,992
School administration	1,091,975	1,344,268	-	-	2,436,243
Business	4,157,644	529,577	-	2,323	4,689,544
Central	733,811	5,333	-	50,641	789,785
Other	1,275,791	589,320	-	59,958	1,925,069
Community services	204,424	-	-	-	204,424
Non-programmed charges:					
Payments to charter schools	407,210	-	-	-	407,210
Other	11,129	-	-	110,033	121,162

(continued)

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	State Public School	Capital Outlay		
Expenditures, continued:					
Capital outlay:					
Real property and buildings	\$ -	\$ -	\$ 1,360,375	\$ -	\$ 1,360,375
Furniture and equipment	-	-	686,422	-	686,422
Buses and motor vehicles	-	-	29,377	-	29,377
Total expenditures	<u>19,545,885</u>	<u>20,420,736</u>	<u>2,076,174</u>	<u>4,090,026</u>	<u>46,132,821</u>
Revenues over (under) expenditures	<u>50,058</u>	<u>58,267</u>	<u>1,040,528</u>	<u>(166,016)</u>	<u>982,837</u>
Other financing sources (uses):					
Transfers from other funds	74,199	-	-	200,000	274,199
Transfers to other funds	(200,000)	(58,267)	(296,656)	(74,199)	(629,122)
Total other financing sources (uses)	<u>(125,801)</u>	<u>(58,267)</u>	<u>(296,656)</u>	<u>125,801</u>	<u>(354,923)</u>
Net change in fund balances	(75,743)	-	743,872	(40,215)	627,914
Fund balances--beginning	<u>4,868,769</u>	<u>-</u>	<u>644,038</u>	<u>302,351</u>	<u>5,815,158</u>
Fund balances--ending	<u>\$ 4,793,026</u>	<u>\$ -</u>	<u>\$ 1,387,910</u>	<u>\$ 262,136</u>	<u>\$ 6,443,072</u>

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

Net changes in fund balances--total governmental funds \$ 627,914

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 outlay exceeded depreciation in the current period:

Depreciation expense (2,340,219)
Capital outlays 1,738,942

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 the governmental funds:

Net change in compensated absences (31,901)

Total changes in net assets of governmental activities \$ (5,264)

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2007

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues:								
State of North Carolina	\$ 806,502	\$ 806,502	\$ 508,656	\$ (297,846)	\$20,633,564	\$21,106,488	\$20,479,003	\$ (627,485)
U.S. Government	1,461,639	1,510,790	1,233,233	(277,557)	-	-	-	-
Local	17,083,051	17,101,720	17,854,054	752,334	-	-	-	-
Total revenues	<u>19,351,192</u>	<u>19,419,012</u>	<u>19,595,943</u>	<u>176,931</u>	<u>20,633,564</u>	<u>21,106,488</u>	<u>20,479,003</u>	<u>(627,485)</u>
Expenditures:								
Current:								
Instructional programs:								
Regular	4,145,424	4,181,752	3,671,124	510,628	10,224,461	10,458,262	10,352,011	106,251
Special	2,007,940	2,014,106	1,718,456	295,650	1,763,797	1,860,711	1,820,526	40,185
Student services	577,012	577,012	545,015	31,997	1,739,317	1,768,190	1,742,126	26,064
Other	4,782,138	4,780,699	4,657,637	123,062	3,813,983	3,862,268	3,527,910	334,358
Support services:								
Pupil	61	61	55	6	-	-	-	-
Instructional staff	418,250	418,250	403,993	14,257	123,926	123,503	123,491	12
Administrative	830,205	830,205	667,621	162,584	375,000	386,176	386,174	2
School administration	1,196,740	1,196,740	1,091,975	104,765	1,366,748	1,373,060	1,344,268	28,792
Business	4,433,083	4,467,365	4,157,644	309,721	492,523	535,722	529,577	6,145
Central	978,467	978,467	733,811	244,656	-	5,500	5,333	167
Other	1,353,781	1,357,264	1,275,791	81,473	675,455	674,742	589,320	85,422
Community services	211,885	211,885	204,424	7,461	-	-	-	-
Non-programmed charges:								
Payments to charter schools	464,075	464,075	407,210	56,865	-	-	-	-
Other	61,131	61,131	11,129	50,002	-	-	-	-
Total expenditures	<u>21,460,192</u>	<u>21,539,012</u>	<u>19,545,885</u>	<u>1,993,127</u>	<u>20,575,210</u>	<u>21,048,134</u>	<u>20,420,736</u>	<u>627,398</u>
Revenues over (under) expenditures	<u>(2,109,000)</u>	<u>(2,120,000)</u>	<u>50,058</u>	<u>2,170,058</u>	<u>58,354</u>	<u>58,354</u>	<u>58,267</u>	<u>(87)</u>

(continued)

	General Fund				State Public School Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Other financing sources (uses):								
Transfers from other funds	\$ 60,000	\$ 60,000	\$ 74,199	\$ 14,199	\$ -	\$ -	\$ -	\$ -
Transfers to other funds	(200,000)	(200,000)	(200,000)	-	(58,354)	(58,354)	(58,267)	87
Appropriated fund balance	2,249,000	2,260,000	-	(2,260,000)	-	-	-	-
Total other financing sources (uses)	<u>2,109,000</u>	<u>2,120,000</u>	<u>(125,801)</u>	<u>(2,245,801)</u>	<u>(58,354)</u>	<u>(58,354)</u>	<u>(58,267)</u>	<u>87</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(75,743)</u>	<u>\$ (75,743)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances--beginning of year			<u>4,868,769</u>				<u>-</u>	
Fund balances--end of year			<u>\$ 4,793,026</u>				<u>\$ -</u>	

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF NET ASSETS--PROPRIETARY FUND
June 30, 2007

	Child Nutrition Fund
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 100
Due from other governments	9,459
Accounts receivable (net)	1,533
Inventories	26,632
Total current assets	<u>37,724</u>
Non-current assets:	
Capital assets:	
Furniture and equipment, net	<u>305,870</u>
Total assets	<u>343,594</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	3,864
Due to other funds	118,209
Accrued salaries and wages payable	3,245
Unearned revenue	7,936
Compensated absences, current portion	4,594
Total current liabilities	<u>137,848</u>
Non-current liabilities:	
Compensated absences, less current portion	<u>18,798</u>
Total liabilities	<u>156,646</u>
<u>Net Assets</u>	
Invested in capital assets	305,870
Unrestricted	<u>(118,922)</u>
Total net assets	<u>\$ 186,948</u>

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS--PROPRIETARY FUND
For the Year Ended June 30, 2007

	Child Nutrition Fund
Operating revenues:	
Food sales	\$ 507,126
Operating expenses:	
Food cost	736,759
Salaries and benefits	859,267
Materials and supplies	65,433
Depreciation	34,228
Other	19,697
Total operating expenses	<u>1,715,384</u>
Operating loss	<u>(1,208,258)</u>
Non-operating revenues (expense):	
Federal reimbursements	795,124
Federal commodities	64,782
State reimbursements	105,481
Interest earned	1,819
Loss on disposal of assets	(3,694)
Total non-operating revenues (expense)	<u>963,512</u>
Loss before transfers	(244,746)
Transfers from other funds	354,923
Change in net assets	<u>110,177</u>
Total net assets--beginning	76,771
Total net assets--ending	<u>\$ 186,948</u>

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF CASH FLOWS--PROPRIETARY FUND
For the Year Ended June 30, 2007

	Child Nutrition Fund
Cash flows from operating activities:	
Cash received from customers	\$ 504,081
Cash paid for goods and services	(624,182)
Cash paid to employees for services	(806,090)
Net cash used for operating activities	<u>(926,191)</u>
Cash flows from non-capital financing activities:	
State reimbursements	105,481
Federal reimbursements	795,124
Net cash provided by non-capital financing activities	<u>900,605</u>
Cash flows from investing activities:	
Interest on investments	1,819
Proceeds from sale of assets	9,360
Net cash provided by investing activities	<u>11,179</u>
Net decrease in cash and cash equivalents	(14,407)
Cash and cash equivalents, beginning of year	<u>14,507</u>
Cash and cash equivalents, end of year	<u><u>\$ 100</u></u>

(continued)

	Child Nutrition Fund
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (1,208,258)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	34,228
Donated commodities consumed	64,782
Salaries paid by special revenue fund	58,267
Change in assets and liabilities:	
Increase in due from other governments and accounts receivable (net)	(3,036)
Decrease in inventories of food and supplies, net	12,276
Increase in accounts payable and accrued salaries and wages payable	1,408
Increase in due to other funds	118,209
Decrease in compensated absences	(4,058)
Decrease in unearned revenue	(9)
	<u> </u>
Net cash used for operating activities	<u>\$ (926,191)</u>
Non-cash investing, capital, and financing activities:	
Donated commodities received	<u>\$ 64,782</u>
Transfer of assets from the capital outlay fund	<u>\$ 296,656</u>
Transfer for salaries paid by special revenue fund	<u>\$ 58,267</u>

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES--FIDUCIARY FUND
June 30, 2007

	Agency Fund
Assets:	
Cash and cash equivalents	\$ 1,644,164
Liabilities:	
Due to other sources	\$ 1,644,164

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Asheville City Schools conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

Asheville City Schools (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes, hereafter referred to as G.S.] with the responsibility to oversee and control all activities related to public school education in Asheville, North Carolina. The Board receives state, local, and federal government funding and must adhere to the legal requirements of each funding entity.

The reporting entity is comprised of the primary government and its component units. Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organizations' resources; the Board is legally obligated

or has assumed responsibility to finance the deficits of, or provide financial support to, the organization; or the Board is obligated for the debt of the organization. The Board is a primary government because it is a special purpose government that is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Board for financial statement presentation purposes, and it is not included in any other governmental reporting entity.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through 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 Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported in one column as other governmental funds. The fiduciary funds are presented separately.

NOTES TO FINANCIAL STATEMENTS

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses result from normal day-to-day transactions associated with the fund. Non-operating expenses, such as loss on disposal of capital assets, result from unusual transactions not associated with the day-to-day transactions of the fund.

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities and the acquisition of vehicles and equipment (other than those financed by proprietary funds). It is mandated by State law [G.S.115C-426]. Major capital projects are funded by Buncombe County and State resources.

The Board reports the following major enterprise fund:

Child Nutrition Fund - The Child Nutrition Fund is used to account for the food service program within the school system.

The Board reports the following fiduciary fund:

Agency Fund - The Agency Fund is used to account for assets held by the Board as an agent for other organizations. The Agency Fund is used to account for funds deposited with the Board as an agent for the benefit of various scholarship and awards funds, the Asheville City Schools Foundation, the Asheville City Schools Pool Committee, the Educational Access Channel Consortium, and the Medical Reimbursement Plan.

Measurement Focus and 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 and 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. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. 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. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures

NOTES TO FINANCIAL STATEMENTS

are recorded when the related fund liability is incurred, except for 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.

Fiduciary Fund Financial Statement - The Board's only fiduciary fund is its Agency Fund. An Agency Fund is custodial in nature (assets equal liabilities) and does not involve measuring the results of operations, and therefore has no measurement focus.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement 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 Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The Board's enterprise fund follows FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue fund, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations, except where construction project budgets have been approved in the Capital Outlay Fund, lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$5,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget ordinance were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, and Net Assets/Fund Balances

Deposits and Investments - All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund

NOTES TO FINANCIAL STATEMENTS

(STIF). The STIF consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and Cash Equivalents - The Board 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.

Inventories - The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets - The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Buncombe County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment financing of construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title

of the property back to the Board once all restrictions of the financing agreements have been met.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements	20 years
Equipment and furniture	5-20 years
Vehicles	8 years

Long-Term Obligations - In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences - The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. In addition, certain employees may accumulate up to 20 additional bonus vacation leave days, which are fully vested when earned. The Board records compensated absences on a LIFO basis. The liability as of June 30, 2007, represents the value of accumulated unpaid vacation leave and salary related payments as of that date. (See Table V).

NOTES TO FINANCIAL STATEMENTS

The sick leave policy of the Board 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 Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Assets/Fund Balances - Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets; net assets available for use by the individual schools; and unrestricted.

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 115C-425(a)] restricts the appropriation of fund balance or fund equity 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 for prepaids, portion of fund balance that is not available for appropriation because it represents the year-end balance of prepaids, which are not expendable available resources.

Reserved for encumbrances, portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end;

Reserved by State statute, portion of fund balance, in addition to reserves for prepaids and reserves for encumbrances, that is not available for appropriation under State law. This amount is usually comprised of accounts receivable and due from other governments that are not offset by unearned revenue.

UNRESERVED

Designated for subsequent year's budget, portion of fund balance available for appropriation that has been designated for the adopted 2007- 2008 budget ordinance.

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

2. DETAIL NOTES ON ALL FUNDS

Assets

Deposits - All of the Board's deposits are either insured or collateralized by using the Pooling Method. 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 Board, these deposits are considered to be held by the agent in the entity'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

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2007, the Board had deposits with financial institutions with a carrying amount of \$2,832,715 and \$-0- with the State Treasurer. The bank balances with the financial institutions and the State Treasurer were \$3,657,591 and \$401,309, respectively. Of these balances, \$508,971 was covered by federal depository insurance and \$3,549,929 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board's petty cash at June 30, 2007, was \$350.

	DUE FROM OTHER GOVERNMENTS					Business-type Activities
	Governmental Activities					
	General	State Public School	Capital Outlay	Other Governmental Funds	Total	Child Nutrition
State grants	\$ 50,698	\$838,320	\$ 32,014	\$ 4,839	\$ 925,871	\$ 9,459
Federal grants	3,606	-	-	79,489	83,095	-
Buncombe County-- restricted	-	-	10,010	-	10,010	-
Local options sales tax	231,924	-	-	-	231,924	-
Supplemental city school tax	49,330	-	-	-	49,330	-
Other local	91,437	-	-	-	91,437	-
	<u>\$426,995</u>	<u>\$838,320</u>	<u>\$ 42,024</u>	<u>\$ 84,328</u>	<u>\$ 1,391,667</u>	<u>\$ 9,459</u>

Investments - At June 30, 2007, the Board had \$21,616 invested with the North Carolina Capital Management Trust's Term Portfolio which is unrated. The Board had \$2,839,054 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. There was \$2,333,978 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2007. The Board has no formal policy for managing interest rate risk or credit risk. It follows State law.

Due from Other Governments - Amounts due from other governments at June 30, 2007, are summarized in Table I.

Capital Assets - Capital asset activity for the year ended June 30, 2007, is summarized in Table II.

Depreciation was charged to the governmental functions as follows:

Unallocated depreciation	\$ 2,313,179
Business support services	<u>27,040</u>
	<u>\$ 2,340,219</u>

NOTES TO FINANCIAL STATEMENTS

Liabilities

Pension Plan Obligations

Teachers and State Employees Retirement System - Plan Description. Asheville City Schools contributes to the statewide

Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S.

Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Table II CAPITAL ASSETS					
	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,307,576	\$ -	\$ -	\$ -	\$ 1,307,576
Construction in progress	12,212,538	912,095	-	(13,053,704)	70,929
Total capital assets not being depreciated	<u>13,520,114</u>	<u>912,095</u>	<u>-</u>	<u>(13,053,704)</u>	<u>1,378,505</u>
Capital assets being depreciated:					
Buildings	47,000,397	344,196	-	12,375,503	59,720,096
Equipment and furniture	2,933,243	394,248	(9,003)	13,675	3,332,163
Vehicles	1,848,766	28,521	(51,547)	-	1,825,740
Land improvements	2,607,587	59,882	-	664,526	3,331,995
Total capital assets being depreciated	<u>54,389,993</u>	<u>826,847</u>	<u>(60,550)</u>	<u>13,053,704</u>	<u>68,209,994</u>
Less accumulated depreciation for:					
Buildings	20,110,849	1,910,591	-	-	22,021,440
Equipment and furniture	1,716,488	226,538	(9,003)	-	1,934,023
Vehicles	1,493,237	78,100	(51,547)	-	1,519,790
Land improvements	1,408,883	124,990	-	-	1,533,873
Total accumulated depreciation	<u>24,729,457</u>	<u>2,340,219</u>	<u>(60,550)</u>	<u>-</u>	<u>27,009,126</u>
Total capital assets being depreciated, net	<u>29,660,536</u>				<u>41,200,868</u>
Governmental activity capital assets, net	<u>\$ 43,180,650</u>				<u>\$ 42,579,373</u>
Business-type activities:					
Child Nutrition Fund:					
Capital assets being depreciated:					
Equipment	\$ 388,667	296,657	(49,439)	-	\$ 635,885
Less accumulated depreciation for:					
Equipment	<u>332,171</u>	<u>34,228</u>	<u>(36,384)</u>	<u>-</u>	<u>330,015</u>
Business-type activities capital assets, net	<u>\$ 56,496</u>				<u>\$ 305,870</u>

NOTES TO FINANCIAL STATEMENTS

The State's CAFR includes financial statements and required supplementary information for TSERS. 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 and the Board is required to contribute at an actuarially determined rate. For the fiscal year ended June 30, 2007, the Board was required to contribute 2.66% to TSERS. The contribution requirements of plan members and Asheville City Schools are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2007, 2006, and 2005 were \$679,257, \$618,504, and \$555,183, respectively, equal to the required contributions for each year.

Post-Employment Benefits - In addition to providing pension benefits, the Board provides disability benefits and post-employment health care benefits and death benefits, in accordance with State statutes, to certain employees. These benefits are provided through multiple-employer cost-sharing plans administered by the State. The Board makes monthly contributions to the State for these

benefits. Health care benefits are provided to retirees (at no charge to the retirees) of the Teachers' and State Employees' Retirement System (System) who have at least five years of contributing membership in the System. These benefits are provided through the State's Comprehensive Major Medical Plan. Once retirees become eligible for Medicare coverage, they must elect to participate in Part A and Part B coverage to maintain the level of coverage provided prior to retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Other Employment Benefits - Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service 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 highest 12

months salary in a row during the 24 months prior to his/her death with a minimum benefit of \$25,000 and a maximum of \$50,000.

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered cost-sharing plan, which also is funded on a one-year term cost basis. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits if the following requirements are met: 1) the employee has five years of contributing membership service in the System earned within 96 months prior to the end of the short-term disability period; 2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later; and 3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her occupation; 4) the disability must have been continuous, likely to be permanent, and incurred at the time of

NOTES TO FINANCIAL STATEMENTS

active employment; and 5) the employee must not be eligible to receive an unreduced retirement benefit from the System. In addition, recipients of the long-term disability benefits are eligible to receive State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65 percent of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers' compensation to which the recipient may be entitled up to a maximum of \$3,900 per month, plus additional minor adjustments. When an employee qualifies for an unreduced service retirement allowance from the System, the benefits payable from the Disability Income Plan will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System. Effective August 1, 2005, employees that have not yet vested in the long-term disability plan (i.e. employees that do not have five years of membership service as of August 1, 2005) will have to comply with revised standards to determine long-term disability.

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period.

Contributions are determined as a percentage of covered monthly payroll. Annually, the State sets monthly contribution rates for post-employment health care benefits, death benefits, and disability benefits, which are the same for all boards of education across the State. For the fiscal year ended June 30, 2007, the Board made contributions to the State for post-employment health care benefits of \$970,350, death benefits of \$40,857, and disability benefits of \$132,785; these contributions represented 3.8%, 0.16%, and 0.52% of covered payroll, respectively. The contributions for post-employment health care benefits and disability benefits cannot be separated between the post employment benefit amounts and the other employee benefit amounts. Because the benefit payments are made by the various State-administered plans and not by the Board, the Board does not determine the number of eligible participants.

Supplemental Retirement Plan - Full time employees of the school system are also eligible for the supplemental retirement plan under Internal Revenue Code Section 401(k). Under this plan, an employee may contribute a percentage of their annual gross salary as limited by federal tax laws. Asheville City Schools does not make any contributions to the supplemental retire-

ment plan. The employees' contribution to the 401(k) plan for 2007 was \$276,755.

Accounts Payable

The balance in accounts payable at June 30, 2007, is summarized in Table III.

Unearned Revenue

The balance in unearned revenue at June 30, 2007, is summarized in Table IV.

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$2 million per claim, \$4 million per coverage period aggregate. In addition, the Board maintains automobile liability and uninsured/underinsured motorist's coverage limits of \$2 million per accident through the Trust. The Trust retention per claim for general liability and errors and omissions claims is \$150,000, and the retention per accident for automobile claims is \$150,000. The

NOTES TO FINANCIAL STATEMENTS

Table III						
ACCOUNTS PAYABLE						
	Governmental Activities				Total	Business-type Activities
	General	State Public School	Capital Outlay	Other Governmental Funds		Child Nutrition
	Vendors	\$ 186,834	\$ -	\$ 13,625		\$ 3,401
Charter schools	1,408	-	-	-	1,408	-
	<u>\$ 188,242</u>	<u>\$ -</u>	<u>\$ 13,625</u>	<u>\$ 3,401</u>	<u>\$ 205,268</u>	<u>\$ 3,864</u>

Table IV						
UNEARNED REVENUE						
	Governmental Activities				Total	Business-type Activities
	General	State Public School	Capital Outlay	Other Governmental Funds		Child Nutrition
	Grants and contracts	\$ 124,953	\$ 1,138	\$ -		\$ 4,839
Prepaid lunch sales	-	-	-	-	-	7,936
	<u>\$ 124,953</u>	<u>\$ 1,138</u>	<u>\$ -</u>	<u>\$ 4,839</u>	<u>\$ 130,930</u>	<u>\$ 7,936</u>

Trust maintains reinsurance through a commercial company to cover losses in excess of the retention amounts. Inland marine coverage for scheduled equipment is also maintained through the Trust. The Board also participates in the Public School Insurance Fund (the Fund). This is a voluntary, self-insured risk control and risk-financing fund administered by the North Carolina Department of Public Instruction. The Fund insures tangible property assets of the Board and provides replacement coverage subject to the adjusted total coverage of all buildings and contents listed as scheduled

property. The Fund purchases excess reinsurance to cover catastrophic events in excess of \$10 million. Excess reinsurance is purchased through commercial insurers. A total limit of \$100 million per occurrence is purchased. Flood and earthquake damages are subject to limits of \$5 million per occurrence and \$15 million aggregate. The Board's flood coverage is subject to a \$25,000 deductible.

The Board maintains workers' compensation coverage up to statutory limits for employees not paid from state funds

through a commercial carrier. The State of North Carolina provides workers' compensation for employees paid from state funds.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board has purchased a commercial surety bond as a performance bond for employees who have custody of the Board's monies at any given time. The finance officer is bonded for \$200,000. All other employees that have access to funds are bonded under a blanket bond for \$150,000, with a \$10,000 theft, disappearance and destruction limit.

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

NOTES TO FINANCIAL STATEMENTS

Table V					
LONG-TERM OBLIGATIONS					
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due in One Year</u>
Governmental activities:					
Compensated absences	<u>\$1,822,227</u>	<u>\$1,666,416</u>	<u>\$1,634,515</u>	<u>\$1,854,128</u>	<u>\$ 205,728</u>
Business-type activities:					
Compensated absences	<u>\$ 27,450</u>	<u>\$ 32,086</u>	<u>\$ 36,144</u>	<u>\$ 23,392</u>	<u>\$ 4,594</u>

Long-Term Obligations

The summary of changes in the Board's long-term obligations for the year ended June 30, 2007, is shown in Table V.

Compensated absences are typically liquidated by the general and other governmental funds.

Interfund Balances and Activity

Transfers to/from other funds - Transfers to/from other funds at June 30, 2007, consist of \$58,267 transferred from the State Public School Fund to the Child Nutrition Fund for administrative costs, \$296,656 of capital assets transferred from the Capital Outlay Fund to the Child Nutrition Fund for items purchased for child nutrition, \$200,000 transferred from the General Fund to other governmental funds for the individual schools and \$74,199 transferred from other governmental funds to the general fund for athletic gate receipts.

Due to/from other funds - The balance at June 30, 2007, consists of amounts owed to the General Fund from the Child Nutrition Fund for operating purposes. The balance is expected to be repaid in the near term.

3. SUPPLEMENTAL CITY SCHOOL TAX

The supplemental city school tax, approved in 1935 by the citizens of Asheville, is currently 15¢ per \$100 of assessed valuation of taxable property located in the Asheville City School District. The Asheville City School District's boundaries do not coincide with the City of Asheville corporate limits. In compliance with North Carolina state law, the supplemental city school tax is levied, billed and collected by Buncombe County. All property taxes, including the supplemental city school tax, are assessed as of July 1, the beginning of the County's fiscal year, and are based upon 100 percent of the assessed value as of January 1 the same year. Revaluation of real property, required at

least every eight years, was completed during the Spring of 2006 and was effective for the levy of taxes for the fiscal year ending June 30, 2007. The assessed valuation of the property subject to the supplemental city school tax is estimated to be \$5.0 billion (unaudited) at June 30, 2007.

4. SUMMARY DISCLOSURE OF CONTINGENCIES

Federal and State Assisted Programs

The Board 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 moneys 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 moneys.

Contingent Liabilities

At June 30, 2007, the Board was a defendant to various lawsuits. In the opinion of the Board's management and the Board's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Board's financial position.



SUPPLEMENTARY INFORMATION

CAPITAL OUTLAY FUND

The Capital Outlay Fund accounts for resources used in the construction, acquisition, repair, and replacement of Asheville City Schools' capital assets. Major revenue sources include Buncombe County and the supplemental city school tax. The Capital Outlay Fund is accounted for using the modified accrual basis of accounting.

**ASHEVILLE CITY SCHOOLS
CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
Local:			
Buncombe County - unrestricted	\$ 896,101	\$ 896,101	\$ -
Buncombe County - restricted	2,129,678	1,561,433	(568,245)
Supplemental city school tax	500,000	500,000	-
Other:			
Interest earned on investments	40,000	68,797	28,797
Other local sources	72,500	90,371	17,871
	<u>3,638,279</u>	<u>3,116,702</u>	<u>(521,577)</u>
Total revenues			
Expenditures:			
Capital outlay:			
Real property and buildings--Category I projects:			
Central office/system wide	355,337	63	355,274
Asheville High	829,288	377,153	452,135
Isaac Dickson	55,000	47,644	7,356
Claxton	848,342	709,294	139,048
Jones	45,000	40,583	4,417

(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Expenditures, continued:			
Capital outlay, continued:			
Real property and buildings--Category I projects, continued:			
Asheville Middle	\$ 270,827	\$ 136,026	\$ 134,801
Vance	30,000	24,731	5,269
Preschool	37,020	24,881	12,139
Subtotal real property and buildings--Category I projects	<u>2,470,814</u>	<u>1,360,375</u>	<u>1,110,439</u>
Furniture and equipment--Category II projects	755,809	686,422	69,387
Buses and motor vehicles--Category III projects	<u>113,000</u>	<u>29,377</u>	<u>83,623</u>
Total expenditures	<u>3,339,623</u>	<u>2,076,174</u>	<u>1,263,449</u>
Revenues over expenditures	<u>298,656</u>	<u>1,040,528</u>	<u>741,872</u>
Other financing sources (uses):			
Appropriated fund balance	8,000	-	(8,000)
Contingency	(10,000)	-	10,000
Transfers to other funds	(296,656)	(296,656)	-
Total other financing sources (uses)	<u>(298,656)</u>	<u>(296,656)</u>	<u>2,000</u>
Net change in fund balance	<u>\$ -</u>	743,872	<u>\$ 743,872</u>
Fund balance:			
Beginning of year, July 1		<u>644,038</u>	
End of year, June 30		<u>\$ 1,387,910</u>	

OTHER GOVERNMENTAL FUNDS

Other Governmental Funds consist of non-major special revenue funds. Asheville City Schools has two non-major special revenue funds: the Individual Schools Fund and the Federal Grants Fund. Special Revenue Funds are used to account for revenues that are legally restricted for specific purposes. Special Revenue Funds are accounted for using the modified accrual basis of accounting. Asheville City Schools is only legally required to adopt an annual budget for the Federal Grants Fund. The Federal Grants Fund accounts for appropriations for the expenditure of federal categorical grants made available through the North Carolina Department of Public Instruction. The Individual Schools Fund accounts for contributions from the local parent and booster organizations, fund-raising activities, funds held on behalf of various clubs and organizations and school athletic teams and events.

ASHEVILLE CITY SCHOOLS
COMBINING BALANCE SHEET--OTHER GOVERNMENTAL FUNDS
 June 30, 2007

	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ -	\$ 262,136	\$ 262,136
Due from other governments	84,328	-	84,328
	84,328	-	84,328
Total assets	\$ 84,328	\$ 262,136	\$ 346,464
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 3,401	\$ -	\$ 3,401
Accrued salaries and wages payable	76,088	-	76,088
Unearned revenue	4,839	-	4,839
Total liabilities	84,328	-	84,328
Fund balances:			
Unreserved, reported in:			
Special Revenue Funds	-	262,136	262,136
Total liabilities and fund balances	\$ 84,328	\$ 262,136	\$ 346,464

ASHEVILLE CITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total</u>
Revenues:			
U.S. Government	\$ 3,041,838	\$ -	\$ 3,041,838
Local	-	882,172	882,172
Total revenues	<u>3,041,838</u>	<u>882,172</u>	<u>3,924,010</u>
Expenditures:			
Current:			
Instructional programs:			
Regular	325,068	-	325,068
Special	1,557,406	-	1,557,406
Co-curricular	-	1,048,188	1,048,188
Student services	68,028	-	68,028
Other	731,341	-	731,341
Support services:			
Pupil	19,583	-	19,583
Instructional staff	46,260	-	46,260
Administrative	71,197	-	71,197
Business	2,323	-	2,323
Central	50,641	-	50,641
Other	59,958	-	59,958
Non-programmed charges:			
Other	110,033	-	110,033
Total expenditures	<u>3,041,838</u>	<u>1,048,188</u>	<u>4,090,026</u>

(continued)

	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total</u>
Revenues under expenditures	\$ -	\$ (166,016)	\$ (166,016)
Other financing sources (uses):			
Transfers from other funds	-	200,000	200,000
Transfers to other funds	-	(74,199)	(74,199)
Total other financing sources	<u>-</u>	<u>125,801</u>	<u>125,801</u>
Net change in fund balances	-	(40,215)	(40,215)
Fund balances--beginning	<u>-</u>	<u>302,351</u>	<u>302,351</u>
Fund balances--ending	<u>\$ -</u>	<u>\$ 262,136</u>	<u>\$ 262,136</u>

**ASHEVILLE CITY SCHOOLS
FEDERAL GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
U.S. Government	\$ 4,235,573	\$ 3,041,838	\$ (1,193,735)
Expenditures:			
Current:			
Instructional programs:			
Regular	343,033	325,068	17,965
Special	1,851,021	1,557,406	293,615
Student services	77,412	68,028	9,384
Other	892,952	731,341	161,611
Supporting services:			
Pupil	19,583	19,583	-
Instructional staff	46,260	46,260	-
Administrative	82,842	71,197	11,645
Business	4,000	2,323	1,677
Central	52,500	50,641	1,859
Other	78,075	59,958	18,117
Non-programmed charges:			
Unbudgeted federal grants	661,539	-	661,539
Other	126,356	110,033	16,323
Total expenditures	<u>4,235,573</u>	<u>3,041,838</u>	<u>1,193,735</u>
Revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ -</u>	

CHILD NUTRITION FUND

The Child Nutrition Fund uses the full accrual basis of accounting. The Child Nutrition Program provides breakfast and lunch to students in the Asheville City Schools. Primary revenue sources are meal charges, federal commodity subsidies, and USDA reimbursements.

**ASHEVILLE CITY SCHOOLS
CHILD NUTRITION FUND
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL (Non-GAAP)
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Operating revenues:			
Food sales	\$ 448,433	\$ 507,117	\$ 58,684
Operating expenditures:			
Purchase of food	773,980	728,106	45,874
Salaries and benefits	899,624	863,325	36,299
Materials and supplies	69,200	61,810	7,390
Other	19,000	19,697	(697)
Total operating expenditures	<u>1,761,804</u>	<u>1,672,938</u>	<u>88,866</u>
Operating loss	<u>(1,313,371)</u>	<u>(1,165,821)</u>	<u>147,550</u>
Non-operating revenues:			
Federal reimbursements	788,000	795,124	7,124
Federal commodities	62,960	64,782	1,822
State reimbursement	105,567	105,481	(86)
Interest earned	1,834	1,819	(15)
Total non-operating revenues	<u>958,361</u>	<u>967,206</u>	<u>8,845</u>
Revenues under expenditures before other financing sources	(355,010)	(198,615)	156,395
Other financing sources:			
Transfers from other funds	<u>355,010</u>	<u>354,923</u>	<u>(87)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	156,308	<u>\$ 156,308</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(34,228)	
Loss on disposal of assets		(3,694)	
Decrease in compensated absences		4,058	
Decrease in inventories of food and supplies, net		(12,276)	
Decrease in unearned revenue		9	
Change in net assets		<u>\$ 110,177</u>	

AGENCY FUND

The Agency Fund is used to account for assets held by the Board as an agent for the benefit of various scholarship and award funds, the Asheville City Schools Foundation, the Asheville City Schools Pool Committee, the Educational Access Channel Consortium, and the Medical Reimbursement Plan.

**ASHEVILLE CITY SCHOOLS
AGENCY FUND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2007**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASHEVILLE CITY SCHOOLS FOUNDATION:				
Assets:				
Cash and cash equivalents	\$ 714,932	\$ 81,040	\$ 58,200	\$ 737,772
Liabilities:				
Due to other sources	\$ 714,932	\$ 81,040	\$ 58,200	\$ 737,772
ASHEVILLE HIGH AWARDS:				
Assets:				
Cash and cash equivalents	\$ 19,929	\$ 915	\$ 1,802	\$ 19,042
Liabilities:				
Due to other sources	\$ 19,929	\$ 915	\$ 1,802	\$ 19,042
ASHEVILLE CITY SCHOOLS POOL COMMITTEE:				
Assets:				
Cash and cash equivalents	\$ 638,676	\$ 29,439	\$ 500	\$ 667,615
Liabilities:				
Due to other sources	\$ 638,676	\$ 29,439	\$ 500	\$ 667,615
EDUCATIONAL ACCESS CHANNEL CONSORTIUM:				
Assets:				
Cash and cash equivalents	\$ 230,332	\$ -	\$ 10,597	\$ 219,735
Liabilities:				
Due to other sources	\$ 230,332	\$ -	\$ 10,597	\$ 219,735
MEDICAL REIMBURSEMENT PLAN:				
Assets:				
Cash and cash equivalents	\$ 5,490	\$ 178,762	\$ 184,252	\$ -
Liabilities:				
Due to other sources	\$ 5,490	\$ 178,762	\$ 184,252	\$ -
TOTAL--AGENCY FUND:				
Assets:				
Cash and cash equivalents	\$ 1,609,359	\$ 290,156	\$ 255,351	\$ 1,644,164
Liabilities:				
Due to other sources	\$ 1,609,359	\$ 290,156	\$ 255,351	\$ 1,644,164

CAPITAL ASSETS

Asheville City Schools capitalizes all items costing \$5,000 or more that have a useful life in excess of one year. Items are recorded at cost or, if donated, at fair market value when donated.

ASHEVILLE CITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND SOURCE
June 30, 2007

BY FUNCTION	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Construction in Progress</u>	<u>Furniture, Equipment and Vehicles</u>	<u>Total</u>
Instructional:						
Elementary	\$ 781,326	\$ 1,097,256	\$ 26,754,000	\$ -	\$ 830,931	\$ 29,463,513
Middle	226,550	171,337	10,608,716	-	438,370	11,444,973
High	229,500	1,928,509	18,951,822	70,929	1,089,269	22,270,029
Special	40,200	127,009	1,746,051	-	130,191	2,043,451
Administrative:						
General	30,000	7,884	1,659,507	-	843,402	2,540,793
Transportation	-	-	-	-	1,825,740	1,825,740
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets by function	<u>\$ 1,307,576</u>	<u>\$ 3,331,995</u>	<u>\$ 59,720,096</u>	<u>\$ 70,929</u>	<u>\$ 5,157,903</u>	<u>\$ 69,588,499</u>
 BY SOURCE						
Capital Projects Fund	\$ 1,307,576	\$ 3,229,269	\$ 59,708,089	\$ 70,929	\$ 4,612,215	\$ 68,928,078
General Fund	-	87,304	12,007	-	231,714	331,025
Special Revenue Fund	-	15,422	-	-	206,085	221,507
Donations	-	-	-	-	107,889	107,889
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets by source	<u>\$ 1,307,576</u>	<u>\$ 3,331,995</u>	<u>\$ 59,720,096</u>	<u>\$ 70,929</u>	<u>\$ 5,157,903</u>	<u>\$ 69,588,499</u>

ASHEVILLE CITY SCHOOLS
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND SOURCE
For the Year Ended June 30, 2007

BY FUNCTION	Instructional				Administrative		Total
	Elementary	Middle	High	Special	General	Transportation	
Capital assets--July 1, 2006	\$ 28,642,137	\$ 11,296,183	\$ 21,611,317	\$ 2,023,526	\$ 2,488,178	\$ 1,848,766	\$ 67,910,107
Additions:							
Capital Projects Fund	821,376	157,793	634,925	19,925	70,075	28,521	1,732,615
General Fund	-	-	-	-	6,327	-	6,327
Total additions	<u>821,376</u>	<u>157,793</u>	<u>634,925</u>	<u>19,925</u>	<u>76,402</u>	<u>28,521</u>	<u>1,738,942</u>
Deletions and transfers	-	(9,003)	23,787	-	(23,787)	(51,547)	(60,550)
Capital assets--June 30, 2007	<u>\$ 29,463,513</u>	<u>\$ 11,444,973</u>	<u>\$ 22,270,029</u>	<u>\$ 2,043,451</u>	<u>\$ 2,540,793</u>	<u>\$ 1,825,740</u>	<u>\$ 69,588,499</u>
BY SOURCE	Land	Land Improvements	Buildings	Construction In Progress	Furniture, Equipment and Vehicles	Total	
Capital assets--July 1, 2006	\$ 1,307,576	\$ 2,607,587	\$ 47,000,397	\$ 12,212,538	\$ 4,782,009	\$ 67,910,107	
Additions:							
Capital Projects Fund	-	59,882	344,196	912,095	416,442	1,732,615	
General Fund	-	-	-	-	6,327	6,327	
Total additions	<u>-</u>	<u>59,882</u>	<u>344,196</u>	<u>912,095</u>	<u>422,769</u>	<u>1,738,942</u>	
Deletions and transfers	-	664,526	12,375,503	(13,053,704)	(46,875)	(60,550)	
Capital assets--June 30, 2007	<u>\$ 1,307,576</u>	<u>\$ 3,331,995</u>	<u>\$ 59,720,096</u>	<u>\$ 70,929</u>	<u>\$ 5,157,903</u>	<u>\$ 69,588,499</u>	



STATISTICAL SECTION

STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about Asheville City Schools' overall financial health. The schedules included in this section can be categorized as follows:

Financial Trends Schedules

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

Revenue Capacity Schedules

These schedules contain information to help the reader assess one of the government's most significant local revenue sources, the Asheville City Schools' supplemental city school tax.

Debt Capacity Schedules

No schedules for debt capacity are included since the Board's long-term obligations are limited to compensated absences to be paid from governmental and proprietary funds.

Demographic and Economic Information Schedules

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information Schedules

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

The schedule type or category is listed in the upper right-hand corner on each of the attached schedules. Unless otherwise noted, the information shown on the attached schedules was derived from the comprehensive annual financial reports for the relevant year. Asheville City Schools implemented GASB Statement No. 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

**ASHEVILLE CITY SCHOOLS
NET ASSETS BY COMPONENT
Last Five Fiscal Years
(accrual basis of accounting)**

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental activities					
Invested in capital assets	\$ 42,579,373	\$ 43,180,650	\$ 36,145,142	\$ 34,012,521	\$ 32,814,131
Restricted	262,136	302,351	231,236	243,775	274,267
Unrestricted	4,326,808	3,690,580	4,298,275	4,323,515	3,158,125
Total governmental activities net assets	<u>\$ 47,168,317</u>	<u>\$ 47,173,581</u>	<u>\$ 40,674,653</u>	<u>\$ 38,579,811</u>	<u>\$ 36,246,523</u>
Business-type activities					
Invested in capital assets	\$ 305,870	\$ 56,496	\$ 83,170	\$ 81,624	\$ 95,560
Unrestricted	(118,922)	20,275	162,616	256,026	286,422
Total business-type activities net assets	<u>\$ 186,948</u>	<u>\$ 76,771</u>	<u>\$ 245,786</u>	<u>\$ 337,650</u>	<u>\$ 381,982</u>
Government-wide					
Invested in capital assets	\$ 42,885,243	\$ 43,237,146	\$ 36,228,312	\$ 34,094,145	\$ 32,909,691
Restricted	262,136	302,351	231,236	243,775	274,267
Unrestricted	4,207,886	3,710,855	4,460,891	4,579,541	3,444,547
Total government-wide net assets	<u>\$ 47,355,265</u>	<u>\$ 47,250,352</u>	<u>\$ 40,920,439</u>	<u>\$ 38,917,461</u>	<u>\$ 36,628,505</u>

Note: Asheville City Schools began to report accrual information when it implemented GASB Statement 34 in 2003.

ASHEVILLE CITY SCHOOLS
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
Instructional programs	\$ 32,144,863	\$ 30,113,067	\$ 28,747,566	\$ 27,924,801	\$ 27,060,043
Support services	11,579,037	11,217,031	10,601,184	10,126,909	9,650,031
Unallocated depreciation expense	2,313,179	1,908,699	1,632,260	1,537,735	1,492,569
Other	624,887	603,596	555,921	529,272	393,149
Total governmental activities expenses	<u>46,661,966</u>	<u>43,842,393</u>	<u>41,536,931</u>	<u>40,118,717</u>	<u>38,595,792</u>
Business-type activities:					
Child nutrition	1,719,078	1,621,843	1,589,636	1,558,638	1,559,570
Total government-wide expenses	<u>48,381,044</u>	<u>45,464,236</u>	<u>43,126,567</u>	<u>41,677,355</u>	<u>40,155,362</u>
Program Revenues					
Governmental activities:					
Charges for services	1,443,047	1,395,058	1,400,493	1,449,022	1,360,763
Operating grants and contributions	25,468,050	24,621,723	23,449,502	23,121,865	22,622,287
Capital grants and contributions	5,588	23,345	16,779	20,718	65,908
Total governmental activities program revenues	<u>26,916,685</u>	<u>26,040,126</u>	<u>24,866,774</u>	<u>24,591,605</u>	<u>24,048,958</u>
Business-type activities:					
Charges for services	507,126	446,497	492,729	531,832	552,360
Operating grants and contributions	965,387	929,235	919,137	916,443	917,825
Total business-type activities program revenues	<u>1,472,513</u>	<u>1,375,732</u>	<u>1,411,866</u>	<u>1,448,275</u>	<u>1,470,185</u>
Total government-wide program revenues	<u>28,389,198</u>	<u>27,415,858</u>	<u>26,278,640</u>	<u>26,039,880</u>	<u>25,519,143</u>
Net (Expense)	<u><u>\$(19,991,846)</u></u>	<u><u>\$(18,048,378)</u></u>	<u><u>\$(16,847,927)</u></u>	<u><u>\$(15,637,475)</u></u>	<u><u>\$(14,636,219)</u></u>

Note: Asheville City Schools began to report accrual information when it implemented GASB Statement 34 in 2003.

ASHEVILLE CITY SCHOOLS
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
Net (Expense)					
Total government-wide net (expense)	<u>\$(19,991,846)</u>	<u>\$(18,048,378)</u>	<u>\$(16,847,927)</u>	<u>\$(15,637,475)</u>	<u>\$(14,636,219)</u>
General revenues and transfers:					
Governmental activities:					
State of North Carolina - restricted construction proceeds	-	450,000	213,738	1,361,964	232,800
Buncombe County - restricted construction proceeds	1,561,433	7,159,805	2,576,052	555,244	1,617,478
Buncombe County - unrestricted	6,834,500	6,432,698	6,210,175	6,027,697	5,754,619
Supplemental city school tax	7,402,672	6,677,152	6,441,256	6,351,447	6,235,382
Local option sales tax	3,125,067	2,848,259	2,554,471	2,614,357	2,009,599
Other revenues	1,171,268	793,963	848,660	1,012,357	1,042,384
Transfers (out)	(354,923)	(60,682)	(79,353)	(62,666)	(54,422)
Total governmental activities general revenues and transfers	<u>19,740,017</u>	<u>24,301,195</u>	<u>18,764,999</u>	<u>17,860,400</u>	<u>16,837,840</u>
Business-type activities:					
Other revenues	1,819	16,414	6,553	3,365	4,074
Transfers in	354,923	60,682	79,353	62,666	54,422
Total business-type activities general revenues and transfers	<u>356,742</u>	<u>77,096</u>	<u>85,906</u>	<u>66,031</u>	<u>58,496</u>
Total government-wide general revenues and transfers	<u>20,096,759</u>	<u>24,378,291</u>	<u>18,850,905</u>	<u>17,926,431</u>	<u>16,896,336</u>
Change in Net Assets	<u>\$ 104,913</u>	<u>\$ 6,329,913</u>	<u>\$ 2,002,978</u>	<u>\$ 2,288,956</u>	<u>\$ 2,260,117</u>

Notes: Asheville City Schools began to report accrual information when it implemented GASB Statement 34 in 2003.

**ASHEVILLE CITY SCHOOLS
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 630,740	\$ 599,109	\$ 612,234	\$ 524,201	\$ 399,131	\$ 188,591	\$ 265,821	\$ 223,812	\$ 276,510	\$ 270,073
Unreserved	4,162,286	4,269,660	4,563,270	4,564,282	3,342,002	2,682,279	2,462,370	2,581,664	2,662,549	2,459,667
Total general fund	\$ 4,793,026	\$ 4,868,769	\$ 5,175,504	\$ 5,088,483	\$ 3,741,133	\$ 2,870,870	\$ 2,728,191	\$ 2,805,476	\$ 2,939,059	\$ 2,729,740
All Other Governmental Funds										
Reserved	\$ 182,615	\$ 635,076	\$ 434,557	\$ 653,983	\$ 360,076	\$ 410,605	\$ 632,161	\$ 597,242	\$ 416,308	\$ 123,512
Unreserved, reported in:										
Capital projects fund	1,205,295	8,962	528,302	389,484	829,355	502,860	335,028	328,416	692,199	871,707
Special revenue funds	262,136	302,351	231,236	243,775	274,267	253,071	221,678	244,348	213,102	191,943
Total all other governmental funds	\$ 1,650,046	\$ 946,389	\$ 1,194,095	\$ 1,287,242	\$ 1,463,698	\$ 1,166,536	\$ 1,188,867	\$ 1,170,006	\$ 1,321,609	\$ 1,187,162

ASHEVILLE CITY SCHOOLS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues:										
State of North Carolina	\$ 20,987,659	\$ 20,654,243	\$ 19,360,866	\$ 20,302,734	\$ 19,043,498	\$ 20,104,313	\$ 20,970,020	\$ 20,506,522	\$ 18,997,967	\$ 18,041,616
U. S. Government	4,275,071	4,296,347	4,130,198	4,108,617	3,759,971	3,297,014	3,424,341	2,576,266	2,744,576	2,616,721
Local sources:										
Buncombe County - unrestricted	7,125,864	6,699,943	6,456,646	6,276,519	5,981,751	5,976,985	6,018,020	5,693,263	5,447,319	5,385,297
Buncombe County - restricted	1,561,433	7,159,805	2,576,052	555,244	1,617,478	1,810,580	1,981,665	1,577,607	97,101	558,301
Supplemental city school tax	7,402,672	6,677,152	6,441,256	6,351,447	6,235,382	5,049,320	5,017,189	4,947,268	4,829,515	4,027,933
Local option sales tax	3,125,067	2,848,259	2,554,471	2,614,357	2,009,599	1,946,115	2,030,467	1,905,834	1,691,757	1,592,231
Other local revenues	2,637,892	2,212,199	2,349,424	2,437,197	2,349,344	2,361,952	2,507,937	2,508,631	2,467,352	1,914,407
Total revenues	47,115,658	50,547,948	43,868,913	42,646,115	40,997,023	40,546,279	41,949,639	39,715,391	36,275,587	34,136,506
Expenditures:										
Instructional programs	31,764,836	30,193,557	28,740,482	27,905,800	26,903,434	26,946,062	28,266,185	26,780,651	25,094,502	22,975,044
Support services	11,559,015	10,942,004	10,353,467	9,627,553	9,120,717	9,091,328	9,184,766	8,871,207	8,348,179	8,385,379
Capital Outlay	2,076,174	9,226,526	4,076,464	3,291,559	2,755,271	3,932,869	3,990,434	3,828,347	2,058,224	1,838,733
Other	732,796	679,620	625,273	587,643	444,635	403,416	515,436	470,920	382,401	229,251
Total expenditures	46,132,821	51,041,707	43,795,686	41,412,555	39,224,057	40,373,675	41,956,821	39,951,125	35,883,306	33,428,407
Revenues over (under) expenditures	982,837	(493,759)	73,227	1,233,560	1,772,966	172,604	(7,182)	(235,734)	392,281	708,099
Other financing (uses)										
Transfers from other funds	274,199	250,559	251,073	264,840	248,663	237,011	235,938	232,494	247,000	200,771
Transfers to other funds	(629,122)	(311,241)	(330,426)	(327,506)	(303,085)	(289,267)	(287,180)	(281,946)	(295,515)	(247,229)
Total other financing (uses)	(354,923)	(60,682)	(79,353)	(62,666)	(54,422)	(52,256)	(51,242)	(49,452)	(48,515)	(46,458)
Extraordinary item	-	-	-	-	(692,567)	-	-	-	-	-
Net change in fund balances	\$ 627,914	\$ (554,441)	\$ (6,126)	\$ 1,170,894	\$ 1,025,977	\$ 120,348	\$ (58,424)	\$ (285,186)	\$ 343,766	\$ 661,641

Note: The extraordinary item recorded in fiscal year 2003 was the payment of a summary judgement ruled against Asheville City Schools.

**ASHEVILLE CITY SCHOOLS
ASSESSED VALUE OF TAXABLE PROPERTY
Supplemental City School Tax
Last Ten Fiscal Years
(in thousands)**

Fiscal Year	Actual Value - Asheville City School District				Direct Tax Rate
	Real Property	Personal Property	Public Service Companies	Total Taxable Value	
2007	\$ 4,370,104	\$ 486,341	\$ 88,824	\$ 4,945,269	\$ 0.15
2006	2,796,592	454,223	96,752	3,347,567	0.20
2005	2,691,470	418,201	97,959	3,207,630	0.20
2004	2,646,183	424,238	97,668	3,168,089	0.20
2003	2,628,502	435,069	88,802	3,152,373	0.20
2002	1,986,212	438,879	99,264	2,524,355	0.20
2001	1,952,940	451,312	97,305	2,501,557	0.20
2000	1,926,788	441,623	101,506	2,469,917	0.20
1999	1,900,253	408,255	100,416	2,408,924	0.20
1998	1,424,036	346,087	95,401	1,865,524	0.21

Source: Buncombe County Tax Department

Notes: Property is assessed at market value. Properties are reassessed every four years.
The tax rate is per \$100 of assessed value.

ASHEVILLE CITY SCHOOLS
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Direct	Overlapping Rates		Total Combined Rate
	Supplemental City School Tax	Buncombe County	City of Asheville	
2007	\$ 0.1500	\$ 0.5300	\$ 0.4238	\$ 1.1038
2006	0.2000	0.5900	0.5300	1.3200
2005	0.2000	0.5900	0.5300	1.3200
2004	0.2000	0.5900	0.5300	1.3200
2003	0.2000	0.5900	0.5300	1.3200
2002	0.2000	0.6300	0.5600	1.3900
2001	0.2000	0.6300	0.5600	1.3900
2000	0.2000	0.6300	0.5600	1.3900
1999	0.2000	0.6300	0.5200	1.3500
1998	0.2100	0.7300	0.5700	1.5100

Source: Buncombe County Tax Department.

Note: Rates are per \$100 of assessed valuation.

**ASHEVILLE CITY SCHOOLS
PRINCIPAL PROPERTY TAX PAYERS
Supplemental City School Tax
Year Ended June 30, 2007**

<u>Taxpayer</u>	<u>Business</u>	<u>Taxable Value (in thousands)</u>	<u>Percentage of Total Taxable Value</u>
Jack Tar/Grove Park Inn	Hotels/Convention Services	\$ 102,481	2.1%
Carolina Power & Light	Electric Utility	57,402	1.2%
HGA Development LLC	Real Estate/Commercial Office	22,289	0.5%
Nesbitt Asheville Venture LLC	Hotels/Convention Services	20,373	0.4%
BellSouth Telephone Co.	Communications	19,122	0.4%
Grove Park Inn	Hotels/Convention Services	16,485	0.3%
Campus Crest of Asheville LLC	Real Estate/Apartments	13,663	0.3%
Pack Square Investors LLC	Real Estate/Commercial Office	13,292	0.3%
Country Club of Asheville Inc.	Real Estate/Private Golf Club	13,236	0.3%
Tower Associates Inc.	Real Estate/Commercial Office	13,027	0.3%

Source: Buncombe County Tax Department.

Note: Comparable information for the fiscal period ended nine years prior to June 30, 2007 is not available.

**ASHEVILLE CITY SCHOOLS
PROPERTY TAX LEVIES AND COLLECTIONS
Supplemental City School Tax
Last Ten Fiscal Years
(in thousands)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Prior Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percentage of Current Collections to Levy</u>
2007	\$ 7,391	\$ 7,362	\$ 41	\$ 7,403	99.6%
2006	6,668	6,635	42	6,677	99.5%
2005	6,411	6,384	57	6,441	99.6%
2004	6,320	6,285	66	6,351	99.4%
2003	6,248	6,178	57	6,235	98.9%
2002	5,045	4,999	50	5,049	99.1%
2001	4,996	4,960	57	5,017	99.3%
2000	4,932	4,882	65	4,947	99.0%
1999	4,830	4,776	54	4,830	98.9%
1998	3,943	3,934	94	4,028	99.8%

Sources: Buncombe County Tax Department and District records.

Note: The total tax levy includes penalties assessed and releases or discoveries made after the original assessment of taxable value.

ASHEVILLE CITY SCHOOLS
Demographic and Economic Statistics for Buncombe County
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Estimated Population (in thousands)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Estimated Median Age</u>	<u>Unemployment Rate</u>
2007	Unavailable	Unavailable	Unavailable	Unavailable	4.0
2006	220	Unavailable	Unavailable	40	4.0
2005	218	\$ 6,585,970	\$ 30,158	40	4.6
2004	216	6,047,658	28,037	40	3.4
2003	215	5,681,883	26,672	39	4.0
2002	212	5,671,946	26,952	38	4.6
2001	206	5,629,127	27,020	39	2.6
2000	196	5,524,659	26,693	40	2.5
1999	195	5,235,973	25,624	39	2.1
1998	193	5,046,378	25,022	39	2.6

Sources: Buncombe County Finance Department.

Note: Information presented is not separately identifiable for Asheville City Schools.

**ASHEVILLE CITY SCHOOLS
PRINCIPAL EMPLOYERS
Year Ended June 30, 2007**

<u>Employer</u>	<u>Rank</u>	<u>Employees</u>
Mission Health & Hospitals	1	6,000
Buncombe County Government	2	1,700
The Grove Park Inn Resort & Spa	3	1,100
City of Asheville	4	1,000
University of North Carolina at Asheville	5	700
Asheville City Schools	6	675
Asheville-Buncombe Technical Community College	7	350
Asheville-Citizen Times	8	300
United States Postal Service - Asheville Facility	9	250
Wal-Mart Stores, Inc.	10	240

Source: Asheville Area Chamber of Commerce

Note: Comparable information for the fiscal period ended nine years prior to June 30, 2007 is not available.

**ASHEVILLE CITY SCHOOLS
NUMBER OF PERSONNEL
Last Ten Fiscal Years**



<u>Year Ended June 30:</u>	<u>Certified Personnel</u>	<u>Other Operating Personnel</u>	<u>Total</u>	<u>Average Daily Membership</u>	<u>Ratio of Pupils to Certified Personnel</u>
2007	417	258	675	3,730	8.9
2006	407	262	669	3,753	9.2
2005	405	268	673	3,789	9.4
2004	407	270	677	3,789	9.3
2003	397	271	668	3,864	9.7
2002	404	267	671	3,904	9.7
2001	406	274	680	3,937	9.7
2000	406	296	702	4,027	9.9
1999	412	306	718	4,212	10.2
1998	419	311	730	4,217	10.1

Source: Asheville City Schools Human Resources Department.

Note: Certified Personnel includes teachers, librarians, counselors, principals, assistant principals and certified personnel working in the Administrative Offices.

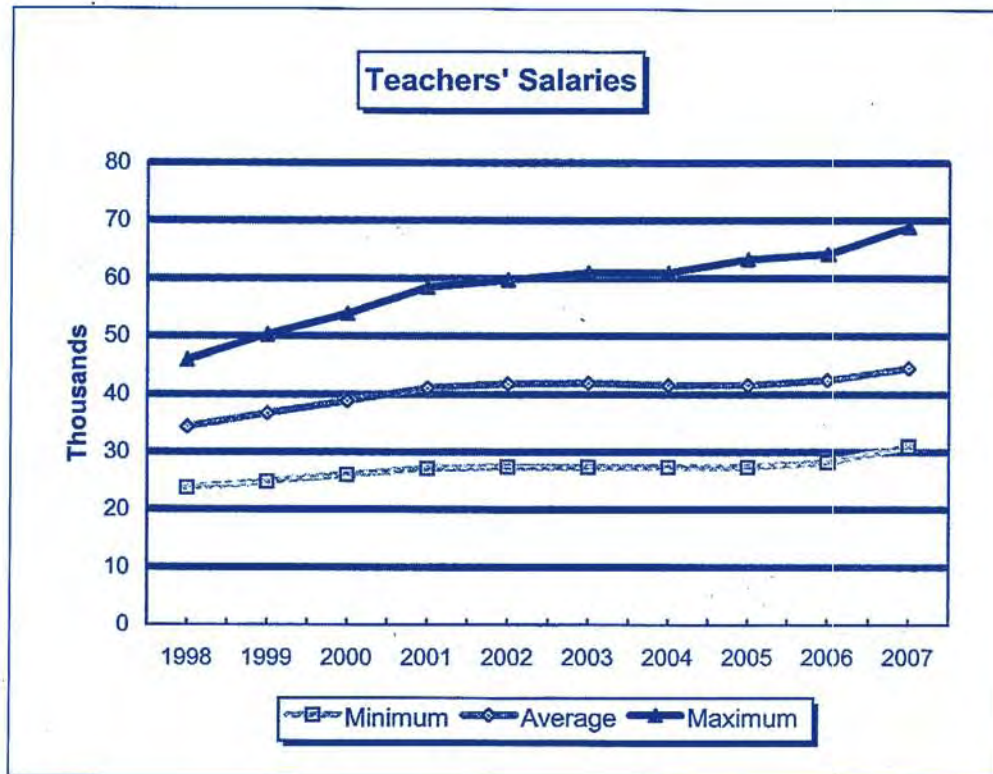
**ASHEVILLE CITY SCHOOLS
OPERATING STATISTICS
Last Ten Fiscal Years**

Fiscal Year	Average Daily Membership	Average Daily Attendance	Per Pupil Expenditure	North Carolina Per Pupil Expenditure Rank	Students Receiving Free or Reduced-Price Meals	Student Racial/Ethnic Composition		
						Black	White	Other
2007	3,730	3,546	\$ 11,506	Fourth	48.9%	42.4%	50.7%	6.9%
2006	3,753	3,543	10,856	Fourth	51.3%	43.5%	50.0%	6.5%
2005	3,789	3,560	10,210	Fourth	50.3%	43.7%	50.3%	6.0%
2004	3,789	3,579	10,102	Third	52.2%	45.7%	49.3%	5.0%
2003	3,864	3,665	9,273	Third	51.6%	45.0%	50.8%	4.2%
2002	3,904	3,703	9,229	Third	Unavailable	45.4%	50.4%	4.2%
2001	3,937	3,729	9,550	Third	Unavailable	44.7%	50.9%	4.4%
2000	4,027	3,808	8,859	Third	Unavailable	45.3%	51.3%	3.4%
1999	4,212	3,980	7,940	Third	Unavailable	44.8%	51.7%	3.5%
1998	4,217	3,978	7,529	Fourth	Unavailable	43.5%	53.4%	3.1%

Sources: Asheville City Schools Child Nutrition Department, Students Receiving Free or Reduced-Price Meals.
North Carolina Department of Public Instruction, all other information reported.

Notes: The amounts shown for per pupil expenditures represent the per pupil expenditures as computed and reported by the North Carolina Department of Public Instruction (NCDPI). NCDPI computes this statistic by dividing current expense expenditures by average daily membership. Consequently, capital expense expenditures and certain other expenditures (community services, Head Start, and inter/intra fund transfers) are excluded to improve the comparability of per pupil expenditures between fiscal years and between other North Carolina school districts. This computation is considered the official per pupil expenditure reported for Asheville City Schools.

**ASHEVILLE CITY SCHOOLS
TEACHERS' SALARIES
Last Ten Fiscal Years**



<u>Year Ended June 30:</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
2007	\$30,933	\$68,904	\$44,542
2006	28,248	64,219	42,465
2005	27,396	63,294	41,597
2004	27,396	60,942	41,601
2003	27,396	60,942	41,941
2002	27,396	59,718	41,831
2001	27,125	58,457	41,077
2000	25,974	53,859	38,871
1999	24,833	50,292	36,718
1998	23,811	45,954	34,356

Source: Asheville City Schools Business and Financial Services.

Note: The above table includes base pay from the state salary schedule and the systemwide local salary supplement.

**ASHEVILLE CITY SCHOOLS
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

<u>School</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Elementary										
Claxton										
Square feet	81,193	78,711	78,711	64,146	64,146	64,146	64,146	64,146	64,146	64,146
Capacity	480	480	480	432	432	432	432	432	432	432
First month membership	386	387	395	388	382	396	397	417	457	437
Dickson										
Square Feet	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926
Capacity	449	449	449	449	449	449	449	449	449	449
First month membership	388	413	416	361	355	351	338	321	332	311
Hall Fletcher										
Square Feet	88,205	88,205	88,205	88,205	88,205	88,205	88,205	88,205	88,205	88,205
Capacity	455	455	455	455	455	455	455	455	455	455
First month membership	292	286	290	271	281	269	265	299	298	308
Jones										
Square Feet	85,162	85,162	85,162	85,162	85,162	85,162	85,162	85,162	85,162	85,162
Capacity	450	450	450	450	450	450	450	450	450	450
First month membership	356	379	368	370	403	307	344	347	407	442
Randolph										
Square Feet	See	See	See	See	See	56,819	56,819	56,819	56,819	56,819
Capacity	Notes	Notes	Notes	Notes	Notes	384	384	384	384	384
First month membership	Below	Below	Below	Below	Below	139	148	171	195	207
Vance										
Square Feet	69,965	69,965	69,965	69,965	69,965	69,965	69,965	69,283	69,283	69,283
Capacity	422	422	422	422	422	422	422	422	422	422
First month membership	353	317	328	314	295	371	394	401	403	433

(continued)

<u>School</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Middle										
Asheville Middle										
Square Feet	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418
Capacity	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064
First month membership	648	654	677	745	813	788	783	766	862	845
Accelerated Learning Center										
Square Feet	See	See	See	See	See	58,387	58,387	58,387	58,387	58,387
Capacity	Notes	Notes	Notes	Notes	Notes	319	319	319	319	319
First month membership	Below	Below	Below	Below	Below	55	73	76	86	88
Randolph Learning Center										
Square Feet	56,819	56,819	56,819	56,819	56,819	See	See	See	See	See
Capacity	384	384	384	384	384	Notes	Notes	Notes	Notes	Notes
First month membership	132	176	172	169	110	Below	Below	Below	Below	Below
High										
Asheville High										
Square Feet	365,441	353,041	353,041	353,041	353,041	353,041	349,445	349,445	349,445	349,445
Capacity	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
First month membership	1,222	1,203	1,221	1,227	1,248	1,269	1,263	1,255	1,216	1,198

Sources: District records and North Carolina Department of Public Instruction, Insurance Section

Notes: Prior to fiscal year 2003, Jones and Randolph Elementary Schools were paired schools. Jones served students from kindergarten through third grade, and Randolph served students in fourth and fifth grades. Those schools were consolidated at the beginning of the 2002-2003 school year into one elementary school serving kindergarten through fifth grades at the Jones Elementary School site. At the same time, the Accelerated Learning Center was moved to the former Randolph Elementary School site and the school name was changed to the Randolph Learning Center.



The Asheville City School System does not discriminate on the basis of race, color, religion, sex, age, national origin, or disability in admission, access, treatment, or employment in its programs and activities.