BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
DECEMBER 16, 2009

1. **Call to Order and Roll Call:**

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 P.M., Wednesday, December 16, 2009. Vice Chairman Sobol presided with the following members present: Bissette, Bryson, Creighton, Haner, Kelly, Russell, Sobol, Stanley and VeHaun. Mr. Aceto, Ms. Bellamy and Mr. Metcalf were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Russell Coleman and Lee Conner with Cherry, Bekaert & Holland, Jim Struve with Hazen & Sawyer, Leah Karpen with the League of Women Voters, Stan Boyd, Ed Bradford, Scott Powell, John Kiviniemi, Jim Hemphill, Peter Weed, Angel Banks, Ken Stines, Mike Stamey, Julie Willingham and Sondra Honeycutt, MSD.

2. **Inquiry as to Conflict of Interest:**

Mr. Sobol asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. **Approval of Minutes of the November 18, 2009 Board Meeting:**

Mr. Kelly moved that the Minutes of the November 18, 2009 Board Meeting be approved as presented. Mr. Stanley seconded the motion. Voice vote in favor of the motion was unanimous.

4. **Discussion and Adjustment of Agenda:**

None

5. **Informal Discussion and Public Comment:**

Mr. Sobol welcomed Mr. Holland, Mr. Conner, Mr. Struve, and Ms. Karpen.

6. **Report of the General Manager:**

Mr. Hartye called on Mr. Russell Coleman with Cherry, Bekaert & Holland (CBH) for a report on the audit.

Mr. Coleman, thanked the Board on behalf of CBH for engaging their firm to perform the audit over the last five years, and expressed his appreciation to Scott Powell for his professionalism and commitment during the audit process.

Mr. Coleman reported that CBH issued an unqualified (clean) opinion on the District's financial statements for the fiscal year ending June 30, 2009. He stated that in addition to complying with the American Institute of AICPA's auditing standards, CBH must comply with government auditing standards issued by the Government Accountability Office of the United States. In addition, CBH is required to confirm they are independent with respect to the District and, must tell the District about its estimates in the financial statements. He explained that depreciation is the biggest estimate and is based on management's knowledge and experience about past and current events and assumptions about future events. The most sensitive estimate affecting the financial statements was Management's estimate of the allowance for doubtful accounts; based on an analysis of historical collection trends, current customer relations, credit sales levels, industry factors and current and anticipated economic conditions. It was suggested that an immaterial adjusting entry be made relating to depreciation of two capital assets that were not depreciated in the prior year. There were no other audit differences for which an adjustment was proposed but not made.

Mr. Coleman reported that during the year the District adopted GASB Statement No. 45, which affects the disclosure of other post-employment benefits and the related obligation. The estimate of the obligation is based on service costs, interest rates, inflation rates, etc. Mr. Coleman further reported that in the course of the audit, they have to determine the potential errors that exist in the financial statements and determine what controls management has in place to prevent errors from occurring, then make sure the controls are actually in place. As a result of this control work, there were no deficiencies in internal control and accordingly, no material weaknesses. In addition to GASB Statement No. 45, there are three (3) new pronouncements that will become effective in FY 2010: GASB Statement No. 49; accounting and financial reporting for pollution remediation obligations, which may not have an impact on the District. However, GASB Statement No. 51; accounting and financial reporting for intangible assets and GASB Statement No. 53; accounting and financial report for derivative instruments, could have an effect on the District. He stated that currently the District discloses the fair value of its interest rate swap, and going forward, the District will have to record an obligation on the fair value of the swaps.

Mr. Coleman reported that the District's total assets increased by $7,094,000. Current and other assets decreased by $3,400,000, due to cash being used for construction of plant facilities. Capital assets increased by $10,494,000. He further reported that total liabilities decreased by $2,943,000. Debt and other long-term liabilities decreased by $3,998,000 and other liabilities increased by $1,055,000. He stated that as a result of operations, net assets increased by $10,038,000. Investments in capital assets increased by $15,130,000; restricted new assets increased by $607,000, but unrestricted net assets decreased by $5,699,000.

Mr. Coleman reported that operating revenues decreased by $845,000 and operating expenses increased by $2,234,000, but $1,500,000 of this amount is due to depreciation expense, along with a $475,000 increase in personnel costs and $227,000 increase in outside contracts. He stated that non-operating revenues and expenses changed very little from 2008, but because interest rates are down, both interest expense and interest income decreased by $700,000.

Regarding the statement of cash flows, Mr. Coleman reported that operating income, plus an adjustment for depreciation, a non-cash expense, resulted in a positive cash flow of approximately $15,985,000. Capital plant additions and required debt service payments consumed $19,790,000 while investment earnings and net sales of investments provided $7,775,000. Cash increased by $3,970,000.

Mr. Russell questioned the increase in the depreciation expense. Mr. Coleman stated that depreciation will stay at the $8.5 million level for an extended period of time then slowly increase over the years.

Mr. Hartye called on Ed Bradford for a presentation regarding the proposed engineering study of the wastewater conveyance system for the Weaverville area.

Mr. Bradford presented a map showing the Reems Creek area and an aerial of the Reems Creek Basin; approximately 32 sq. miles and 20,500 acres. He reported that prior to the pump system; a treatment plant was located on Reems Creek (owned/operated by MSD). The pump system was constructed in the 1980's when the treatment plant was decommissioned and is comprised of two pump stations and over 4.2 miles (22,300 LF) of force main. He stated that pump station (PS) #1 pumps about 9,600 LF to PS #2, which them pumps 12,700 LF to the plant. He further stated that PS #1 lifts the wastewater 144 feet to PS #2, which is then lifted 100 ft to the plant. Mr. Bradford reported that the current system has been of increasing concern to staff due to a combination of factors including the age of the system, the routing and configuration of the pumps and force main, and future growth that will occur upstream in the basin. He stated that staff seeks a formal, planned approach in order to prioritize and budget for long-term capital improvements to the system. The study will include thorough evaluation of the current system then evaluate several options, including the possible elimination of PS #2. Mr. Bradford presented slides of both pump stations and degradation of the force main.

Mr. Bradford reported that staff advertised a Request for Qualifications (RFQ) in August, 2009 with several firms responding. The MSD Selection Committee reviewed and considered each firm's capabilities and experience, then short-listed three firms for on-site interviews. After a thorough evaluation, the Committee chose Hazen & Sawyer, who is a large firm and has recent experience with similar pump system evaluations. Mr. Haner asked if consideration will be given to pumping leachate from the new landfill to the pump station. Mr. Bradford said no. Mr. Sobol asked if the leachate is tested for heavy metals before being dumped at the plant. Mr. Kiviniemi stated that the leachate is tested, but no substantial amounts of metal have been found.

Mr. Hartye continued with his report. He stated that the next regular meeting of the Board will be held January 20th at 2PM and the next Right of Way Committee meeting will be held January 27th at 9AM.

Mr. Hartye announced that the Christmas lunch for employees will be held December 17th at 11:30 AM in the atrium.

7. Report of Committees:

Planning Committee:

Mr. Bissette reported that the Planning Committee met December 9, 2009 to consider a proposed agreement with Avery Creek Sanitary District (ACSD), which provides for a transfer of approximately 45,000 L.F. of sewer and one pump station to the District. The transfer requires approval by the Local Government Commission and Bond Counsel. In exchange, the District would receive $670,000 of the ACSD fund balance to be used in the ACSD as the District sees fit. He stated that the agreement was put together by the District's Attorney and Bob Long, Attorney for ACSD. The Planning Committee recommends the Board adopt a resolution making the findings necessary under the North Carolina General Statutes and the District's Bond Order to acquire the Avery Creek Sewer System and authorizing the Chairman and General Manager to proceed with the acquisition, subject to approval of the acquisition by the Local Government Commission and bond counsel and, to ACSD acquiring a pump station and the collector sewer system for the Ashley Woods subdivision. Mr. Hartye stated that the Ashley Wood subdivision lines have not been deeded over to ACSD, and should be before the system is conveyed to the District. Mr. Bissette moved that the Board adopt the recommendation of the Planning Committee. Mr. Creighton seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

Mr. Bissette reported that a discussion was held regarding un-sewered areas within the City of Asheville (Rock Hill Road and other areas). He stated that staff put together some information regarding areas that were annexed by the City, but sewer service was never provided; primarily because of the cost ($40,000 to $250,000) per residence. Mayor Bellamy has asked the Board to look into this again to see if there is a way MSD can partner with the City to run sewer to those areas should they become a public health problem. He explained that during Consolidation, MSD agreed to complete some annexation sewers, but none going forward. He further stated that it was requested that staff review the information and that it be brought to the Board at its retreat next year.

In other business, the Committee discussed a new agreement with the Cane Creek Water & Sewer District (CCW&SD) for treatment service only. Mr. Bissette reported that the current agreement is for the treatment of 1.35 MGD of wastewater, of which CCW&SD is only using .75 MGD. As a result of land use planning, CCW&SD has identified long term future needs at about 3.0 MGD, which would require a change to the current agreement. Mr. Hartye stated that staff is speaking with CCW&SD and looking at the impact 3.0 MGD would have on the MSD system and trying to assess what type of agreement would be best going forward and will bring this information back to the Planning Committee.

With regard to un-sewered areas, Mr. Russell stated that he was not aware of Mayor Bellamy's request and asked if there is a problem. Mr. Hartye stated that some time back there was a septic tank failure in the Rock Hill Road area, which was annexed by the city in the 80's, but the resident was not provided sewer service. At the request of the City, MSD got involved and made some estimates of what would be required. Because of the cost to provide sewer service, it was recommended that the resident's on-site system be repaired, which was done, but this issue triggered the question of how many other areas were in the same situation. As a result, City staff identified those areas and came up with estimates of what would be required to provide sewer. He further stated that the idea of a special assessment was discussed as well as participation in the MSD. Mr. Russell asked if the City is required to provide sewer service when an area is annexed. Mr. Clarke said yes. Mr. Haner asked if the City extends and annexes and no sewer is available, does it have an obligation to repair a septic tank on private property. Mr. Clarke stated that some of the areas were annexed before there was a requirement to provide sewer service. Mr. Hartye stated that this should be considered along with other problems MSD has with private sewers that come up as a result of public health issues.

Finance Committee:

Mr. Kelly reported that the Finance Committee met today and adopted staff's recommendation to continue the auditing relationship with Cherry, Bekaert & Holland, LLP in the amount of $47,710.00 for FY 2010. Mr. Stanley seconded the recommendation of the Finance Committee. Roll call vote was as follows: 9 Ayes; 0 Nays.

8. Consolidated Motion Agenda:

a. Consideration of Dingle Creek Interceptor @ Crowfields Phase 1:

Mr. Hartye reported that this project is for the replacement of a portion of an existing interceptor line serving the Dingle Creek Basin in South Asheville. He stated that Phase 1 is a cooperative effort with the City of Asheville. The City will receive ARRA stimulus funding to install stormwater improvements in this area, but the sewer must be relocated first. The following bids were received on December 1, 2009: Patton Construction Group, with a total bid of $146,600.00; Appalachian Environmental Services with a total bid of $135,042.00; T&K Utilities with a total bid of $130,291.00; Terry Brothers Construction Co. with a total bid of $123,617.00; Carolina Specialties with a total bid of $119,797.39; Spur Construction Company LLC with a total bid of $111,284.07; Bryant Land & Development Co. with a total bid of $103,026.11; Buckeye Construction Co. with a total bid of $96,757.65 and Huntley Construction Co. with a total bid of $85,869.00. Staff recommends award of this contract to Huntley Construction Company, Inc. in the amount of $85,869.00, subject to review and approval by District Counsel.

b. Consideration of US 70 @ Neil Price Avenue Phase 1 and 11B:

Mr. Hartye reported that the project is for the replacement of an existing sewer line near the Ingles Warehouse in Black Mountain. Due to site constraints, the new sewer line must be located at/under the location of the new sidewalk. Therefore staff proposes to accelerate the project so that the new sidewalk will not have to be removed and replaced later. The following bids were received on December 1, 2009: Appalachian Environmental, with a total bid of $418,519.00; Patton Construction Group with a total bid of $346,300.00; Spur Construction with a total bid of $343,769.20; Carolina Specialties Construction with a total bid of $325,235.00; Terry Brothers Construction with a total bid of $311,976.00; T&K Utilities with a total bid of $308,244.00; Huntley Construction Co. with a total bid of $248,741.00 and Buckeye Construction Co. with a total bid of $247,382.70. Staff recommends award of the contract to Buckeye Construction Co., Inc. in the amount of $247,382.70, subject to review and approval by District Counsel. Mr. Sobol asked when construction will begin. Mr. Bradford said January. Mr. Sobol suggested the MSD work with the Town of Black Mountain in sharing the cost of replacing dirt, grass, etc. following construction.

c. Consideration of Weaverville Pumping System Study:

Mr. Hartye reported that the Weaverville Pump System was constructed in the 1980's, when MSD decommissioned the Reems Creek treatment plant. The system serves the Reems Creek basin, which includes the Town of Weaverville and is comprised of two separate pump stations and approximately 22,300LF of force main. He stated that some minor studies have been performed over time, and certain recommendations implemented; however, staff now seeks a formal plan, which determines and prioritizes long-term capital upgrades to the system. Request for Qualifications (RFQ's) was advertised in August, 2009 with the following firms submitting: Black & Veatch; CDM; Hazen & Sawyer; Jordan, Jones & Goulding; McGill Associates; Stearns & Wheler and Willis Engineering. Mr. Hartye further reported that the MSD Selection Committee carefully reviewed and considered each firm's capabilities and experience. Following an interview with three of the firms, staff recommends award of this contract to Hazen & Sawyer, PC in the amount of $117,035.00, subject to review and approval by District Counsel. Mr. Hartye stated that the study will begin in January 2010, with the final report being provided in August, 2010.

d. Consideration of Developer Constructed Sewer Systems: Buchanan Road; Holiday Inn and Woodfin Manor:

Mr. Hartye reported that staff recommends acceptance of the developer constructed sewer systems and that all MSD requirements have been met.

e. Presentation of Audit & CAFR – Fiscal Year Ended June 30, 2009:

Presented as part of Report of the General Manager.

f. Cash Commitment/Investment Report – Month Ended October, 31, 2009:

Presented as information only.

Mr. Bissette moved that the Board approve the consolidated motion agenda as presented. Mr. Kelly seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

9. Old Business:

Mr. Clarke reported that negotiations with Norfolk Southern (NS) are still on-going, but progress has been made. He requested the Board's authority to negotiate an agreement with NS with the following principal components: For existing crossings, MSD would pay a one-time occupation fee of $5,000 for pipe casings (under the tracks) of more than 28" in diameter, and where the casing is 28" or less in diameter, MSD would pay $2,500. The license agreement would have a provision that would allow NS, upon the opinion of its chief engineer that if the MSD line interfered with its railway operation it could require MSD to relocate the line, but would have to let MSD cross in another place at no cost to the MSD. There would also be a license agreement for developers; where private development is constructing a sewer line that on occasion crosses NS's new crossing. Another case is the developer enters into a license agreement with NS for the construction period, and then NS would enter into an agreement with MSD when construction is complete and the sewer system is transferred to the MSD. MSD would not pay a fee for its license agreement; the developer would pay a reasonable fee. He further reported that there are other issues about charging un-reasonable fees for flagging railroad traffic during construction. He stated that the other issue that needs negotiation is where MSD parallels the line in NS's right of way, but does not cross. He further stated that there is one active project (US 70 @ Neil Price Avenue) that MSD needs access to and based on the Board's previous approval, he will proceed with filing condemnation on this project. Mr. Stanley moved that the Board approve the authority to negotiate an agreement with NS. Mr. Kelly asked what happens if a developer gets a license agreement to go under the tracks then turns it over to the MSD and MSD accepts it and NS says they are revoking the license agreement. Mr. Clarke stated that the memorandum of agreement says, the developer gets a license agreement, but when the developer assigns to the MSD, MSD will get a new license agreement which includes that language where if NS makes MSD relocate the line, NS has to give MSD another place to cross at no cost. Mr. Kelly asked what would happen if MSD and NS cannot agree on a new location. Mr. Clarke stated that the license agreement says they shall allow MSD to cross at another location. Mr. Kelly asked if MSD gives NS the sole authority to decide where the new location will be. Mr. Clarke said no. He further stated that MSD can condemn all of these, but does not feel this is the way to go. Mr. Russell seconded Mr. Stanley's motion. Mr. Haner asked if the Board should take a position on behalf of developers that a set fee be included in the agreement that could not be exceeded. Mr. Clarke stated that this is a policy decision and the language being proposed is a developer would pay a reasonable fee required by the railroad, but to date, MSD has not attempted to talk to the developers. Mr. Kelly stated that he will vote against this since the Right of Way Committee should consider this again. Mr. Russell withdrew his second to the motion. No action was taken.

10. New Business:

None

11. Adjournment:

With no further business, Mr. Sobol called for adjournment at 3PM.

Jackie W. Bryson, Secretary/Treasurer

MSD
Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 12/16/09

✓	Agenda Item	Presenter	Time	
	Call to Order and Roll Call	Aceto	2:00	
	01. Inquiry as to Conflict of Interest	Aceto	2:02	
	02. Approval of Minutes of the November 18, 2009 Board Meeting.	Aceto	2:05	
	03. Discussion and Adjustment of Agenda	Aceto	2:10	
	04. Informal Discussion and Public Comment	Aceto	2:15	
	05. Report of General Manager	Hartye	2:20	
	06. Report of Committees: a. Planning Committee – 12/9/09 – Bissette b. Finance Committee – 12/16/09 – Kelly	Aceto	2:35	
	07. Consolidated Motion Agenda			
	a. Consideration of Bids for Dingle Creek @ Crowfields Phase 1.	Hartye	2:50	
	b. Consideration of Bids for US70@ Neil Price Avenue Phase 1 and 11B.	Hartye		
	c. Consideration of Weaverville Pumping System Study.	Hartye		
	d. Consideration of Developer Constructed Sewer Systems: Buchanan Road; Holiday Inn – Tunnel Road and Woodfin Manor.	Hartye		
	e. Presentation of FY08-09 Comprehensive Annual Financial Report.	Hartye		
	f. Cash Commitment/Investment Report – Month Ended October 31, 2009.	Hartye		
	08. Old Business:	Aceto	3:15	
	09. New Business:	Aceto	3:25	
	10. Adjournment (Next Meeting 1/20/10)	Aceto	3:35	

APPROVAL OF MINUTES

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
NOVEMBER 18, 2009

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 P.M., Wednesday, November 18, 2009. Vice Chairman Sobol presided with the following members present: Bissette, Bryson, Creighton, Haner, Kelly, Russell, Stanley and VeHaun. Mr. Aceto, Ms. Bellamy and Mr. Metcalf were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Gary Jackson, Asheville City Manager, Joseph Martin, with Woodfin Sanitary Water & Sewer District, Leah Karpen with the League of Women Voters, Patti Beaver with CIBO, Stan Boyd, Ed Bradford, Scott Powell, John Kiviniemi, Barry Cook, Jim Hemphill, Peter Weed, Angel Banks, Julie Willingham, Ken Stines, Pam Thomas and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

Mr. Sobol asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. Approval of Minutes of the October 21, 2009 Board Meeting:

Mr. Bissette moved that the Minutes of the October 21, 2009 Board Meeting be approved as presented. Mr. Stanley seconded the motion. Voice vote in favor of the motion was unanimous.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Sobol welcomed Mr. Martin, Mr. Jackson, Ms. Beaver and Ms. Karpen.

6. Report of the General Manager:

Mr. Hartye presented a letter from Stanford and Jan Clontz for the rehab work that was performed on and about their property by System Services Personnel. He expressed his thanks to Ben Reeves, Roy Lytle, Shane Meadows, Eric Gillis, Eric Dawson and Chris Johnson.

Mr. Hartye presented a map of the Avery Creek Sanitary District (ACSD). He reported that the yellow area, adjacent to I-26 and across from the Long Shoals Road intersection, is about 9,100 acres. He presented a system map of the area. He stated that the green lines (approximately 90,000 feet) are owned and operated by MSD along with four (4) pump stations. The lines in red are the (ACSD) lines, (approximately 45,000 LF). Mr. Hartye called on Mr. Clarke for a report.

Mr. Clarke reported that the (ACSD) was established in 1972 under Chapter 130A of the North Carolina General Statutes, and is not a part of MSD. He stated that (ACSD) has its own governing board elected by registered voters resident in that District. He further reported that Avery Creek built, with the help of developers, approximately 45,000 LF of lines and discharged waste to MSD. He stated that in the late 90's, MSD had an agreement with Avery Creek to treat wastewater generated in Avery creek, however, the agreement expired, and currently there is no written agreement in place, but MSD does treat Avery Creek's waste. He further stated that Avery Creek has no employees, no equipment, and contracts with Buncombe County for maintenance. He explained that Avery Creek charges a tap/connection fee for new connections, but no sewer use charge. Buncombe County does the books for Avery Creek which has a fund balance of approximately $670,000 and no indebtedness.

Mr. Clarke reported that over the years there have been discussions of making Avery Creek Part of the MSD. He explained that the procedure to dissolve sanitary districts is cumbersome, requiring a petition signed by 51% of landowners, and there was also a question of representation on the MSD Board. He stated that there was one amendment to the MSD Statutes that addresses this; if an unincorporated area comes into the District, that area is deemed to be represented by Buncombe County representatives. Mr. Clarke further stated that in discussions with Mr. Bob Long, the Attorney for Avery's Creek, he indicated that Avery Creek needs to remain a legal entity to deal with other issues.

Mr. Clarke reported that Avery Creek proposes to transfer ownership of its sewer lines to MSD and in turn, MSD would own and operate the sewers in Avery Creek, and the fund balance of $670,000 would go to MSD, with MSD committing to spend those funds in the Avery Creek District. He stated that Avery Creek is not interested in continuing to own and operate this sewer system, and a proposal will be brought to the Planning Committee in December. Mr. Kelly asked what the financial impact will be to MSD if it takes over this system. Mr. Hartye stated that since there is only 45,000 LF of line in this area, and the lines are in good shape, MSD will commit to use the fund balance in this area as needed. Mr. Kelly asked if Avery Creek is taxed to come up with the money that makes up a portion of the fund balance. Mr. Clarke said no. Mr. Hartye stated that (ACSD) do not add on to MSD's user charges, but to its facility fees. The proposal will allow for better control, coordination, and more preventative maintenance. The initial amount will be spent on cleaning, TV inspection of the entire system, and pipe rating. Mr. Clarke stated that MSD will assume the obligation to operate, maintain and repair the system. Mr. Hartye stated that a Planning Committee Meeting will be held December 9th to go over the proposal in detail and brought back to the Board at its December meeting.

Mr. Hartye called on Mr. Hemphill for an update on personnel activities and programs. Mr. Hemphill reported that the Human Resources Department, with input from the Employee Advisory Committee, (EAC) has been working on several activities this year, with a focus on health and wellness. He stated that in May a "Know Your Numbers" campaign was initiated with 54% of employees participating. Based on information from MSD's third party administrator, about 50% of MSD employees had no interaction with a doctor from a wellness standpoint, and no physical of any type. Although physicals are covered at 100%, the EAC wanted to give employees an incentive to get a physical and recommend a $100 reduction in their insurance premium if they did so. If an employee chooses not to participate, a $100 increase per pay period will be added to their premium beginning January, 2011. He further stated that because some employees do not have a regular doctor, 90 employees and spouses have signed up to have a physical through North Greenville Fitness; provided by MSD.

Regarding tobacco cessation, Mr. Hemphill reported that one-third of MSD employees use tobacco in various forms. He stated that as MSD moves toward a smoke-free campus, MSD wants to encourage these employees with opportunities to get better. Therefore, the current cessation plan has been changed from $150 per employee per year for medicine, gum, patches, etc. to $2,000 per year. MSD has partnered with Memorial Mission to provide 12 counseling sessions for each employee who signs up. However, if employees sign up for the sessions and do not go, they are committed to pay MSD back for the counseling time.

Mr. Hemphill reported that in the past MSD's Wellness Committee has won a bronze award for "A Well Workplace", but would like to do better. He stated that the Committee has put together a Health Fair scheduled for November 19th. The fair will be held at the Woodfin Community Center and will include several vendors, flu shots, etc. The Wellness Committee has also been very involved in MSD's exercise program, and because the IT Department needed the addition space, the exercise room was relocated to a 2,000 square foot space above Fleet Maintenance for employees to use at their convenience. Ms. Karpen asked if the Wellness Program is budgeted by MSD. Mr. Hemphill stated that some of the funds are budgeted, and MSD receives grants from the NC League of Municipalities. Mr. Hemphill presented a video produced by the Wellness Committee to encourage employees to participate. Mr. Hemphill introduced Pam Thomas, who is the Wellness Coordinator/Chairman and is responsible for putting the video together.

Mr. Hartye presented a list of accomplishments for FY 2009 and touched on a few of the accomplishments from each division as follows: MSD was awarded the "Excellence in Management Award" from NACWA; the Finance Division received the GFOA "Excellence in Financial Reporting" award for the CAFR for FY ending June 30, 2008; issued $17.2 million in reimbursement Revenue bonds and issued $13.4 million of refunding Revenue bonds with a $1 million present value savings. The CIP Division administered a CIP budget of $17,206,866 with in-house personnel; actively managed 115 projects within the program; rehabilitated 45,643 LF of collection system; completed the Dry Weather Flow Monitoring Project and completed the rehabilitation of the Reems Creek Interceptor. The Environmental, Health and Safety Division reported zero (0) OSHA violations and continued to maintain a low worker compensation claim activity for the calendar year. The IT and MIS Divisions, implemented encrypted wireless connection for MSD trucks, TV Vans, Plant and Maintenance employees to update maps, email, etc.; implemented new Exchange/Edge email servers; implemented web-based email interface for all MSD employees and a District-wide upgrade to Serenic Navigator 5.0. The System Services Division achieved an average response time over a 180 square mile area in less than 30 minutes to customer service requests during regular hours; achieved an average response time of 37 minutes to after hour calls; cleaned 893,079 LF of pipeline with in-house crews; mechanically removed or chemically treated for roots 164,464 LF of pipeline; completed 528 emergency and scheduled construction repairs; rehabilitated 6,539 LF of pipeline and 8,180 LF of pipeline with in-house crews; reduced SSO's from a total of 41 in last fiscal year to 23 this fiscal year, however there were four (4) large SSO's last week due to Hurricane Ida. The Wastewater Treatment Division had successful WRF, pump station, IW, Nutri-Lime and Air Quality Permit Inspections; received a "Peak Performance Award" from NACWA for the 9th consecutive year; started the replacement of intermediate hydraulic pumps, and completed replacement of the venturi scrubber system at the incinerator. The Human Resources Division has expanded "Housecalls" from Three Streams to a weekly event in addition to the accomplishments reported by Mr. Hemphill. The Planning and Development Division is slow due to the economy, but have seen a fair amount of linear feet of systems transferred and completing of projects.

Mr. Hartye reported that the Right of Way Committee meeting scheduled for November 25th is cancelled and the next meeting is scheduled for January 27, 2010. The next regular Board meeting will be held December 16th at 2PM.

7. Consolidated Motion Agenda:

a. Consideration of acceptance of Developer Constructed Sewer Systems: 96 Midland Drive, Biltmore Park Town Square Phase II-Section 4, and Rockwood Apartments, LLC-Phase I projects.

Mr. Hartye reported that staff recommends acceptance of the developer constructed sewer systems and abandonment of a portion of existing sewer systems for 96 Midland Drive and Biltmore Park Town Square. Also, acceptance of developer constructed sewer system for Rockwood Apartments. All MSD requirements have been met.

b. First Quarter Budget to Actual Review:

Mr. Powell reported that on page two, the domestic user fees are showing signs of being below projections, which reflect a decrease in consumption due to a wet summer and continuing recessionary pressures on commercial customers. He stated that historically, the District at this point in time, would be at 27% of budget, but is at 24% of budget. The 3% variance should have an impact on the District's current year budget in the range of $6 to 7 hundred thousand dollars. With regard to Facility Fees, the District has already met its budget expectations. As of the end of the first quarter, the District achieved $432,710 worth of revenue. Mr. Powell explained that historically, these numbers were budgeted conservatively going into this fiscal year, not knowing how the numbers would be impacted by the recession. At this time last year, revenue, as it pertains to facility and tap fees, was at $1.2 million which shows development has dropped off this last fiscal year. Mr. Powell further reported that Interest and Rental Income reflects expected earnings, and all expenditures for O&M, Debt, and Capital Projects are within reason, taking into consideration associated encumbrances. Mr. Hartye stated that the reason Capital Projects is low is that staff is waiting to see where the trend is going with incoming revenues the next quarter before "pulling the trigger) on the $10 million Micro Screen project.

c. First Quarter City of Asheville Billing Report:

Mr. Powell reported that 80% of MSD's domestic sewer revenues are billed by the City of Asheville (COA). At the end of each quarter COA staff prepares a summary of billing and collection data as seen on page 2 of the report. He stated that net billings are down 2.3%, which translates to a 6% decrease in overall consumption. Cash receipts are down 4.9%, which is attributed to the decrease in net billings as well as a timing of one particular cash receipt that normally comes in July 1st, but came in June instead. He further reported that the Aging Percentages do not currently indicate any problems with collections, but staff is always looking at this information and is touch with staff at the COA to make certain these percentages are within reason, since a negative trend would have a cash flow affect to the District. Mr. Haner asked Mr. Powell to address the Bad Debt Write-off of $34,572. Mr. Powell stated that this happened at the end of the fourth quarter. He explained that at the end of every year, the COA writes off uncollectible accounts. However, the COA as well as the MSD and other municipalities, participate in NC Debt Set-Off, which means these funds can be captured from those individuals that were not willing to pay their bills from their NC State tax returns in addition to participating with collection agencies.

d. Cash Commitment/Investment Report – Month Ended September 30, 2009:

Mr. Powell reported that page two illustrates the make-up of the District's investment portfolio on a historical and current perspective. He noted that the portfolio itself does not change dramatically in its make-up as it pertains to State Statute 159-30, which gives the District the ability to invest in governmental agencies, municipal bonds, commercial papers, certificates of deposit, NCCMT (money market), and bank CD's re-purchase agreements. He stated that the District participates in bank CD's, NCCMT and owns two agencies, and as of September, the District has $32 million in its portfolio. He further stated that MSD issued debt at the beginning of October and next month, the report will show approximately $18 million coming on the books from that issue. Mr. Powell reported that page 3 is the Investment Managers Report, and as of September, the weighted average maturity of the portfolio was 87 days with a yield to maturity of 1.78%. Page 4 is the District's

Analysis of Cash Receipts. On a monthly prospective, cash receipts are considered reasonable based on historical trends. Year to date budget to actual reflects a wet summer and recessionary pressures on domestic revenues, and Facility & Tap fees are high. Mr. Powell reported that page 5 is an analysis of the District's monthly and YTD expenditures. He stated that all expenditures are considered reasonable based on historic trends. Page six illustrates the performance of the District's variable rate debt. He stated that since the time of the refunding, the District has saved in debt service payments, $743,343 on the 2008A Series debt, and $1,026,060 on the 2008B Series debt.

Mr. Kelly suggested setting up a meeting of the Finance Committee to discuss the pros and cons of staying with the District's current accounting firm as opposed to going out for RFP's. He further suggested the meeting be held at 12:30 p.m., prior to the regular meeting of the Board on December 16th.

Mr. Jackson reported that the City of Asheville has seen a very high response in payment from customers, with less spending in other areas and expects to see this trend continue. With regard to storm water fees, which are billed independently, the City is expecting to move this fee over to the water and sewer bill in order to cut down on billing costs. Mr. Haner asked if the fee will be billed annually. Mr. Jackson said no, that it will be a pro-rata fee. Mr. Hartye asked if the City is considering a monthly billing. Mr. Jackson stated that he has not heard of any move toward changing the billing cycle. With no further discussion, Mr. Sobol called for a motion to approve the Consolidated Motion Agenda as presented. Mr. Kelly moved. Mr. VeHaun seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

8. Old Business:

None

9. New Business:

None

10. Adjournment:

With no further business, Mr. Sobol called for adjournment at 2:50 P.M.

____
Jackie W. Bryson, Secretry/Treasurer

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board

FROM: Thomas E. Hartye, P.E., General Manager

DATE: December 10, 2009

SUBJECT: Report from the General Manager

- Fiscal Year 2009 annual Audit

  In the sleeve of your board book is a copy of the Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2009. A representative from the auditing firm of Cherry, Bekaert & Holland will be present to present their independent audit.

- Weaverville Pump Station(s) Engineering Study

  Ed Bradford will give a short presentation regarding the proposed engineering study of the wastewater conveyance system for the Weaverville area. This system includes 2 pump stations and 4 miles of force main which replaced the small treatment plant located on Reems Creek.

- Board/Committee Meetings

  A Finance Committee will be held December 16^{th} at 12:30 before the December Regular Board Meeting. The next Regular Board Meeting will be held January 20^{th} at 2pm. The next Right of Way Committee meeting will be held on January 27^{th} at 9am.

- Seasons Greetings

  There will be some Christmas treats for the Board between the Finance Committee and the Regular Board Meeting on December 16^{th}.

  The Christmas lunch for the employees will be held December 17^{th} at 11:30am in the atrium.

CONSOLIDATED MOTION AGENDA

Metropolitan Sewerage District of Buncombe County
BOARD ACTION ITEM

BOARD MEETING DATE: **December 16, 2009**

SUBMITTED BY: Tom Hartye, P.E. - General Manager

PREPARED BY: Ed Bradford, P.E. - Director of CIP
Roger Watson, P.E. - Project Manager

SUBJECT: Dingle Creek Interceptor @ Crowfields Phase 1 - MSD Project No. 2004036

BACKGROUND: This project is for the replacement of a portion of an existing interceptor line serving the Dingle Creek Basin in South Asheville. It is an old 15-inch vitrified clay line, with poor joints and cracked/broken pipes. Phase I consists of replacing the existing line with 820 L.F. of 20" Ductile Iron Pipe.

Phase I is a cooperative effort with the City of Asheville. The City will receive ARRA stimulus funding to install stormwater improvements in this area, but the sewer must be relocated first. Due to the City's accelerated schedule, MSD staff propose to perform the relocation portion ahead of current schedule.

Construction is anticipated to begin in early January 2010 and be completed within 90 days. This should be within the City's time frame for their stimulus project. Phase II is proposed to be constructed in FY11 as part of the $2.2 million, 7,200 LF Dingle Creek interceptor rehabilitation project.

The project was advertised and nine bids were received on December 1, 2009 in the following amounts:

Bidder	Bid
1. Patton Construction Group, Asheville, NC	$146,600.00
2. Appalachian Environmental Services, Webster, NC	$135,042.00
3. T & K Utilities, Asheville, NC	$130,291.00
4. Terry Brothers Construction Company, Leicester, NC	$123,617.00
5. Carolina Specialties, Hendersonville, NC	$119,797.39
6. Spur Construction Company, LLC , Waynesville, NC	$111,284.07
7. Bryant Land & Development Company, Asheville, NC	$103,026.11
8. Buckeye Construction Company, Canton, NC	$ 96,757.65
9. Huntley Construction Company, Asheville, NC	$ 85,869.00

The apparent low bidder is Huntley Construction Company. Huntley has completed several previous MSD rehabilitation projects, and their work quality was excellent.

Please refer to the attached documentation for further details.

FISCAL IMPACT: Construction of this project was not scheduled this fiscal year; however, sufficient funds are available within the CIP to fund this amount.

STAFF RECOMMENDATION: Staff recommends award of this contract to Huntley Construction Company, Inc. in the amount of $85,869.00, subject to review and approval by District Counsel.

Metropolitan Sewerage District of Buncombe County

DINGLE CREEK INTERCEPTOR @ CROWFIELDS PHASE I
PROJECT NO. 2004036

BID TABULATION
December 1, 2009

BIDDER	MBE Form	Bid Forms (Proposal)	Total Bid Amount
Patton Construction Group Asheville, NC	1	Yes	$146,600.00
Appalachian Environmental Services Sylva, NC	None	Yes	(*) $135,042.00
T & K Utilities, Inc. Asheville, NC	1	Yes	$130,291.00
Terry Brothers Construction Company Leicester, NC	2	Yes	$123,617.00
Carolina Specialties Construction Hendersonville, NC	2	Yes	$119,797.39
Spur Construction Company Waynesville, NC	1	Yes	$111,284.07
Bryant's Land & Development Burnsville, NC	2	Yes	$103,026.11
Buckeye Construction Company Canton, NC	1	Yes	$96,757.65
Huntley Construction Company Asheville, NC	2	Yes	**$85,869.00**

APPARENT LOW BIDDER

(*) Indicates correction in Contractor's bid amounts.

NORTH CAROLINA PROFESSIONAL SEAL 5035 ENGINEER FRED ROGER WATSON

12-02-09

F. Roger Watson, P.E.
Project Engineer
Metropolitan Sewerage District of
Buncombe County, North Carolina

This is to certify that the bids tabulated herein were publicly opened and read aloud at 2:00 p.m. on the 1st day of December, 2009, in the W.H. Mull Building at the Metropolitan Sewerage District of Buncombe County, Asheville, North Carolina. This was an informal bid and did not require a bid bond.

Interoffice Memorandum

TO: Tom Hartye, General Manager

FROM: Ed Bradford, CIP Manager
Roger Watson, Project Manager

DATE: December 2, 2009

RE: **Dingle Creek @ Crowfields Interceptor Phase 1 - MSD Project No. 2004036**

This project is for the replacement of a portion of an existing sanitary sewer interceptor line serving the Dingle Creek Basin in south Asheville. This line is an old vitrified clay line with very poor joints and broken pipes. During normal flows, the line barely meets design flow requirements; however, during inclement weather, infiltration of ground water makes this line flow at or above full flow capacity and overflows can occur.

In 2002/2003 MSD began making plans to replace various sections of this system and in January 2004 MSD entered into a contract with McGill & Associates for the design of the rehabilitation of the section of this system across the Crowfields and Ramble Community Assoc. properties. During this design process, MSD was made aware of the City of Asheville's desire to construct a wetlands/storm water retention system in the vicinity of our sewer mains and began working with McGill, the City of Asheville and the property owner to secure an easement which would allow MSD to move the sewer line outside the area where the City wanted to put their storm drainage system. Plans were completed and easements were secured; and construction was proposed to begin in July 2010.

The City applied for and received a Federal Stimulus grant for their storm water project. This grant requires the construction of the storm water facilities prior to July 2010. Since MSD had originally not budgeted to do this work until after July 2010, the line had not been moved and is still in the area where the City is to build their storm water project. MSD has agreed to secure bids and begin construction of that portion of the Dingle Creek @ Crowfields project that was in conflict with the City's project and the City of Asheville has agreed to reimburse MSD for the extra cost created by expediting this project (approximately $9,500.00).

This project will consist of replacing the existing 15" VCP sewer main with 820 L.F. of 20" Ductile Iron Pipe and make a temporary tie-in between the old and new line. Construction is anticipated to begin in early January 2010 and be completed within 90 days. This should be within the City's time frame for their stimulus project.

Bids were received at 2:00 PM on Tuesday, December 1, 2009 from nine bidders, and the results of those bids are shown below:

	Bidder	Bid
1.	Patton Construction Group, Asheville, NC	$146,600.00
2.	Appalachian Environmental Services, Webster, NC	$135,042.00
3.	T & K Utilities, Asheville, NC	$130,291.00
4.	Terry Brothers Construction Company, Leicester, NC	$123,617.00
5.	Carolina Specialties, Hendersonville, NC	$119,797.39
6.	Spur Construction Company, LLC , Waynesville, NC	$111,284.07
7.	Bryant Land & Development Company, Asheville, NC	$103,026.11
8.	Buckeye Construction Company, Canton, NC	$ 96,757.65
9.	Huntley Construction Company, Asheville, NC	$ 85,869.00

Huntley Construction Company of Asheville, NC is the apparent low bidder on this project with a bid of $85,869.00. Huntley is an established local contractor, who has completed several previous MSD rehabilitation projects. Their work quality was excellent on those projects.

Staff recommends that this project be awarded to Huntley Construction Company of Asheville, NC for the amount of $85,869.00, subject to review and approval by MSD Legal counsel.

Dingle Creek at Crowfields
Project No. 2004036

NOT TO SCALE

METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

Budget Map

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

CAPITAL IMPROVEMENT PROGRAM

BUDGET DATA SHEET - FY 2009 - 2010

				REVIEWED BY:
PROJECT:	Dingle Creek at Crowfields	LOCATION:	Asheville	
TYPE:	Interceptor	DATE OF REPORT:	January-09	EB
PROJECT NO.	2004036	TOTAL L.F.:	2,317	RW
PROJECT BUDGET:	$620,865.00	PROJECT ORIGIN:	SSO's, Work Orders, Line Condition	AB

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 6/30/08	TOTAL COSTS JULY - DEC 08	EST. COST JAN - JUNE 09	EST. BUDGET FY 09-10
01 - SURVEY / EASEMENT PLATS # PLATS: [2]	$18,500.00	$18,265.00			
02 - LEGAL FEES	$9,034.00	$9,034.00			
03 - ENGINEERING ASSISTANCE	$2,181.00	$1,431.00			
04 - ACQUISITION SERVICES					
05 - COMPENSATION	$27,400.00	$27,400.00			
06 - APPRAISAL	$2,750.00	$2,750.00			
07 - CONDEMNATION					
08 - ENVIRONMENTAL SURVEY					
09 - PRELIM. ENG. REP.					
10 - DESIGN / ASBUILT SURVEYS	$35,000.00	$32,390.00			
11 - ENVIRONMENTAL ASSESSMENT					
12 - ARCHAEOLOGICAL					
13 - GEOTECHNICAL					
14 - CONSTRUCTION CONTRACT ADM.					
15 - CONSTRUCTION	$524,000.00				
16 - PERMITS	$1,000.00				$1,000.00
17 - PUBLIC MEETINGS					
18 - TESTING	$1,000.00				
TOTAL AMOUNT	$620,865.00	$91,260.00	$0.00	$0.00	$1,000.00

		ESTIMATED BUDGETS - FY '10 -'19	
ENGINEER:	McGill Associates		
CONTRACTOR:		FY 10-11	$525,000.00
CONSTRUCTION ADMINISTRATION:	MSD	FY 11-12	$7,500.00
INSPECTION:	MSD	FY 12-13	$0.00
R.O.W. ACQUISITION:	MSD	FY 13-14	$0.00
		FY 14-15	$0.00
PROJECT NOTES:		FY 15-16	$0.00
		FY 16-17	$0.00
		FY 17-18	$0.00
		FY 18-19	$0.00

Metropolitan Sewerage District of Buncombe County
BOARD ACTION ITEM

BOARD MEETING DATE: December 16, 2009

SUBMITTED BY: Tom Hartye, P.E. - General Manager

PREPARED BY: Ed Bradford, P.E. - Director of CIP
Mike Stamey, P.E. - Project Manager

SUBJECT: US 70 @ Neil Price Avenue Phase I and II B, MSD Project 2005098

BACKGROUND: This project is for the replacement of an existing sewer line near the Ingles Warehouse in Black Mountain. The existing vitrified clay line has suffered repeated overflows, back ups, and other failures associated with aged pipe segments. The work will include installation of approximately 2,559 LF of 8 -12 inch DIP.

This project is currently scheduled for construction in FY11-12. It is important to note that this project is proposed to be constructed early as a cooperative effort with the Town of Black Mountain. The Town/NCDOT will receive ARRA stimulus funding to install a new sidewalk in this area.

Due to site constraints, the new sewer line must be located at/under the location of the new sidewalk. Staff therefore propose to accelerate the rehabilitation project so that the new sidewalk will not have to be removed and replaced later.

It is important to note that this footage was, and is still, within the current five-year permit window; therefore, the five year permit footage requirement is unaffected. Given the current bidding climate, the accelerated timing has the potential to save money as opposed to constructing the project at a later date.

The project was advertised, and eight bids were received on December 1, 2009 in the following amounts:

Contractor	Bid
1. Appalachian Environmental	$418,519.00
2. Patton Construction Group	$346,300.00
3. Spur Construction	$343,769.20
4. Carolina Specialties Construction	$325,235.09
5. Terry Brothers Construction Company	$311,976.00
6. T & K Utilities	$308,244.00
7. Huntley Construction Company	$248,741.00
8. Buckeye Construction Company	**$247,382.70**

The apparent low bidder is Buckeye Construction Company. Buckeye has completed numerous MSD rehabilitation projects, and their work quality has been excellent.

Please refer to the attached documentation for further details.

FISCAL IMPACT: Construction of this project was originally scheduled for FY11-12; however, sufficient funds are available within the CIP to fund this amount.

STAFF RECOMMENDATION: Staff recommends award of this contract to Buckeye Construction Co., Inc. in the amount of $247,382.70, subject to review and approval by District Counsel.

Metropolitan Sewerage District of Buncombe County

U.S. HIGHWAY 70 @ NEIL PRICE AVENUE, PHASES I & II B
PROJECT NO. 2005098

BID TABULATION
December 1, 2009

BIDDER	Bid Bond	MBE Form	Bid Forms (Proposal)	Total Bid Amount
Appalachian Environmental Services Sylva, NC	(**)	2	Yes	(*) $418,519.00
Patton Construction Group Asheville, NC	5%	1	Yes	$346,300.00
Spur Construction Company Waynesville, NC	5%	1	Yes	$343,769.20
Carolina Specialties Hendersonville, NC	5%	1	Yes	$325,235.09
Terry Brothers Construction Company Leicester, NC	5%	1	Yes	$311,976.00
T & K Utilities Asheville, NC	5%	1	Yes	$308,244.00
Huntley Construction Company Asheville, NC	5%	1	Yes	$248,741.00
Buckeye Construction Company Canton, NC	5%	1	Yes	**$247,382.70**

APPARENT LOW BIDDER

(*) Indicates correction in Contractor's bid amounts.
(**) Bid rejected because of invalid bid bond.

NORTH CAROLINA PROFESSIONAL SEAL 30425 ENGINEER MICHAEL W. STAMEY

12/2/09

Michael W. Stamey, P.E.
Project Engineer
Metropolitan Sewerage District of
Buncombe County, North Carolina

This is to certify that the bids tabulated herein were publicly opened and read aloud at 2:30 p.m. on the 1st day of December, 2009, in the W.H. Mull Building at the Metropolitan Sewerage District of Buncombe County, Asheville, North Carolina, and that said bids were accompanied by acceptable bidders bonds in the amount of 5% of the bid.

Interoffice Memorandum

TO: Tom Hartye, General Manager

FROM: Ed Bradford, CIP Manager
Mike Stamey, Project Engineer

DATE: December 1, 2009

RE: US 70 @ Neil Price Avenue Phase I and II B
MSD Project 2005098

This project is for the replacement of the existing sewer lines near US 70 and Neil Price Avenue, adjacent to the Ingles Warehouse in Black Mountain. The existing sewer lines in this area have been problematic for many years with repeated overflows, back ups, and other failures associated with the aged pipe segments. The work will include installation of approximately 1,218 LF of 8-inch DIP and 1,341 LF of 12-inch DIP.

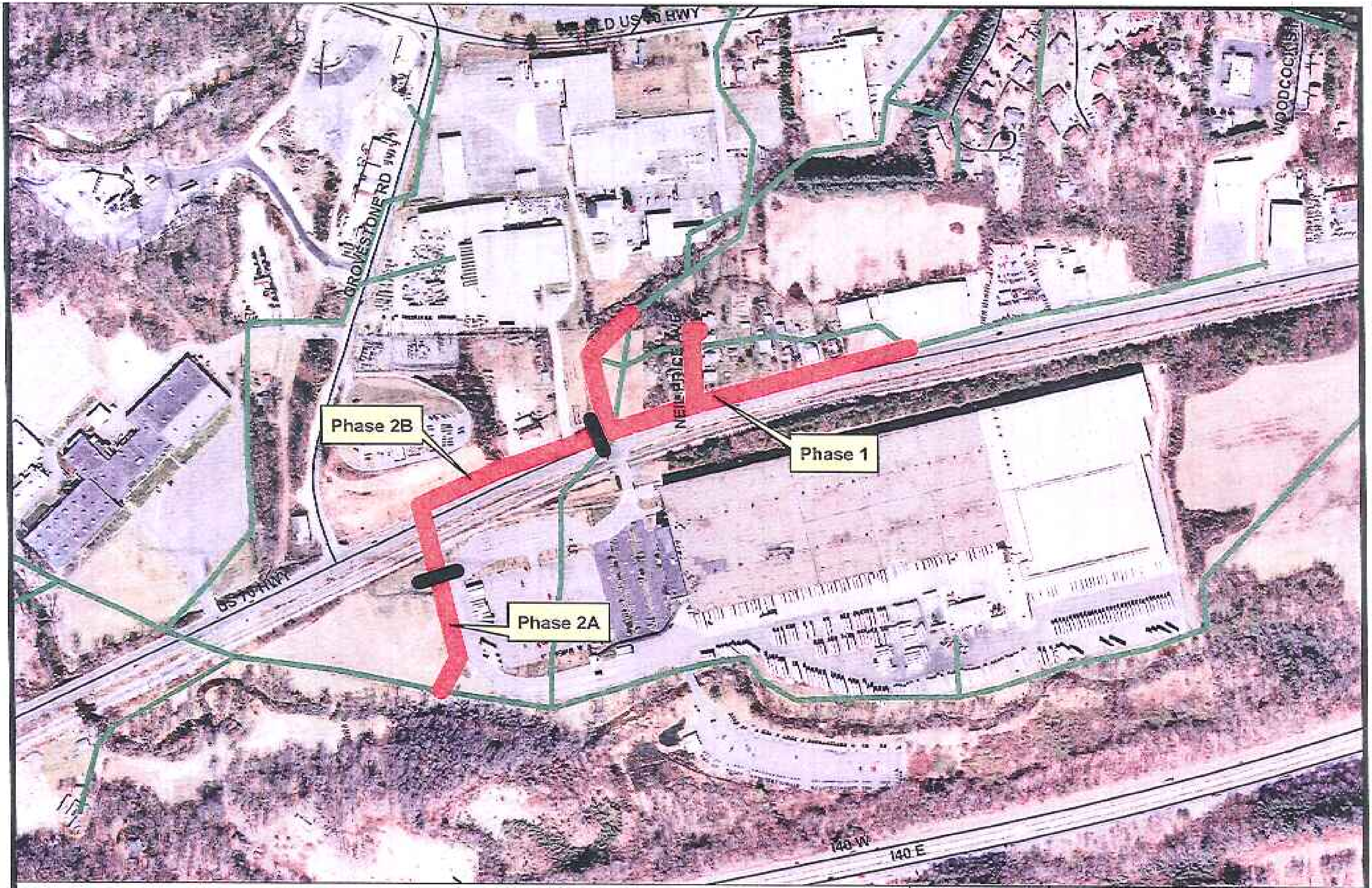
Eight bids were received on Tuesday, December 1, 2009 at 2:30 PM as follows:

Contractor	Bid
1. Appalachian Environmental	$418,519.00
2. Patton Construction Group	$346,300.00
3. Spur Construction	$343,769.20
4. Carolina Specialties Construction	$325,235.09
5. Terry Brothers Construction Company	$311,976.00
6. T & K Utilities	$308,244.00
7. Huntley Construction Company	$248,741.00
8. Buckeye Construction Company	**$247,382.70**

Buckeye Construction Company is the apparent low bidder for this contract, with a bid amount of $247,382.70. Buckeye Construction Company has extensive experience with District rehabilitation projects and has an excellent performance history. The engineer's estimate for this project was $518,000, based on FY 08/09 bid prices.

Specific funds for construction of this project are not included in the FY09/10 CIP budget. Construction however, needs to occur as soon as possible to facilitate an ARRA Stimulus funded sidewalk project by the Town of Black Mountain, which must be completed by the summer of 2010. Due to site constraints, the new sewer line must be located at/under the location of the new sidewalk.

Staff recommends award of this contract to Buckeye Construction Company., contingent upon review and approval by District Counsel.



US 70 at Neil Price Avenue
Project No. 2005098

NOT TO SCALE

METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

Budget Map

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

CAPITAL IMPROVEMENT PROGRAM

BUDGET DATA SHEET - FY 2009 - 2010

				REVIEWED BY:
PROJECT:	U.S. 70 at Neil Price Ave.	LOCATION:	Swannanoa	
TYPE:	General Sewer Rehabilitation	DATE OF REPORT:	January-09	EB
PROJECT NO.	2005088	TOTAL L.F.:	2,967	MS
PROJECT BUDGET:	$692,450.00	PROJECT ORIGIN:	SS Request	AB

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 6/30/08	TOTAL COSTS JULY - DEC 08	EST. COST JAN - JUNE 09	EST. BUDGET FY 09-10
01 - SURVEY / EASEMENT PLATS #PLATS: [12]	$8,650.00	$6,550.00	$2,100.00		
02 - LEGAL FEES	$8,400.00	$5,491.00	$2,404.00		$3,000.00
03 - ENGINEERING ASSISTANCE					
04 - ACQUISITION SERVICES (Ph. 1)	$6,500.00	$6,446.00			
05 - COMPENSATION	$43,500.00	$13,428.00		$10,000.00	$20,000.00
06 - APPRAISAL	$4,300.00			$2,500.00	$1,800.00
07 - CONDEMNATION	$5,500.00			$500.00	$1,000.00
08 - ENVIRONMENTAL SURVEY					
09 - PRELIM. ENG. REP.					
10 - DESIGN / ASBUILT SURVEYS	$13,600.00	$11,150.00			
11 - ENVIRONMENTAL ASSESSMENT					
12 - ARCHAEOLOGICAL					
13 - GEOTECHNICAL					
14 - CONSTRUCTION CONTRACT ADM.					
15 - CONSTRUCTION	$599,000.00		$54,418.00		
16 - PERMITS					
17 - PUBLIC MEETINGS					
18 - TESTING	$3,000.00		$370.00		
TOTAL AMOUNT	$692,450.00	$43,065.00	$59,251.00	$13,000.00	$25,800.00

		ESTIMATED BUDGETS - FY '10 -'19	
ENGINEER:	MSD	FY 10-11	$1,000.00
CONTRACTOR:		FY 11-12	$652,821.00
CONSTRUCTION ADMINISTRATION:	MSD	FY 12-13	$0.00
INSPECTION:	MSD	FY 13-14	$0.00
R.O.W. ACQUISITION:	Telics - Ph. 1; MSD Ph. 2	FY 14-15	$0.00
PROJECT NOTES:	Ph. 1 Construction cost estimate $281,000 (1682 L.F.)	FY 15-16	$0.00
	Ph. 2, Section A Construction complete $54,418 (370 L.F.)	FY 16-17	$0.00
	Ph. 2, Section B Construction cost estimate $283,000 (915 L.F.)	FY 17-18	$0.00
		FY 18-19	$0.00

Metropolitan Sewerage District of Buncombe County
BOARD ACTION ITEM

BOARD MEETING DATE: **December 16, 2009**

SUBMITTED BY: Tom Hartye, P.E. - General Manager

PREPARED BY: Ed Bradford, P.E. - Director of CIP
Mike Stamey, P.E. - Project Manager

SUBJECT: Weaverville Pumping System Study, MSD Project No 2008186

BACKGROUND: The Weaverville pump system was constructed in the 1980's, when MSD decommissioned the Reems Creek treatment plant. The system serves the Reems Creek basin, which also includes the Town of Weaverville. It is comprised of two separate pump stations and approximately 22,300 LF (4.2 miles) of forcemain.

This system has been of increasing concern to staff. This is due to a combination of factors which include the age of the system, the routing and configuration of the pumps and forcemain, and the future growth that will occur upstream in the basin.

Some minor studies have been performed over time, and certain recommendations implemented; however, staff now seek a formal plan which determines and prioritizes long-term capital upgrades to this system.

Staff advertised a Request for Qualifications (RFQ) in August 2009. Seven firms submitted qualifications for this project:

1) Black & Veatch
2) CDM
3) Hazen & Sawyer
4) Jordan, Jones & Goulding
5) McGill Associates
6) Stearns & Wheler
7) Willis Engineers

The MSD Selection Committee carefully reviewed and considered each firm's capabilities and experience then short-listed three firms for on-site interviews. Interviews were then conducted with CDM, Hazen & Sawyer, and McGill Associates. After a thorough evaluation of the information provided in the interviews, the selection committee chose Hazen & Sawyer as the most qualified candidate for this study.

After receiving initial pricing, staff negotiated with Hazen & Sawyer and the resulting total fee is $117,035.00. Staff propose to begin the study in January 2010, with the final report being provided in August of 2010.

Please refer to the attached documentation for further details. Staff will give a brief presentation at the board meeting.

FISCAL IMPACT: The FY09-10 budget for this project is $100,000.00. Sufficient funds are available in the CIP budget for the overage.

STAFF RECOMMENDATION: Staff recommends award of this contract to Hazen & Sawyer, PC. in the amount of $117,035.00, subject to review and approval by District Counsel.

Weaverville Pumping System Study

Hazen and Sawyer Scope of Services November 2009

1) **Evaluation of the existing system.** This task shall consist of evaluating the existing system (pumps and force-main). Included in this task will be collecting pump data, reviewing previous pump studies, summarizing current and future sub-basin flows, performing pumping/piping system hydraulic analysis, determining H_2S "hot spots," inspecting ARV's, evaluating flow monitoring for the pump and force main system, developing appropriate schematics, and all other items necessary for a thorough review.

2) **Continue to utilize the existing system configuration.** This task shall evaluate the continued use of the existing system configuration with appropriate upgrades to the two pump stations and force-mains system. Including in this task will be pumping/piping system hydraulic analysis for larger pumps, evaluation of existing facilities to access upgrade feasibility, detailed estimate for potential construction cost, developing appropriate schematics, and all other items necessary for a thorough review.

3) **Elimination of Weaverville No. 2 / Upsize of Weaverville No. 1.** This task will evaluate the feasibility of eliminating Weaverville No.2 by utilizing larger main pumps at Weaverville No.1. Included in this task will be a force main route assessment, pumping/piping system hydraulic analysis for larger pumps at Weaverville No. 1, evaluation of Weaverville No. 1 to accommodate increase in capacity, evaluation of head conditions for proposed manifold pump stations, detailed estimate for proposed construction cost, developing appropriate schematics, and all other items necessary for a thorough review.

4) **Construction of Flow EQ tanks at the Weaverville #1 Site.** This task will evaluate the storage of raw wastewater in order to downsize pump stations, equalize flow, and/or provide storage for temporary system maintenance. Included in this task will be hydraulic modeling to determine flow EQ volume, pump/piping system hydraulic analysis for flow EQ transfer pumps, evaluation of existing facilities to accommodate new flow EQ facilities, developing appropriate schematics, and all other items necessary for a cursory review of this alternative.

5) **Bentley SewerGems hydraulic model for Pumping/piping System.** This task shall consist of developing a hydraulic model for the proposed pumping system. Included in the task shall be construction and populating of the model, developing wet weather hydrograph based on flow data, performing model simulations, and all other items necessary to provide a functioning and useable hydraulic model to MSD

6) **Meeting Attendance.** This task shall consist of appropriate communications and meetings necessary to facilitate a successful pumping system study. Included in this task will be a project kick off meeting with MSD staff, appropriate review and update meetings with MSD staff at key points throughout the study process, a training meeting with MSD staff for use of the hydraulic model, and draft/final report meetings with MSD staff and Board as appropriate.

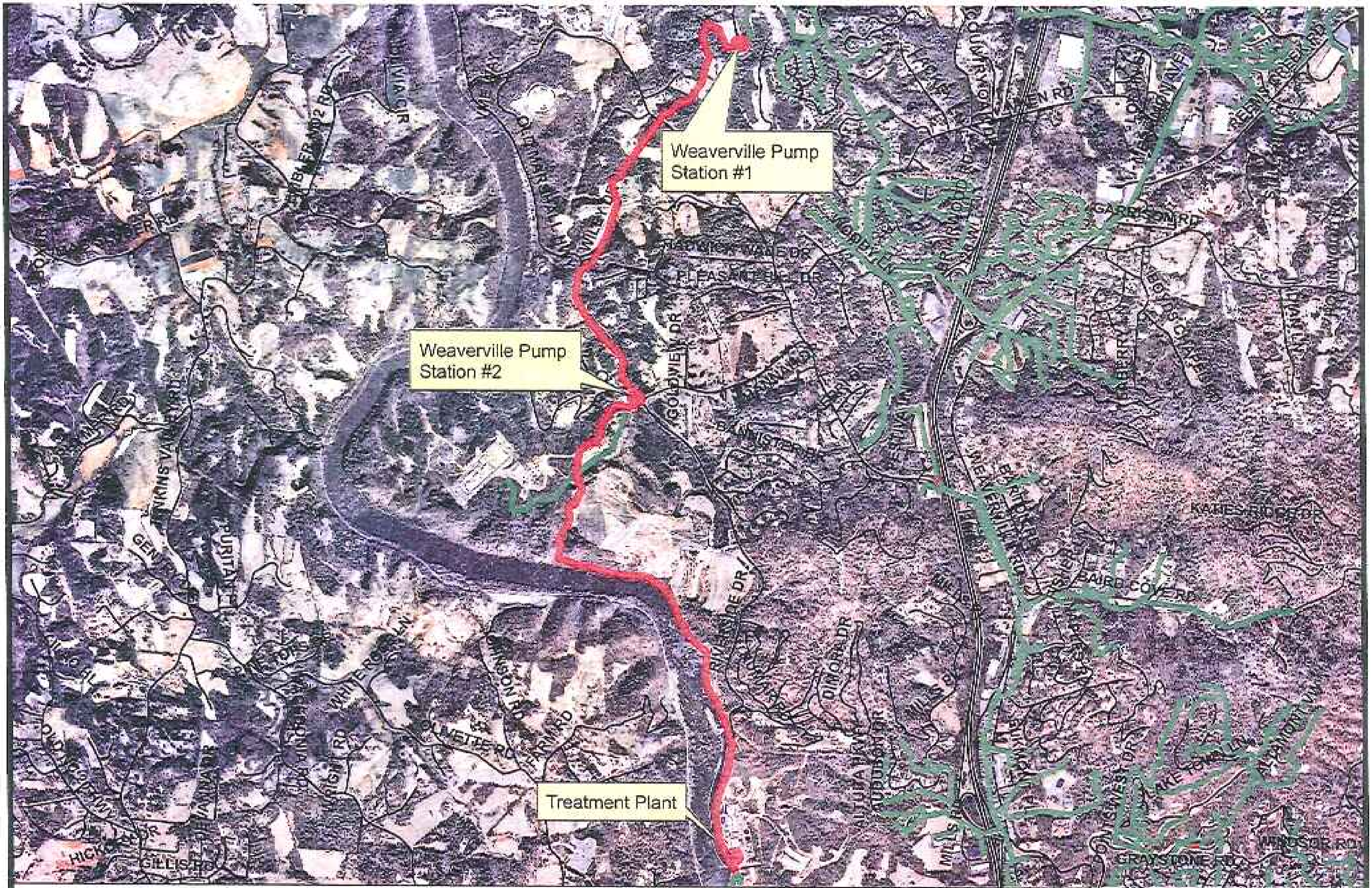
7) **Prepare Report.** This task shall consist of the final report preparation. Included in this task will be the draft report, QA/QC, and finalization of the report with input from MSD.

The final report shall specifically include the following: detailed recommendations and scheduling for future improvements and upgrades to the System, engineering and construction cost estimates for each alternative reviewed , and O&M costs for each alternative based a twenty-year period. All costs shall either be annualized or converted to present-value, such that the true and full cost of each alternative can be directly compared against the others.

Five (5) hard copies of the draft report shall be provided to MSD staff, at least 30 days before the presentation. MSD will then provide final comments, which shall be incorporated into the final report. Ten (10) hard copies of the final report and a complete PDF will then be provided to MSD.

8) **Contingency Allowance**. This task is provided to address any additional items as determined by MSD that could surface as the study progresses. This task and the associated fee shall only be utilized if approved by MSD.

This document does not address the potential Bentley SewerGems model for the existing MSD gravity sewer system upstream of the Weaverville No. 1 Pump Station. That task will be addressed separately from this contract.



N
W E
S

Weaverville Pumping System Study
Project No. 2008186

NOT TO SCALE

METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

Budget Map

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

CAPITAL IMPROVEMENT PROGRAM

BUDGET DATA SHEET - FY 2009 - 2010

				REVIEWED BY:
PROJECT:	Weaverville Pumping System Study	LOCATION:	MSD-WRF	
TYPE:	WRF	DATE OF REPORT:	January-09	EB
PROJECT NO.	2008166	TOTAL L.F.:		JK
PROJECT BUDGET:	$100,000.00	PROJECT ORIGIN:	Aging pump system	

DESCRIPTION	ESTIMATED PROJECT COST	TOTAL EXPENDS THRU 6/30/08	TOTAL COSTS JULY - DEC 08	EST. COST JAN - JUNE 09	EST. BUDGET FY 09-10
01 - SURVEY / EASEMENT PLATS # PLATS: [ ]					
02 - LEGAL FEES					
03 - ENGINEERING ASSISTANCE					
04 - ACQUISITION SERVICES					
05 - COMPENSATION					
06 - APPRAISAL					
07 - CONDEMNATION					
08 - ENVIRONMENTAL SURVEY					
09 - PRELIM. ENG. REP.	$100,000.00				$100,000.00
10 - DESIGN / SURVEY					
11 - ENVIRONMENTAL ASSESSMENT					
12 - ARCHAEOLOGICAL					
13 - GEOTECHNICAL					
14 - CONSTRUCTION CONTRACT ADM.					
15 - CONSTRUCTION					
16 - PERMITS					
17 - PUBLIC MEETINGS					
18 - TESTING					
TOTAL AMOUNT	$100,000.00	$0.00	$0.00	$0.00	$100,000.00

		ESTIMATED BUDGETS - FY '10 -'19	
ENGINEER:	Consultant		
CONTRACTOR:		FY 10-11	$0.00
CONSTRUCTION ADMINISTRATION:	MSD	FY 11-12	$0.00
INSPECTION:	MSD	FY 12-13	$0.00
R.O.W. ACQUISITION:		FY 13-14	$0.00
		FY 14-15	$0.00
PROJECT NOTES:	Study to determine future of Weaverville Pump Stations No. 1 & No. 2, and Force Main.	FY 15-16	$0.00
		FY 16-17	$0.00
		FY 17-18	$0.00
		FY 18-19	$0.00

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: December 16, 2009

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: David Monteith, Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

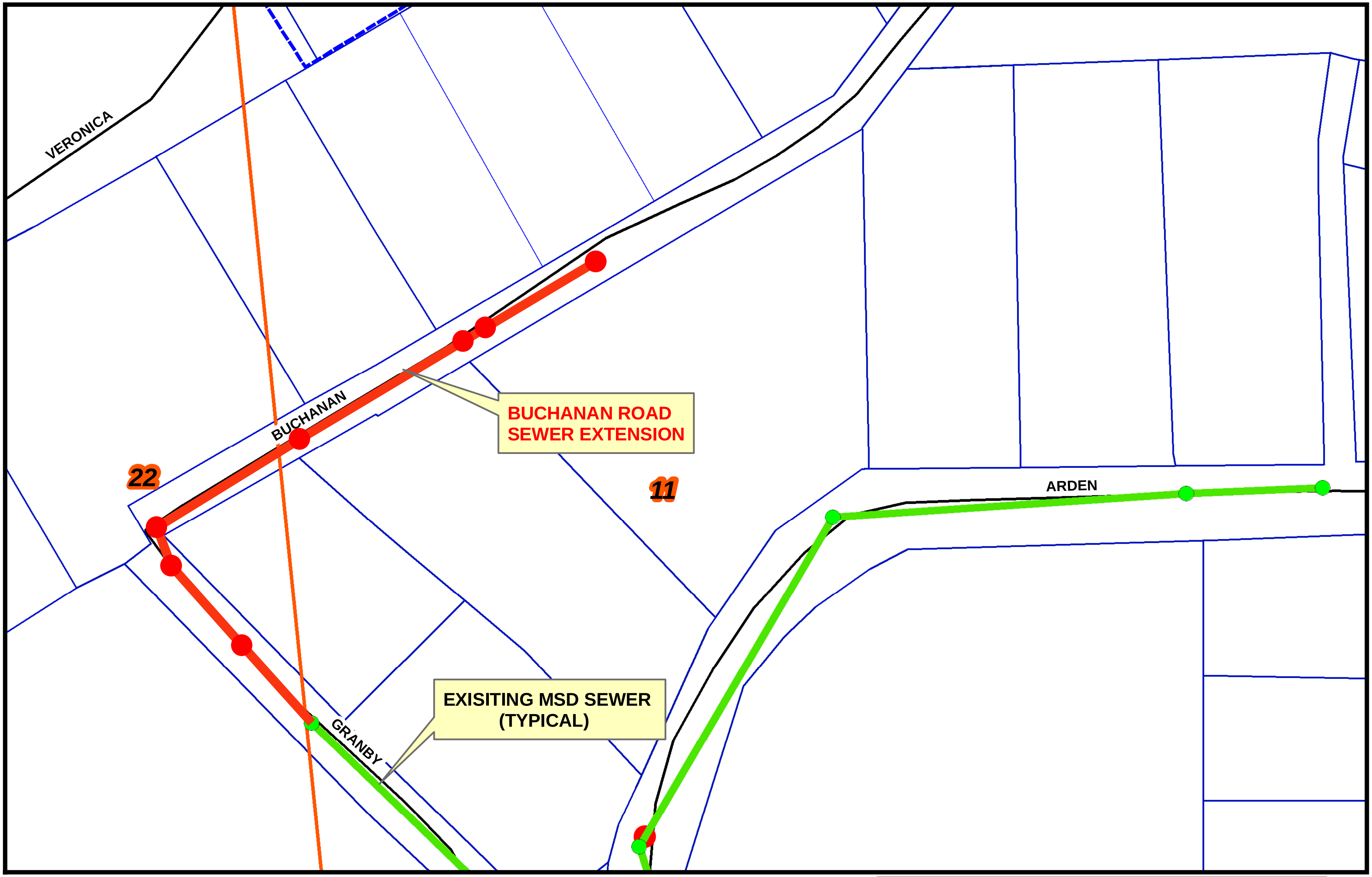
SUBJECT: Acceptance of Developer Constructed Sewer System for the Buchanan Road Project.

BACKGROUND: This project is located inside the District boundary just off Biltmore Avenue just south of Mission Hospitals St. Joseph Campus in Asheville, North Carolina. The developer of the project is Charles Archerd of ACA Housing Group, LLC. The project included installation of approximately 392 linear feet of 8" gravity sewer to serve the three (3) unit residential development. A wastewater allocation was issued in the amount of 1200 GPD for the project. The estimated cost of the sewer extension is $68,759.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system. (All MSD requirements have been met)

COMMITTEE ACTION TAKEN	
Motion by :	To: ☐ Approve ☐ Disapprove
Second by:	☐ Table ☐ Send back to staff
☐ Other:	

BOARD ACTION TAKEN	
Motion by	To: ☐ Approve ☐ Disapprove
Second by:	☐ Table ☐ Send back to staff
☐ Other:	



Project # 2009005

Not To Scale

METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

Buchanan Road
Sewer Extension

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: December 16, 2009

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: David Monteith, Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

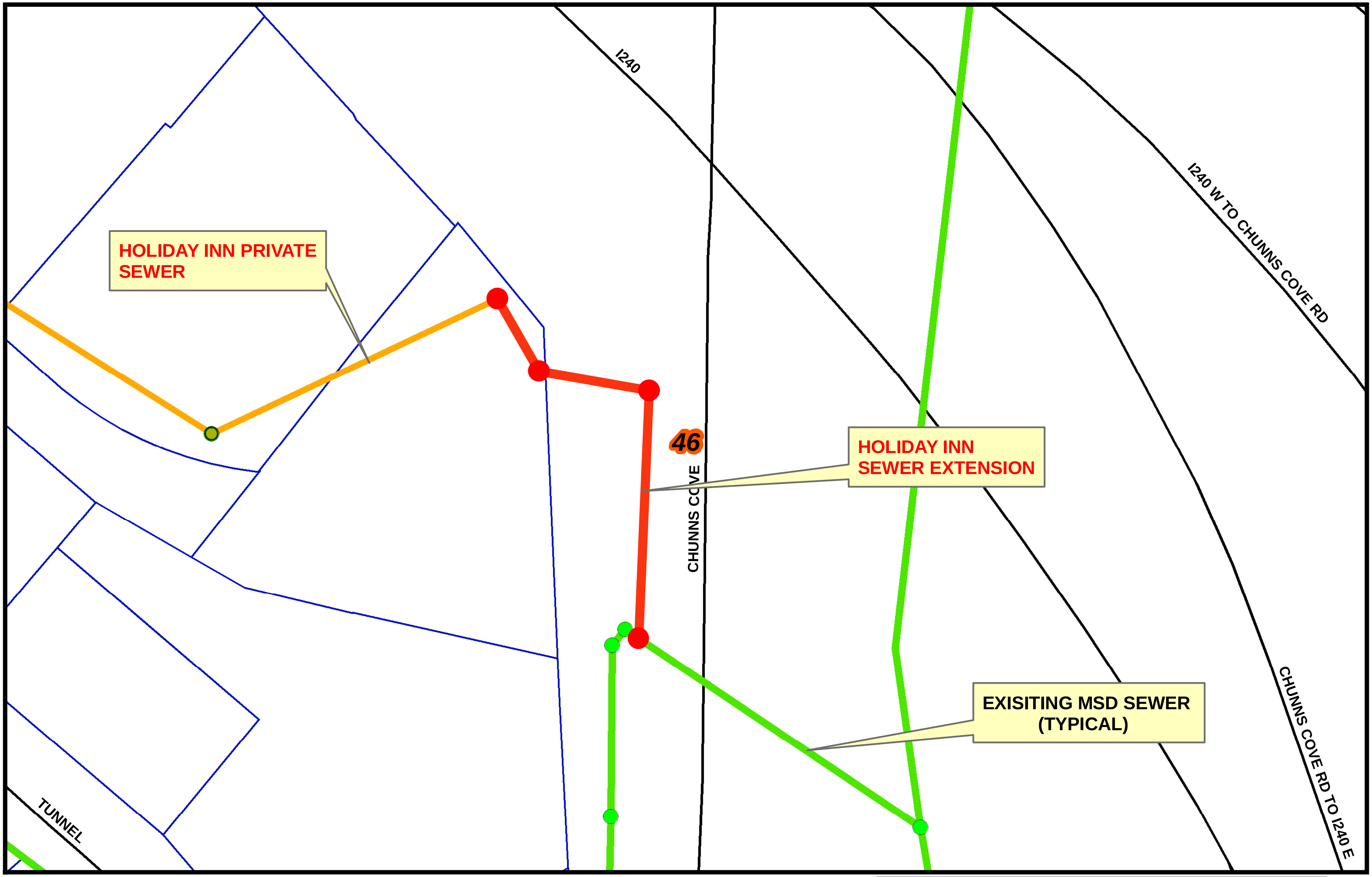
SUBJECT: Acceptance of Developer Constructed Sewer System for the Holiday Inn Project.

BACKGROUND: This project is located inside the District boundary at the intersection of Chunns Cove Road and Tunnel Road in Asheville, North Carolina. The developer of the project is Harshil Patel of Latel, Inc. The project included installation of approximately 275 linear feet of 8" public gravity sewer to serve the commercial (hotel) development. A wastewater allocation was issued in the amount of 18,000 GPD for the project. The estimated cost of the sewer extension is $20,130.22.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system. (All MSD requirements have been met)

COMMITTEE ACTION TAKEN	
Motion by :	To: ☐ Approve ☐ Disapprove
Second by:	☐ Table ☐ Send back to staff
☐ Other:	

BOARD ACTION TAKEN	
Motion by	To: ☐ Approve ☐ Disapprove
Second by:	☐ Table ☐ Send back to staff
☐ Other:	



Project # 2001068

Not To Scale

METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

Holiday Inn
Sewer Extension

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: December 16, 2009

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: David Monteith, Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

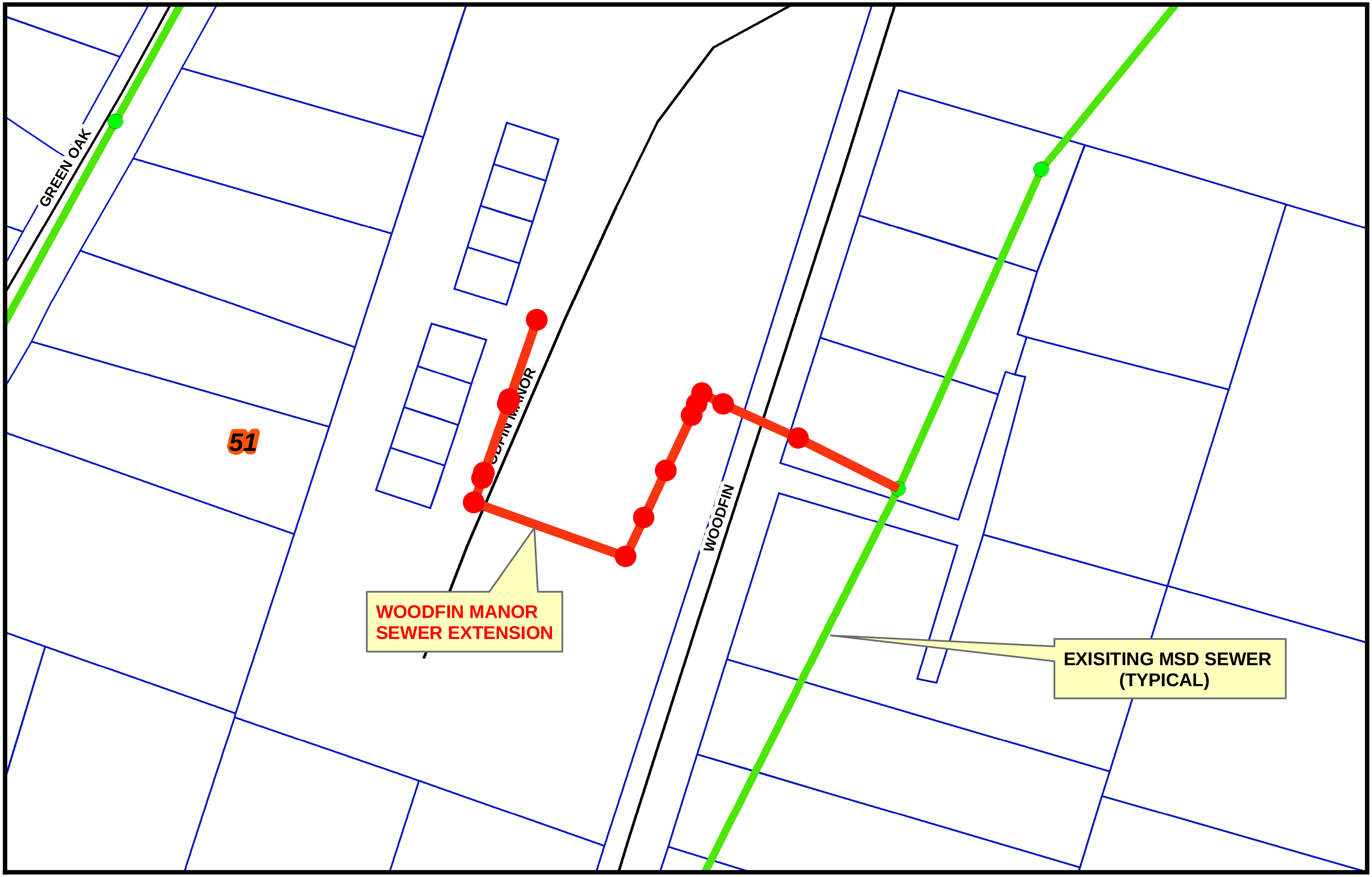
SUBJECT: Acceptance of Developer Constructed Sewer System for the Woodfin Manor Project.

BACKGROUND: This project is located inside the District boundary on Woodfin Avenue in Woodfin, North Carolina. The developer of the project is Joel Edwards of HomeTrust Bank. The project included installation of approximately 721 linear feet of 8" gravity sewer to serve the twenty (20) unit residential development. A wastewater allocation was issued in the amount of 4,000 GPD for the project. The estimated cost of the sewer extension is $62,166.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system. (All MSD requirements have been met)

COMMITTEE ACTION TAKEN	
Motion by :	To: ☐ Approve ☐ Disapprove
Second by:	☐ Table ☐ Send back to staff
☐ Other:	

BOARD ACTION TAKEN	
Motion by	To: ☐ Approve ☐ Disapprove
Second by:	☐ Table ☐ Send back to staff
☐ Other:	



Project # 2003154

Not To Scale

METROPOLITAN SEWERAGE DISTRICT
of
BUNCOMBE COUNTY, NORTH CAROLINA

Woodfin Manor
Sewer Extension

Metropolitan Sewerage District of Buncombe County
BOARD INFORMATIONAL ITEM

Meeting Date: December 16, 2009

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, Director of Finance

Subject: Presentation of Audit & CAFR – Fiscal Year Ended June 30, 2009

Background
Both North Carolina law and the Bond Order require an annual audit of the District's financial records. The District has incorporated the audited financial statements into a Comprehensive Annual Financial Report (CAFR), which adds transmittal and statistical data to assist readers in analyzing the audited financial statements. The CAFR is also used to satisfy continuing disclosure requirements imposed by the Bond Order and other contractual agreements.

Discussion
The auditors' unqualified (commonly called "clean") opinion is the first document behind the "Financial Section" tab.

Also included with the CAFR is a standard letter from the independent auditors describing the auditors' responsibilities under accounting standards, their understanding of District policies and estimates, and assurance that no significant adjustments to the District financial records are required.

There is no Management Letter because the auditors did not find any reportable conditions or other issues requiring communication to the Board.

Fiscal Impact
The audit is anticipated to be completed for $46,300. The aforementioned amount is less than the contracted amount of $47,710. Sufficient funds are available in the budget. The CAFR has been printed in-house, at a nominal cost.

Staff Recommendation
Acceptance of the CAFR.

Action Taken
Motion by: to Approve Disapprove
Second by: Table Send to Committee
Other:
Follow-up required:
Person responsible: **Deadline:**

Metropolitan Sewerage District of Buncombe County, North Carolina

Comprehensive Annual Financial Report

for Fiscal Year Ended June 30, 2009

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA

2028 Riverside Drive
W.H. Mull Building
Asheville, North Carolina 28804

Phone: (828) 254-9646
Fax: (828) 254-3299
Website: www.msdbc.org

The mission of the Metropolitan Sewerage District is to provide wastewater collection and treatment to its users which promotes the health and safety of affected citizens in the most effective and efficient manner possible today and in the future.

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2009

For

Metropolitan Sewerage District
of
Buncombe County, North Carolina

Asheville, North Carolina

Prepared By - Finance Department

W. Scott Powell, Director of Finance

Published December 9, 2009

Table of Contents

Metropolitan Sewerage District

OF BUNCOMBE COUNTY, NORTH CAROLINA

December 16, 2009

To the Metropolitan Sewerage District of Buncombe County, North Carolina
Board of Directors, Bondholders, and Customers

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Sewerage District of Buncombe County, North Carolina (MSD or District) for the fiscal year ended June 30, 2009. State law requires local governments to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. MSD's Bond Order requires release of such audited financial statements within seven months of the close of the fiscal year. This CAFR presents MSD's financial statements, and adds this transmittal letter and statistical data to assist the reader in analyzing our financial statements.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, MSD's management established an internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, MSD's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants, has audited the financial statements. The goal of the independent audit was to provide reasonable but not absolute assurance that MSD's financial statements for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that MSD's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Accounting standards (GASB No. 34) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, which is placed immediately following the report of the independent auditors, and should be read in conjunction with it.

Accounting standard (GASB No. 44) calls for revised statistical reports designed to increase assistance to the reader in assessing the financial situation and condition of the District. Readers may note some changes in report formats from prior years. In addition, new schedules for which there is no information prior to implementation of GASB No. 34 may have less than the otherwise required ten years of comparative data.

Financial trend information is presented to assist readers in understanding and assessing how a government's financial position has changed over time. Revenue capacity information is intended to assist users in understanding and assessing the factors affecting a government's ability to generate revenues.

Debt capacity information is designed to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt. Demographic and economic information is intended to (1) assist users in understanding the socioeconomic environment within which a government operates and (2) provide information that facilitates comparisons of financial statement information over time and among governments. Operating information should provide contextual information about a government's operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.

Profile of the District

Overview

The District was created by the state of North Carolina in 1962 to provide a wastewater treatment plant serving the City of Asheville and surrounding communities, including Biltmore Forest, Weaverville, Black Mountain, Montreat, Woodfin, the Woodfin Sanitary Water & Sewer District, and certain other unincorporated areas of Buncombe County. Through separate contractual arrangements, the District also serves customers in the Cane Creek Water and Sewer District in northern Henderson County and in the Avery Creek Sanitary Sewer District in southern Buncombe County. The collection system has been extended over the years as a result of expansion and development, and now collects wastewater through approximately 960 miles of sewer line with 29,000 manholes and serves over 49,000 residential and commercial customers. The wastewater treated by the District is gathered in the collector sewer systems located primarily within the boundaries of the municipalities and other political subdivisions comprising the District and conveyed to the wastewater treatment plant through large sewer lines called interceptors that generally run parallel to the French Broad River, the Swannanoa River or one of their primary and secondary tributaries. Included in the system are remote pumping stations that pump wastewater through force mains where gravity flow is not feasible.

With the Sewer Consolidation, which was signed in 1990, the District agreed to take possession of and to operate, maintain, and repair or replace, as necessary, the various collector sewer systems, which were simultaneously deeded to MSD by these same political subdivisions. Many of the collector sewer systems were undersized, deteriorated and inadequately maintained. Since taking over the sewer systems, the District has developed and implemented, with input from its member political subdivisions, an ongoing Capital Improvement Program (the "CIP"). Approximately 781,000 feet of existing sewer line have been replaced since consolidation, representing over 19% of the entire collection system. In addition, the District expects to replace another 250,000 feet of existing sewer lines over the next five years. (See "—Capital Improvements Program" herein.) The District also has an aggressive program in effect for systematic preventative maintenance of collector sewers. The lines are first cleaned using water under high pressure and then are videotaped. The cleaning reduces line blockages and overflows, and the videotapes enable the District to locate and repair problems in the lines. The District cleans and inspects by videotaping between 15% and 20% of its system each year.

The District also owns, operates, and maintains a 40 million gallon per day (MGD) wastewater treatment plant to treat raw sewage and industrial wastewater as well as a hydroelectric facility, which is used primarily to generate power for the wastewater treatment plant, but also provides electricity for sale back to the local utility.

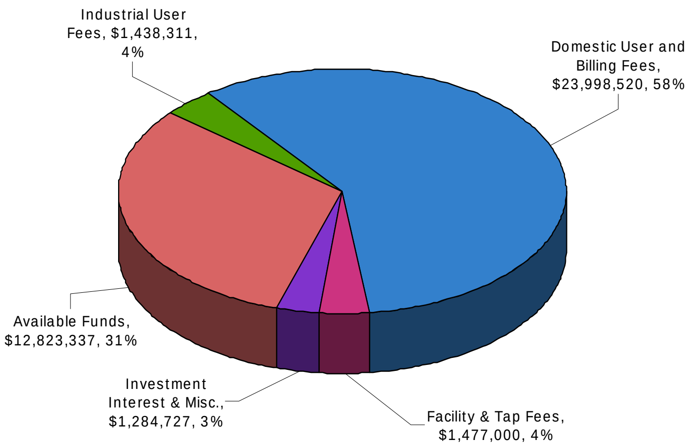
Aerial view of Metropolitan Sewerage District

Member agencies providing water service include the sewer fees on their water bills and provide customer service and collection services to the District for a negotiated fee. However, the District direct bills about 385 customers, predominantly local industries and private residences served by wells, yet are connected to the sewer system.

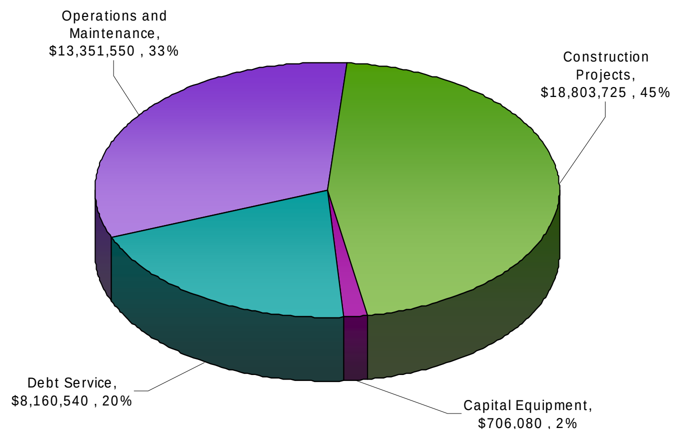
Budget

The annual budget serves as the foundation for the District's financial planning and control. The Bond Order requires that the District adopt its final budget on or before June 15 of each year after a preliminary budget hearing no more than 30 days prior to adoption. North Carolina General Statutes call for an annual balanced budget ordinance based upon expected revenues, along with a budget message, to be presented to the governing board no later than June 1. During the spring, District departmental staff work with the Board's Finance and Personnel Committees to develop an operational budget by function (administration, system services, plant operation, etc.), and District engineers work with the Board's Planning and Capital Improvement Plan Committees on a capital budget. After the Board approves the budget, it is administered by Department heads who may make transfers of appropriations within a department and by the General Manager who may make transfers between departments. Budget to actual comparisons of financial data for the year ended June 30, 2009 may be found in the supplemental information following the notes to the financial statements.

FY 09 Budgeted Revenues
$41,021,895



FY 09 Budgeted Expenditures
$41,021,895



Information in greater detail on the budgetary process is available in the annual budget document available on the District's website www.msdbc.org or by request to the Director of Finance at 2028 Riverside Drive, Asheville, NC 28804 (828) 255-8211, or spowell@msdbc.org.

Factors Affecting Financial Condition

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 District operates.

Local Economy

The Asheville-Buncombe County area in which the District is located possesses a combination of characteristics that help protect it in the current economic climate. They consist of a re-emerging more technologically advanced industrial base, a strong tourism position, concentrated healthcare employment, manufacturing diversity, and positive population in-migration. These factors are discussed in further detail in the Management's Discussion and Analysis (MD&A).

Local economic development initiatives and various private/public programs have arisen in response to these recent developments designed to strengthen the local economy. Industrial recruitment, workforce development, urban revitalization, broadband access, and improvements to interstate highways are examples of active and pending projects. Area leaders realize the importance of cooperation and action to maintain a healthy, diverse, and sustainable economy.

While industrial usage is declining, residential and commercial expansion has resulted in a higher demand for MSD services, as evidenced by growth in overall revenue, and especially by facility and tap fees directly resulting from new development. The majority of new residents being District customers result from emphasis on in-fill development by local communities and large new subdivisions with developer-donated sewer infrastructure.

Cash Management

The District's cash management and investment policy is designed first to preserve principal, then to provide liquidity for District operations, and finally to attain a market rate of return. Cash temporarily idle during the year was invested in obligations of the U.S. Treasury and Agencies, commercial paper, and the North Carolina Cash Management Trust. Investment income earned over the year was 2.69% and includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the District intends to hold to maturity. Further details concerning the District's cash and investments including protection from various types of risk may be found in Note 2 to the financial statements.

Risk Management

The District protects itself from potential financial losses through participation in the North Carolina League of Municipalities insurance pool covering workers compensation, casualty loss to property, and general liability. The District pays premiums to the pool and in the event of losses, the pool reimburses the District for the replacement value of the asset, less applicable deductible. The District self-funds health insurance claims up to $40,000 per participant, and purchases stop-loss and aggregate coverage for reimbursement of claims in excess of these amounts. To minimize exposure to risk and losses to property and job-related accidents, the District's Environmental Health and Safety Officer provides appropriate training, investigates all incidents, and monitors workers' compensation claims. The District's Wellness Program, which includes disease management, weight loss, and exercise programs, attempts to maximize employee health to hopefully result in decreased health insurance claims.

Long-Term Financial Planning

In 2001, the District completed a twenty-year Wastewater System Master Plan to identify system improvements needed to handle structural problems and wet-weather flow conditions, to improve the performance at the Water Reclamation Facility (WRF), and to prepare the system to handle expected future wastewater flows. In 2007, the District completed a Facility Plan, which specifically focused on the equipment and processes within the WRF. This plan established a methodology for prioritizing rehabilitation efforts at the plant.

In November 2008, the District's Collection System Master Plan was completed. This plan focuses on the orderly growth of the collection system into future service areas. As the sewer system grows over time, this plan will ensure that extensions of the system are made in an orderly fashion, in accordance with the planning policies of the District's member agencies.

Using these plans as guides, District engineers developed a ten-year Capital Improvement Program (CIP), which is updated annually. The capital budgeting process begins with considering projects identified in these plans, as well as those recommended by various departments to deal with recurring wastewater collection and treatment problems. Engineering staff prioritize such projects, preparing cost estimates and a suggested timetable for construction. The CIP Committee, consisting of representatives from the District's member agencies, meets to review the program and to make recommendations to the Board concerning the CIP's adoption as part of the annual budget.

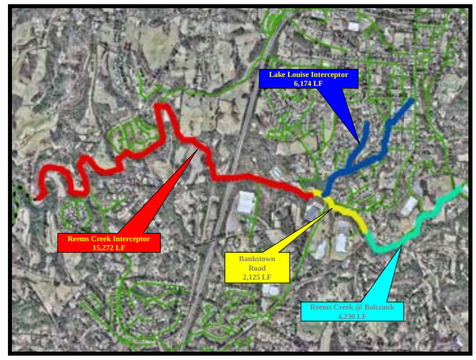
The CIP continues to have the largest impact on the District's current and future financial position. In connection with the long-term CIP, the District prepares a ten-year cash flow projection, which integrates revenue and expenditure projections with planned capital expenditures to anticipate rate increases and timing of debt issuance.

Major Initiatives and Accomplishments

Reems Creek Interceptor Rehabilitation

The District recently completed the largest of four rehabilitation projects for major sewer lines serving the Reems Creek valley and the Town of Weaverville. This latest portion to be completed was over 15,200 feet. Over the past ten years, the District has also rehabilitated an additional 12,500 feet of large diameter interceptor line. The total amount reinvested to repair these old sewer lines is $5.9 million.

In addition, the District's recently completed Collection System Master Plan has guided the planning for an extension of the sewer line along Reems Creek. Design and Right-of-Way acquisition are complete. Construction of the new interceptor will be funded by the development which it serves; however, it will be properly sized and constructed so that it will also be able to serve the upper areas of the Reems Creek basin in the future.



Reems Creek Interceptor Project Map

Secondary Microscreen Replacement Project

The District is currently in the final design and permit phase for replacement of its Secondary Microscreen process at the Water Reclamation Facility. The new "microfiltration" process will result in significantly improved filtration of the treated wastewater. This project will help to further improve effluent quality, even above permit standards, prior to disinfection and discharge into the French Broad River.

Secondary Microscreens

Significant Reduction of Sanitary Sewer Overflows

Reduction of Sanitary Sewer Overflows (SSO's) is one of the District's primary goals related to the collection system. This has been accomplished by aggressive rehabilitation and preventative maintenance (line cleaning) programs. Over the past eight years, the District has realized a significant reduction of SSO's – from 288 in FY2000 to 23 in FY2009.

Example of sewerline crossing creek

Excellence in Management Recognition Program Award

On February 4, 2009, The District was one of four honorees nationwide selected to receive the Excellence in Management Recognition award from the National Association of Clean Water Agencies (NACWA).

EXCELLENCE IN Management Recognition PROGRAM

NACWA has established the Excellence in Management Recognition Program to recognize public clean water utilities that implement progressive management initiatives and thereby advance the goals of the Clean Water Act. NACWA is committed to clean water and a healthy environment and strives to help ensure that member agencies have the tools they need to meet these objectives.

Improved Customer Service Response

The Systems Services Department reclassified a management position to that of a first responder to handle emergency calls between 4:00 p.m. and 11:30 p.m. as well as holidays, which reduced average response time from 90 minutes in FY2006 to 30 minutes in FY2009.

Environmental Regulations Compliance

The District received favorable regulatory reports from the North Carolina Department of Environment and Natural Resources for wastewater discharge, pretreatment, collections system, and air quality permits. In addition, the District maintained ISO 14000 Environmental compliance certification. The Collection Systems permit requires replacement or rehabilitation of at least 250,000 linear feet of sewer main every five years. In FY2009, the District completed in excess of 45,643 linear feet, over 15,687 of which was performed by District forces. Over the past two years, the District has rehabilitated a total of 114,892 linear feet of sewer main.

View of RBCs and Incinerator Bldg.

Another requirement of the annual Collection Systems permit is to perform preventative maintenance on at least 500,000 linear feet of sewer line. During the current year, the District cleaned over 893,079 linear feet.

Continuing Disclosure Obligation

The District issued revenue refunding bonds most recently in November 2004 and revenue refunding bonds in January 2005. In accordance with the requirements of the Securities Exchange Commission Rule 15C-12, as amended, and the North Carolina Local Government Commission, the District will provide continuing disclosure information to recognized municipal security information repositories. This will include the audited financial statements, historical net revenues and debt coverage, future rate increases and listing of the District's largest commercial and industrial customers.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan Sewerage District of Buncombe County, North Carolina for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the thirteenth consecutive year that the District has achieved this prestigious award. In order to receive a Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the District also received the GFOA's Distinguished Budget Presentation Award for its annual 2009 budget document. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments

The preparation of this report could not have been accomplished without the dedicated services of staff throughout the District and the District's independent auditor, Cherry, Bekaert & Holland L.L.P. We would like to acknowledge the hard work and dedication of Cheryl Rice, the District's Accounting Manager. In addition, a special thanks to Teresa Gilbert who assembled the CAFR documents and prepared many of the graphs and to Asheville Chamber of Commerce for current economic data and insightful identification of business trends.

We also would like to thank the members of the Finance Committee and Board for their support of maintaining high standards of fiscal accountability and responsibility for the District.

Respectfully Submitted,

Thomas E. Hartye, P.E.
General Manager

W. Scott Powell
Director of Finance

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Sewerage District

of Buncombe County

North Carolina

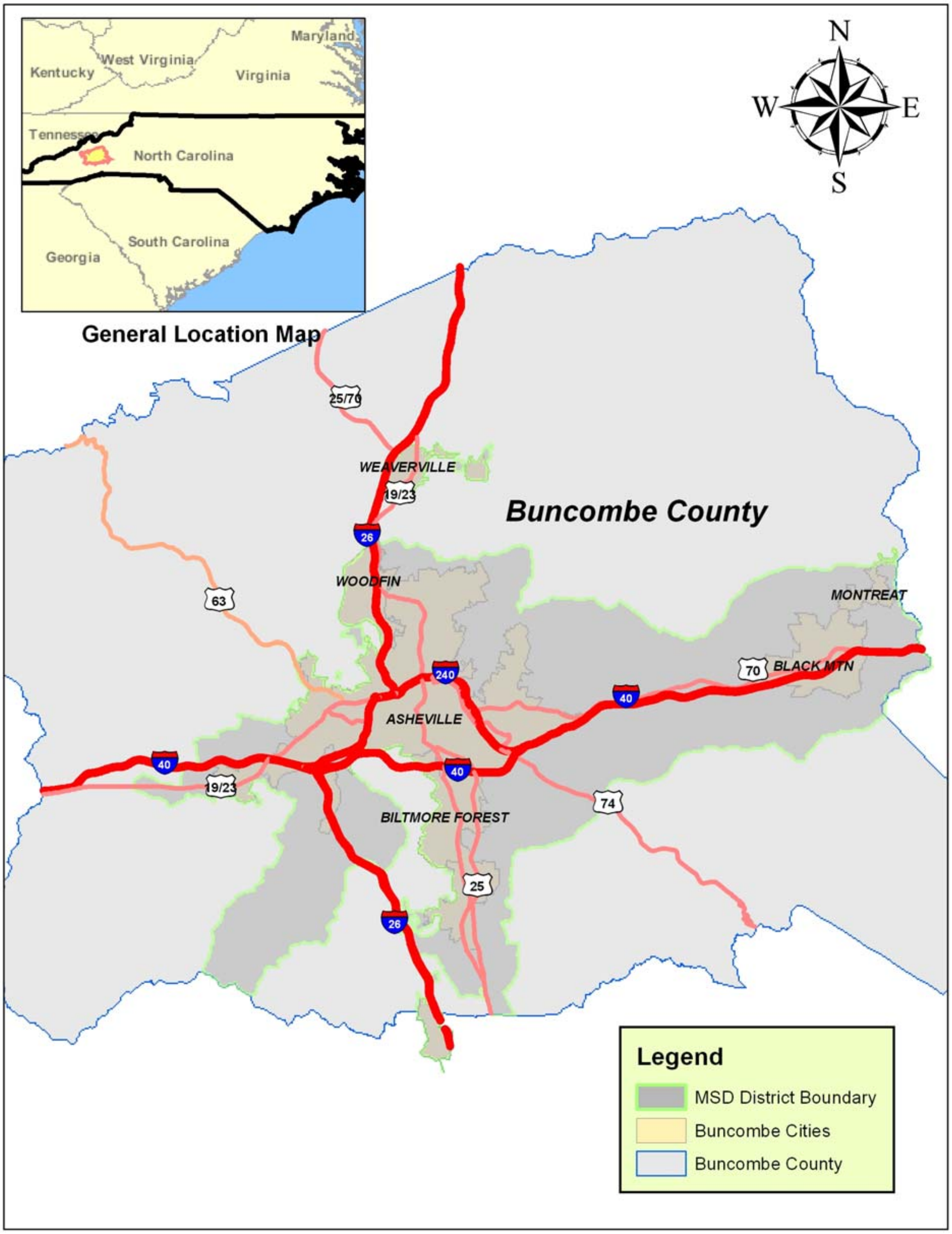
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

Map of District Boundary



Principal Officials

Board Members	Representative of
Steven T. Aceto	Town of Montreat
Terry Bellamy	City of Asheville
W. Louis Bissette	City of Asheville
Jackie W. Bryson	Woodfin Sanitary Water & Sewer District
Jon E. Creighton	County of Buncombe
Max L. Haner	County of Buncombe
E. Glenn Kelly	Town of Biltmore Forest
Stephen M. Metcalf	Town of Weaverville
Bill Russell	City of Asheville
C. Michael Sobol	Town of Black Mountain
Bill Stanley	County of Buncombe
M. Jerry VeHaun	Town of Woodfin

Legal Counsel
Roberts & Stevens, P.A.

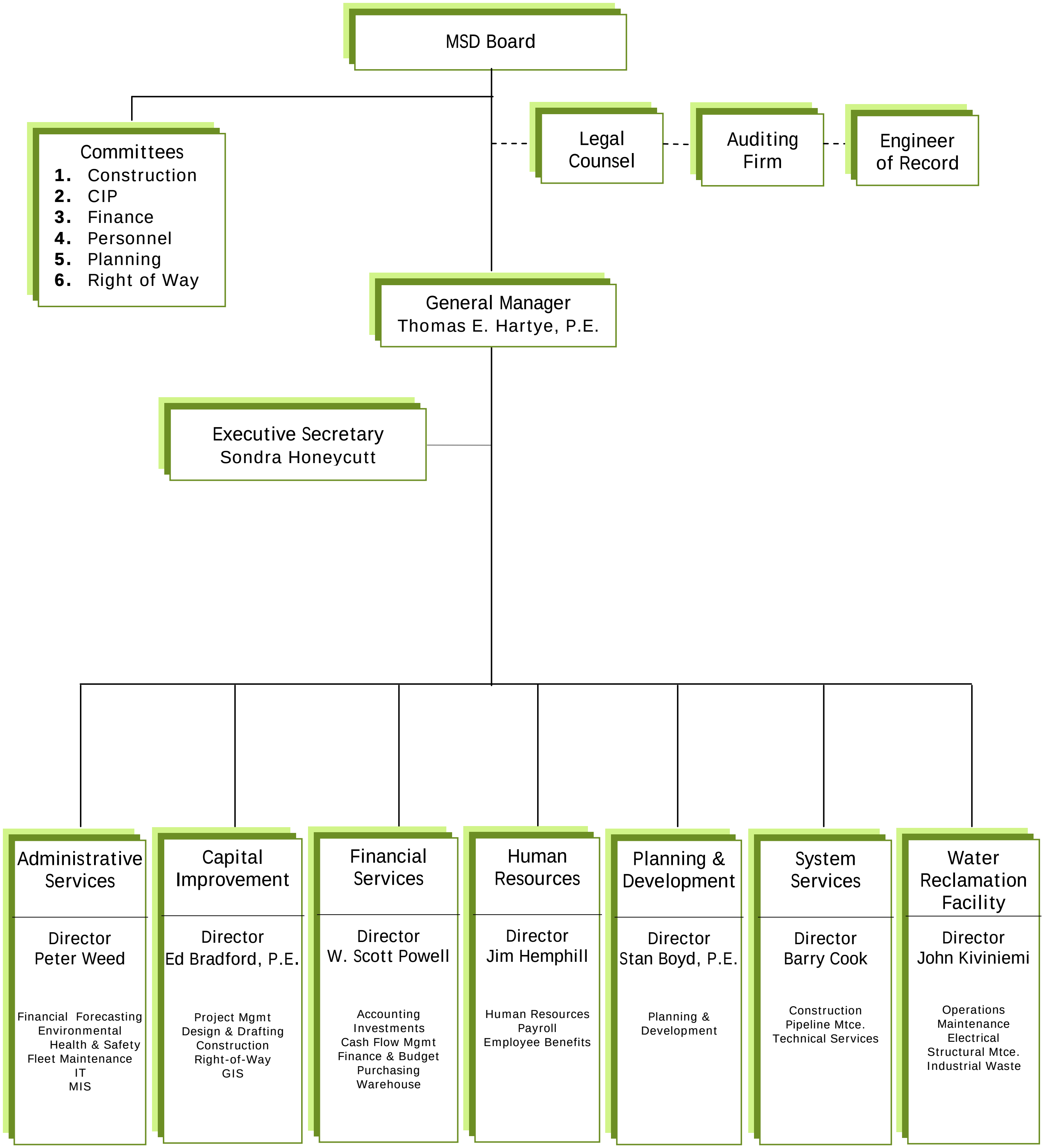
Auditing Firm
Cherry, Bekaert & Holland, L.L.P.

Engineer of Record
McGill & Associates

General Manager
Thomas E. Hartye, P.E.

Director of Finance
W. Scott Powell

Organizational Chart



Number of Employees: 150

Independent Auditors' Report

The Board of Directors
Metropolitan Sewerage District of Buncombe County, North Carolina
Asheville, North Carolina

We have audited the accompanying financial statements of Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009, and the respective changes in financial position and cash flows 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 October 29, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 and the required supplementary financial data contained on pages 12-17 and pages 44-45 respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 the information and accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section, supplemental schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental 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 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.

Cherry, Bekaert + Holland, L.L.P.

Charlotte, North Carolina
October 29, 2009

Management's Discussion and Analysis

As management of the Metropolitan Sewerage District of Buncombe County (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009.

Financial Highlights

- Net assets: Net assets are defined as the value of all assets less all liabilities, and net restricted assets are those assets restricted by law, bond covenant, or other contractual arrangement, less debt incurred for these restricted assets. The financial well-being of a government is reflected to a large degree in the growth of net assets.
    - The District's net assets total $284.6 million and reflect a $10.0 million or 3.7% increase from the prior year. The income and expense items affecting this improvement will be discussed in greater detail in the section below titled Financial Analysis of the District.
    - The $10.0 million increase attributable to the District's normal operations includes contributed capital assets from developers of $5.9 million.
    - Net assets invested in capital assets, net of related debt increased by $15.1 million or 6.5%, evidencing the District's aggressive rehabilitation of infrastructure as well as an increase in developer-donated sewer lines and pump stations.
- Outstanding debt:
    - After a principal repayment of $3.2 million, the District has approximately $95.4 million of outstanding debt exclusive of related unamortized discounts and premiums.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that explain in more detail some of the information in the financial statements. After the notes, supplemental information is provided to show details about the District's fund structure as set forth in the Bond Order. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Basic Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private-sector companies. There are three required statements, which provide both long-term and short-term information about the District's overall financial status.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. This statement provides information about the types and amounts of resources (assets) and the obligations to District creditors (liabilities) and may be used to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the current year's results of operations and can be used to determine how successful the District has been in collecting revenues, controlling expenses, and recovering costs through user fees and charges.

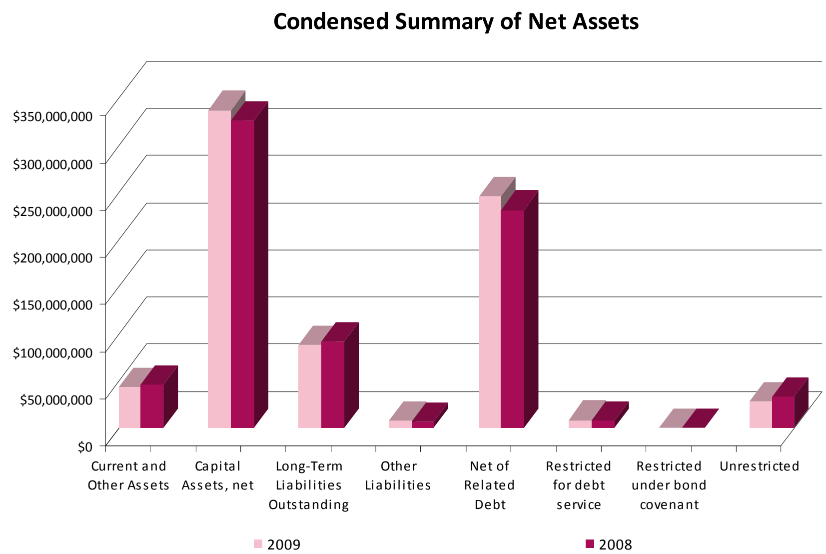
The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities, and may be used to determine how cash originated, what that cash was used for, and how these activities resulted in the change to cash balance during the year.

These financial statements should be evaluated with other external factors such as economic conditions, regional employment statistics, and population growth for a more complete analysis of the District's current and future financial condition.

Financial Analysis of the District

Net Assets

As previously noted, net assets may serve over time as one useful indicator of an entity's financial condition. The District's assets exceeded liabilities by $284.6 million at June 30, 2009. The largest proportion of the District's net assets, approximately 86.7%, reflects the District's investment in capital assets (e.g. land, buildings, interceptor and collector sewer lines, treatment facilities, equipment, etc.) less any related debt outstanding that was issued to acquire these items. As these assets are required to provide wastewater collection and treatment services, these resources are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources as the capital assets cannot be used to liquidate these liabilities. An additional $9.5 million or 3.3% of the District's net assets are funds restricted by the Bond Order to be held in reserve for either debt service or for emergency capital equipment repair or replacement. The remaining balance of $28.3 million is unrestricted and may be used to fund pay-as-you go capital projects, medical or workers compensation claims, replacement reserves, or any other legal purpose.



The District's overall financial position improved during the fiscal year ended June 30, 2009 as overall net assets grew by 3.7%. The District's financial strategy is to set rates at a level sufficient to cover operating and debt service expenses as well as to provide about half of the funding for pay-as-you-go infrastructure rehabilitation. The success of this approach is visible in the continuing growth of District net assets. Current assets will decrease gradually as cash and investments are used to rehabilitate infrastructure, until the next planned revenue bond issuance.

Table 1 – Condensed Summary of Net Assets

	2009	2008	% Increase (Decrease)
Current and Other Assets	$ 43,378,629	$ 46,778,523	(7.27%)
Capital Assets, net	337,416,763	326,922,241	3.21%
Total Assets	380,795,392	373,700,764	1.90%
Long-Term Liabilities Outstanding	88,106,800	92,104,871	(4.34%)
Other Liabilities	8,118,235	7,063,541	14.93%
Total Liabilities	96,225,035	99,168,412	(2.97%)
Invested in Capital Assets, Net of Related Debt	246,808,331	231,678,011	6.53%
Restricted for debt service	8,688,327	8,094,629	7.33%
Restricted under bond covenant	805,170	791,479	1.73%
Unrestricted	28,268,529	33,968,233	(16.78%)
Total Net Assets	$284,570,357	$274,532,352	3.66%

Table 2 – Condensed Summary of Revenues, Expenses and Changes in Net Assets

	FY 2009	FY 2008	% Increase (Decrease)
Operating revenues:			
Sewer charges	$ 24,290,719	$ 24,895,694	(2.43%)
Facility and tap fees	2,959,115	3,005,184	(1.53%)
Miscellaneous	509,239	702,777	(27.54%)
Total operating revenues	27,759,073	28,603,655	(2.95%)
Operating expenses:			
Salaries and employee benefits	6,181,775	5,717,428	8.12%
Contractual services	1,387,098	1,167,260	18.83%
Utilities	1,298,053	1,265,901	2.54%
Repairs and maintenance	877,124	877,634	(.06%)
Other supplies and expenses	1,337,610	1,288,061	3.85%
Insurance claims and expenses	1,726,689	1,753,911	(1.55%)
Depreciation	8,561,962	7,065,752	21.18%
Total operating expenses	21,370,311	19,135,947	11.68%
Operating income	6,388,762	9,467,708	(32.52%)
Nonoperating revenues (expenses):			
Interest income	1,047,587	1,742,108	(39.87%)
Interest expense	(3,545,226)	(4,268,352)	(16.94%)
Less capitalized interest	341,821	531,947	(35.74%)
Amortization of bond issuance costs	(73,887)	(91,286)	(19.06%)
Gain (loss) on sale of surplus property	22,150	(49,926)	144.37%
Total nonoperating revenues (expenses)	(2,207,555)	(2,135,509)	3.37%
Income before other transactions	4,181,207	7,332,199	(42.97%)
Capital contribution	5,856,798	6,244,304	(6.21%)
Change in net assets	10,038,005	13,576,503	(26.06%)
Total Net Assets, beginning of year	274,532,352	260,955,849	5.20%
Total Net Assets, end of year	$284,570,357	$274,532,352	3.66%

The Condensed Summary of Revenues, Expenses, and Changes in Net Assets shown in Table 2 above provides information concerning what contributed to the net changes reported in Table 1. The section below discusses significant factors contributing to the District's 3.7% increase in net assets from $274.5 million to $284.6 million.

- Operating Revenues:
  - *Sewer revenues* declined 2.4%. The District had raised domestic sewer rates by 3.0% at the beginning of the fiscal year and experienced a consumption decrease of 4.0% due to recessionary pressures as well as mandatory water restrictions due to drought conditions. Additionally, the District also recognized an 8.3% decrease in industrial revenue due to a continuing shrinking industrial base.
  - *Facility and tap fees* received were down by 1.5% from the previous year reflecting a slowdown in development in the area.
  - *Miscellaneous Income* dropped primarily due to the receipt of nearly $200,000 from developers in the prior year. These funds were to offset operational and maintenance cost for pump stations donated to the District.

- Operating expenses were increased due to:
  - Contractual services—The District experienced a 18.8% increase due to tree and brush clearing at the dam as well as increase root control in the District's collection system.
  - Utilities expense— Decreased internally generated hydroelectric power due to drought conditions in conjunction with new dechlorination treatment required by the District's NPDES permit attributed to the 2.54% increase in the current year.
  - Salaries and employee benefits expense—Although employees received an average merit increase of 4.0%, the additional salary expense increase was due to 6.4% increase in medical insurance.
- Interest income: Decreasing short-term interest rates resulted in the 39.87% decrease in the District's interest income.
- Interest expense: Interest expense decreased due to reduction in short term rates paid on the District's variable rate debt in the current year.
- Capitalized interest: Interest capitalized on rehabilitated infrastructure is computed based on construction-in-progress beginning balances plus additions during the year. With capital expenditures for projects in process and begun during the year somewhat lower than the previous year, capitalized interest accordingly decreased.
- Capital Contribution: The amounts reported as capital contributions represent the estimated fair market value of sewer collection lines donated by developers. The District has no direct control over the amount of contributions received. These amounts are reflected as equal income and capital expenditures in the financial statements.

Capital Asset and Debt Administration

Capital Assets. The District owns capital assets with a historical cost of $454,929,704. These assets consist of land (including easements), land improvements including a hydroelectric dam, buildings, collector sewer lines, interceptor lines (large pipelines into which collector sewers feed), construction equipment and machinery, service vehicles, office machines, and computer hardware and software. The District has begun several projects expected to cost $40.3 million to complete, and at June 30, 2009, was committed to contracts expected to cost $760,000.

Major capital asset transactions during the year include:

- Rehabilitation of over 50,000 feet of sewer line including:
  - Reems Creek Interceptor
  - Dunwell Avenue
  - Alta Avenue
- Venturi Rehabilitation
- Various equipment and building renovations

Table 3 – Capital Assets

	FY 2009	FY 2008
Land	$ 2,515,666	$ 2,515,666
Land Improvements	3,662,906	3,396,388
Buildings	49,087,449	49,087,449
Machinery and Equipment	53,907,561	53,324,014
Interceptor Sewer Lines	103,592,094	99,339,104
Collector Sewer Lines	238,119,682	225,642,409
Construction in Progress	4,044,346	3,005,930
Subtotal	454,929,704	436,310,960
Less: Accumulated Depreciation	(117,512,941)	(109,388,719)
Net Property, Plant, and Equipment	$337,416,763	$326,922,241

More detailed information on the District's capital assets is presented in Note 5 to the financial statements.

Debt Administration. At June 30, 2009, the District had $95,387,000 in par value of outstanding revenue bonds. Unlike cities and counties, the District does not have a debt limit. However, the District's Bond Order requires that user rates be set to achieve a minimum debt service coverage ratio of 1.2 annually. This means that in any year, after the District pays all current operating expenses, the net revenues remaining must be at least 120% of that year's principal and interest payments.

The District holds an Aa3 rating from Moody's Investor Service, an AA rating from Standard & Poor's, and an AA rating from Fitch. These high ratings allow the District to pay a lower rate of interest than other entities with less favorable ratings.

Further details on long-term debt are provided in Note 3 and 4 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The District, located in Buncombe County within the Asheville Metropolitan Area, has been in a better economic position than many other communities in the state and the nation due to several key factors.

- **Unemployment**. From 2003 through 2008, Asheville's unemployment rate has been among the lowest compared to the other ten metropolitan areas in North Carolina. As of June 2009, Asheville's unemployment rate was 9.1%. This holds well below the state and national averages of 11.2% and 9.5% respectively. Over the past year, about 9,400 jobs have been eliminated from the economy decreasing current employment to 171,500.

- **Balanced economic growth**. The Asheville metropolitan area has developed a unique and balanced economy based on several key drivers. Actions of each driver can overlap and support other drivers in the local economy. History has also shown that a period of weakness for one driver can lead to the expansion of another. Key drivers include:

  - Specialized health care industry,
  - Stable tourism activity
  - Growing professional services sector
  - Resilient housing market
  - Baby-boom fueled population growth
  - Restructured manufacturing sector

- **Local healthcare employment**. At over 30,000 workers, health services are now the largest industry sector in the Asheville metropolitan area. Ambulatory health services are the chief source of the new jobs. Strong gains in well-paying health services had softened earlier losses in the traditional manufacturing sector. As of June 2009, stable growth in local healthcare services continued at an annual rate of 4% to 5% due to the concentration of tertiary care facilities and the in-migration of baby-boomers and retirees. Future growth in local healthcare services is expected to be at a more moderate rate due to the national economic downturn.

- **Consistent tourism destination**. The tourism market experienced a 12.8% decrease over the previous year. Evidence of a slowing economy as well as increased fuel cost having an impact on travel patterns.

- **Stabilization of manufacturing jobs**. Recent economic indicators suggest job loss in manufacturing has leveled out, with losses somewhat offset by gains. With 21,000 workers, the industry continues to be transformed into a high-skilled sector restructured around an advanced group of machinery, plastics and electronics manufacturers.

- **Continued moderate population growth**. Population growth remains a consistent and stable contributor to the local economy. Estimates indicate moderate growth patterns will continue between 1.5 and 2.0 percent per year. More than 95 percent of local population growth is from in-migration, with the remaining from births over deaths.

- **Residential building**. Asheville is now seeing a downtown turn in the residential market. Currently, homes sales are down 31.2% with the average price decreasing over 1.2%. In addition, nearly 673 new residential building permits were issued in 2009. This is a 34.8% decrease over the previous year.

- **Professional and business sector**. The confluence of retiring baby boomers, local quality of life and economic growth has resulted in the emergence of a growing professional and business services sector. This sector includes many highly technical and well-paid services such as engineering and computer design, and temporary employment services.

The major economic challenge facing the District is the decline of traditional industry in the area, especially textiles. However, the loss in industrial sewer revenues is expected to be offset from growing numbers of domestic customers and increased consumption rates.

Based on the District's projections for residential, commercial, and industrial sewer use, sewer rates will increase by 3.75% for the fiscal year ending June 30, 2010 to provide adequate funding for operations, debt service, and the District's long-term Capital Improvement Program.

Requests for Additional Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to W. Scott Powell, Director of Finance, Metropolitan Sewerage District, 2028 Riverside Drive, Asheville, NC 28804, (828)-255-8211, or spowell@msdbc.org.

Statement of Net Assets

June 30, 2009

Assets:		
Current assets:		
Cash and cash equivalents	$	24,969,075
Investments		2,051,880
Restricted cash and cash equivalents		5,275,230
Receivables (net):		
Accounts		3,868,630
Sales		293,152
Employee		16,668
Interest		255,704
Inventories		279,038
Prepaid expenses		2,950
Total current assets		37,012,327
Noncurrent assets:		
Restricted cash and cash equivalents		5,215,497
Deferred bond issuance costs-net		1,150,805
Capital Assets:		
Land		2,515,666
Plant and equipment		448,369,692
Construction in progress		4,044,346
Less: accumulated depreciation		(117,512,941)
Total property and equipment		337,416,763
Total noncurrent assets		343,783,065
Total assets		380,795,392
Liabilities and Net Assets:		
Current liabilities:		
Payments from current assets:		
Accounts payable and accrued expenses		2,814,255
Current portion of compensated absences payable		28,750
Payments from restricted cash and cash equivalents:		
Bond interest payable		997,230
Current portion of long term debt		4,278,000
Total current liabilities		8,118,235
Noncurrent liabilities:		
Compensated absences, net of current portion		617,563
Deferred revenue		8,000
Bonds payable, net of current maturities		87,481,237
Total noncurrent liabilities		88,106,800
Total liabilities		96,225,035
Net assets:		
Invested in capital assets, net of related debt		246,808,331
Restricted for debt service		8,688,327
Restricted under bond covenant		805,170
Unrestricted		28,268,529
Total net assets	$	284,570,357

The accompanying notes are an integral part of the financial statements

Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2009

Operating revenues:		
Sewer charges	$	24,290,719
Facility and tap fees		2,959,115
Miscellaneous		509,239
Total operating revenues		27,759,073
Operating expenses:		
Salaries and employee benefits		6,181,775
Contractual services		1,387,098
Utilities		1,298,053
Repairs and maintenance		877,124
Other supplies and expenses		1,337,610
Insurance claims and expenses		1,726,689
Depreciation		8,561,962
Total operating expenses		21,370,311
Operating income		6,388,762
Nonoperating revenues (expenses):		
Interest income		1,047,587
Interest expense		(3,203,405)
Amortization of bond issuance costs		(73,887)
Gain on disposal of surplus property		22,150
Total nonoperating revenues (expenses)		(2,207,555)
Income before contributions		4,181,207
Capital contribution		5,856,798
Change in net assets		10,038,005
Total net assets, beginning of year		274,532,352
Total net assets, end of year	$	284,570,357

The accompanying notes are an integral part of the financial statements

Statement of Cash Flows

For the year ended June 30, 2009

Cash flows from operating activities:		
Cash received from customers	$	27,846,525
Sales tax paid		(6,750)
Cash paid to employees for services		(4,999,800)
Cash paid for goods and services		(7,359,720)
Other operating revenue		504,734
Net cash provided by operating activities		15,984,989
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(13,199,765)
Proceeds from sale of surplus property		49,498
Principal paid on bond maturities		(3,210,000)
Interest paid on bond maturities		(3,429,942)
Net cash used by capital and related financing activities		(19,790,209)
Cash flows from investing activities:		
Proceeds from sale of investments		17,545,192
Purchase of investments		(10,600,000)
Interest on investments		829,903
Net cash provided by investing activities		7,775,095
Net increase in cash and cash equivalents		3,969,875
Cash and cash equivalents, July 1		31,489,927
Cash and cash equivalents, June 30	$	35,459,802

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	6,388,762
Adjustments to reconcile operating income to net cash provided by operating activites:		
Depreciation		8,561,962
Changes in assets and liabilities:		
Decrease in receivables		585,436
(Increase) in inventory		(10,562)
Increase in accounts payable and accrued expenses		399,304
Increase in accrued compensated absences		60,087
Total adjustments		9,596,227
Net cash provided by operating activities	$	15,984,989

Noncash investing, capital, and financing activities:

1. At various times during the year ended June 30, 2009 the District received contribution of sewer lines constructed by developers with a reported estimated fair value of $5,856,798.

2. During the year ended June 30, 2009, a total of $51,880 of unrealized appreciation increased the fair value of investments not considered to be cash equivalents.

The accompanying notes are an integral part of the financial statements

Notes to Basic Financial Statements

June 30, 2009

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Metropolitan Sewerage District of Buncombe County, North Carolina (District) conform to generally accepted accounting principles as applicable to enterprise-type governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The District is a public body and body politic and corporate of the State of North Carolina, created pursuant to the North Carolina Metropolitan Sewerage Districts Act (Article 5, Chapter 162A of the General Statutes of North Carolina, as amended). The District was established in 1962 by the North Carolina State Stream Sanitation Committee for the purpose of constructing and operating facilities for sewage treatment within the political subdivisions serviced by the District as listed below.

City of Asheville
Beaverdam Water and Sewer District
Town of Biltmore Forest
Town of Black Mountain
Busbee Sanitary Sewer District
Caney Valley Sanitary Sewer District
Crescent Hill Sanitary Sewer District
Woodfin Sanitary Water and Sewer District
Town of Montreat
Enka-Candler Water and Sewer District
Fairview Sanitary Sewer District
Skyland Sanitary Sewer District
Swannanoa Water and Sewer District
Town of Weaverville
Venable Sanitary District

Under the North Carolina Metropolitan Sewerage Districts Act, the District is authorized, among other things, to: (a) acquire, construct, improve, extend, maintain, and operate any sewerage system or part thereof (including facilities for the generation and transmission of electric power and energy) within or without the District; (b) to issue revenue bonds to pay the costs of any of the foregoing; and (c) to set and collect rents, rates, fees and other charges for provision of sewerage services and the use of any District facilities.

The District Board consists of twelve members appointed as follows: three from the County of Buncombe, three from the City of Asheville, and one each from Woodfin Sanitary Water & Sewer District, and the Towns of Biltmore Forest, Black Mountain, Montreat, Woodfin, and Weaverville.

The District owns, operates, and maintains a wastewater treatment plant as well as the related network of collector and interceptor sewers. The treatment plant has a capacity to treat up to 40 million gallons per day, but currently receives an average of 15.8 million gallons per day from approximately 50,000 residential and commercial customers transported through approximately 920 miles of collector sewers.

The District's basic financial statements include all transactions of the District for which the District is financially accountable. Financial accountability is defined as appointment of a majority of a component unit's board and either the ability to impose the will of the District or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Based on these criteria, the District has determined that there are no component units, which come under the criteria for inclusion. The District is not a component unit of any other governmental entity.

B. Basis of Presentation - Fund Accounting

The accounts of the District are organized and operated on the basis of funds in accordance with the District's Bond Order. A Fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District presents the basic financial statements on an enterprise fund basis. The Enterprise Fund accounts for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes.

C. Measurement Focus and Basis of Accounting

The proprietary fund is accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary Funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred.

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

D. Budgetary Data

Budgets are adopted as required by state statute and in compliance with the Bond Order. All annual appropriations lapse at fiscal year-end. The budget is prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions during the fiscal year. Expenditures may not legally exceed appropriations at the functional level. Management is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any function must be approved by the governing board. There were no budget amendments.

As required by North Carolina state law (G.S. 159-26(d)), the District maintains encumbrance accounts, which are considered to be "budgetary accounts." Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

E. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the District 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, (the "State"); bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The District's Bond Order limits investments to:

a. government obligations;

b. obligations of the following agencies: Federal Financing Bank, Federal Home Loan Banks; Federal Home Loan Mortgage Corporation (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), The Federal National Mortgage Association (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration;

c. direct general obligations of the State secured by the full faith and credit and taxing power of the State rated in one of the two highest rating categories by Moody's and S&P;

d. bonds and notes of any North Carolina local government or public authority (other than the District), subject to such restrictions as the Secretary of the Local Government Commission may impose, provided such bonds or notes are rated in one of the two highest rating categories by Moody's and S&P;

e. savings certificates or certificates of deposit issued by any commercial bank or savings and loans association organized under the laws of the State or in any federal bank or savings and loan association having its principal office in the State; provided, however, that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof; or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State, be fully collateralized by obligations reserved by financial institution;

f. prime quality commercial paper (having original maturities of not more than 270 days) bearing the highest rating of Moody's and S&P and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation;

g. Participating shares in the cash portfolio of North Carolina Capital Management Trust, provided that the investments of such fund are limited to those qualifying for investment under this definition and that said fund is certified by the Local Government Commission;

h. A commingled investment pool established and administered by the State Treasurer pursuant to G. S. 147-69.3;

i. Repurchase agreements with respect to Government Obligations if entered into with certain restrictions;

j. Any other investment now or hereafter permitted for investment of funds by the District by the General Statutes of North Carolina, including, without limitation, Section 159-30 of the General Statutes of North Carolina.

The District'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 securities of the NCCMT Cash Portfolio, a SEC-registered (2a – 7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. 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 earnings and investment contracts are reported at cost.

F. Restricted Assets and Liabilities

Any unexpended bond proceeds from the revenue bonds issued by the District are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. Cash and investments included in the District's bond service and debt service reserve accounts are classified as restricted because their use is completely restricted for reserves and debt service of the outstanding bonds. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Any amounts payable from restricted assets are considered restricted liabilities. At June 30, 2009, the bond interest payable of $997,230 and the current portion of long-term debt $4,278,000 represents total restricted liabilities of the District.

G. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated based on the percentage of receivables that were written off in prior years. The allowance was $358,503 as of June 30, 2009.

H. Inventories

Inventories consist of materials and supplies held for consumption and expensed as used. Inventories are valued at the lower of cost (first-in, first-out) or market.

I. Capital Assets

Capital assets, primarily property and equipment, are recorded at original cost at the time of acquisition or constructed. Donated assets are recorded at the estimated fair market value at the date of donation. Any interest incurred during the construction phase of capital assets is reflected in the capitalized value of the assets constructed. Assets costing at least $15,000 and with a useful life of over one year are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed on the straight-line basis. Assets are depreciated based on useful life estimated by District engineers as follows: See Note 5 for additional information.

Buildings and waste treatment plants	50 years
Improvements other than buildings	10-50 years
Waste treatment and pumping stations machinery	10-15 years
Interceptor sewer lines	50-100 years
Collector sewer lines	50-100 years
Office furniture and fixtures	10 years
Lab equipment	5-10 years
Maintenance equipment	5-10 years
Automobiles and trucks	5-10 years
Communication equipment	5-10 years
Computer equipment and software	3-5 years

J. Deferred Bond Issuance Costs

Costs incurred in issuing the Series 1992A revenue refunding bonds, Series 1992B revenue bonds, Series 1999 revenue bonds, Series 2001 revenue bonds, Series 2003 refunding revenue bonds, Series 2008A revenue refunding bonds, and Series 2008B refunding revenue bonds have been deferred and are being amortized over the term of the bonds using an effective interest method of amortization.

K. Compensated Absences

The vacation policy of the District provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. Accordingly, an expense and a liability for compensated absences and any salary-related payments such as retirement contributions and payroll taxes are recorded. Accumulated earned vacation at June 30, 2009 is $646,313 and is included in accrued expenses. See Note 3D for further details.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2009 amounts to approximately $1.9 million. 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 District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

L. Cash Equivalents

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

M. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. Those statements which may have a future impact on the District include:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets, will be effective for the District in the fiscal year beginning June 15, 2009.* The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among states and local governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, the Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, will be effective for the District in the fiscal year beginning July 1, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and future contracts. Management is currently evaluating the impact this statement will have on the District's financial statements.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Operating and Nonoperating Revenues and Expenses

The District defines operating revenue and expenses as those directly received and incurred in the process of providing wastewater collection and treatment. Nonoperating revenues and expenses are those resulting from incidental functions such as investment income, interest expense on long-term debt, and sale of surplus equipment.

P. Deferred Revenue

From time to time, the District may receive grants, cost-sharing or other revenue with respect to future periods. Such funds are classified as deferred revenue and recognized in the period when the requisite activities and conditions are completed.

Note 2 - Deposits and Investments

A. Deposits

All of the District'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 District, these deposits are considered to be held by the District's agent in the District's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the state treasurer the adequacy of their pooled collateral covering uninsured deposits. The state treasurer does not confirm this information with the District or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the District 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 enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and the District relies on the State Treasurer to monitor those financial institutions. The District's formally adopted investment policy attempts to mitigate custodial credit risk for deposits by pre-qualifying the financial institutions receiving funds. The District also complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2009, the District's deposits had a carrying amount of $22,286,851 and a bank balance of $22,448,342. Of the bank balance, $500,000 was covered by federal depository insurance and $21,948,342 in interest-bearing deposits was covered by collateral held under the pooling method.

At June 30, 2009, the District had $350 cash on hand.

B. Investments

As of June 30, 2009, the District had the following investments and maturities.

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years
US Government Agencies	$3,190,010	$1,138,130	$2,051,880	N/A
NC Capital Management Trust – Cash Portfolio	$12,034,471	N/A	N/A	N/A
Total	$15,224,481	$1,138,130	$2,051,880	N/A

Interest Rate Risk. As a means of limiting its exposure to changes in fair value arising from rising interest rates, the District's formally adopted investment policy calls for structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and/or scheduled debt service, thereby avoiding the need to sell securities on the open market prior to maturity. In addition, the District invests operating funds primarily in shorter-term securities.

Credit Risk. Credit risk is the risk of loss due to the failure of the security issuer or backer. The District's formally adopted investment policy mitigates credit risk by limiting investments to the safest types of securities and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The District's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2009. The District's investments in US Agencies (such as the Federal National Mortgage Association, and the Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2009.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's formally adopted investment policy requires all transactions to be conducted on a delivery-versus-payment (DVP) basis and to be held by a contracted third party custodian and evidenced by safekeeping receipts. At June 30, 2009, the District did not have any investments exposed to custodial credit risk.

Concentration of Credit Risk. The District's investment policy mitigates concentration of credit risk, that is, the risk from the failure of any one entity or industry, by limiting the maximum amount of the District's portfolio that may be invested in Bankers' Acceptances and Commercial Paper to 20% each. In addition, the District's formally adopted policy limits investment in any single issue of a non-governmental entity to the greater of $500,000 or 1% of the entire portfolio. More than 5% of the District's investments were invested in a Federal Home Loan Bank and Federal National Mortgage Association securities. The District had 7.5% invested in a Federal National Mortgage Association security and 13.5% invested in a Federal Home Loan Bank security.

C. Forward Delivery Agreement

Objective. In connection with the debt service reserve funds for the 2001 Bonds, the District entered into Forward Delivery Agreement (FDA) under which it has received a guarantee of the rate of return it will receive during the term of the agreement on amounts held in the reserve funds. Because this agreement is not held as an investment, its fair value is not included in the financial statements. However, all investments acquired under the terms of the agreement are presented at fair value.

Terms. Under this agreement, the Provider agrees to sell the District qualifying investments bearing a certain rate of interest and maturing at times when cash is needed for debt service requirements. The agreement entered into for the Series 2001 bonds with Salomon Brothers Holding Company Inc. matures July 1, 2021. The guaranteed rate of return is 5.38% and covers approximately $1.1 million of debt service reserve funds.

Interest Rate Risk. The FDA minimized the risk of loss resulting from fluctuations in interest rates during the term of the contract, but the District has also foregone the possibility of receiving greater returns on debt service reserve funds from such fluctuations. At June 30, 2009, the District has approximately $1.1 million of investments held under the remaining contract.

Credit Risk. Credit risk is the risk of loss due to the failure of the security issuer or backer. The GIC agreement provides for additional collateral or other remedies in the event the providing institution suffers a serious downgrade by one or more of the major investment rating firms. Currently Citigroup, of which Salomon Brothers is a subsidiary, is rated Aa3 by Moody's Investors Service, AA- by Standard & Poor's Ratings Services, and AA- by Fitch Ratings.

Custodial Credit Risk. These investments are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form.

Termination Risk. In the event the District desires to terminate the agreement, the provider will compute the value of the contract based on prevailing interest rates. If the amount is positive, the District will pay the amount to the provider, or if negative, the provider will pay such amount to the District. Due to current interest rates being below those of the guaranteed rates, the District does not believe any termination risk exists at this time. The provider has no option to terminate the contract.

D. Interest Rate Exchange Agreement (Swap)

Objective. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in January 2005, the District issued variable interest rate debt and entered into an interest rate exchange agreement (swap) in connection with its variable rate $33,915,000 Series 2005 Revenue Refunding Bonds. The intention of the swap was to effectively change the District's variable interest rate on the bonds to a synthetic fixed rate of 3.4175%. In April 2008, the District issued $33,635,000 Revenue Refunding Bonds Series 2008A to currently refund the Series 2005 Revenue Refunding Bonds. The swap described above now applies to the Series 2008A Revenue Refunding Bonds. Because of this intention, the fair value of this financial instrument is not included in the statement of net assets.

Terms. Under the terms of the swap, the District pays the counterparty a fixed payment of 3.4175% and receives a variable payment computed as 59% of the one-month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap had an initial notional amount equal to the associated Series 2005 variable rate bond principal amount of $33,915,000. The swap was entered into at the same time the Series 2005 bonds were issued in January of 2005. Starting in fiscal year 2006, the notional value of the swap and the principal amount of the associated debt declined in equal amounts. As the swap now applies to the Series 2008A bonds, the remaining notional value of the swap is correlated to the variable rate bond principal amount of $33,635,000. Starting in fiscal year 2010, the notional value of the swap and the principal amount associated debt decline in similar amounts until the debt is completely retired, so there is no rollover risk. The bonds' variable rate coupons are determined by the remarketing agent based on prevailing market conditions. This usually approximates The Securities Industry and Financial Markets Association (SIFMA). The bonds and the related swap agreement mature on July 1, 2031.

As of June 30, 2009, rates were as follows:

	Terms	Rates at 6/30/2009
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.4175%
Variable payment from counterparty	59% of LIBOR plus 35 Basis Points	(.5322%)
Net interest rate swap payments		2.8853%
Variable-rate bond coupon payments	Remarketed Rate	.3200%
Synthetic interest rate on bonds		3.2053%

Fair value. Because interest rates have decreased, as of June 30, 2009, the swap had a negative fair value of $2,944,236. The mark-to-market valuation was established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

Credit risk. As of June 30, 2009, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty was rated Aa3 by Moody's Investors Service, A+ by Standard & Poor's, and A+ by Fitch Ratings as of June 30, 2009. To mitigate the potential credit risk, if the counterparty's credit quality falls below Baa3 (Moody's) and BBB- (S&P), the value of the swap may be fully collateralized by the counterparty or by several other means specified in the International Swap Dealers association (ISDA) Master Agreement and Counterparty Schedule.

Basis Risk. As noted above, the swap exposes the District to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving in a direction unfavorable to the District, the expected cost savings may not be realized.

Termination Risk. The interest rate exchange contract uses the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The ISDA Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated by the District if the counterparty's credit quality rating falls below Baa3 (Moody's) and BBB-(S&P). The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. In addition, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

Associated debt. For further information concerning interest payments under the swap, see Note 3.

Note 3 - Long-Term Debt Obligations

A. Revenue Bonds

The District issues debt to help finance the cost of rehabilitation of wastewater interceptor and collection infrastructure, and treatment plant facilities. Unlike cities and counties, the District has no legal debt limit. However, the District must comply with the legal requirements contained in its Bond Order as described in Note 11.

The District's borrowings are subject to federal arbitrage regulations; however, management does not anticipate any material liability for arbitrage from any of these debt issues.

The District currently has the following issues outstanding:

	Original Issue Amount
Series 1992A, Revenue Refunding Bonds	$ 20,845,000
Series 1992B, Revenue Bonds	22,500,000
Series 1993A, Revenue Refunding Bonds	33,130,000
Series 1999, Revenue Bonds	31,815,000
Series 2001, Revenue Bonds	21,020,000
Series 2003, Revenue Refunding Bonds	26,970,000
Series 2008A, Revenue Refunding Bonds	33,635,000
Series 2008B, Revenue Refunding Bonds	22,165,000

The following is a summary of changes in the Districts' long-term debt for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Revenue refunding bonds (Series 1992A) issued for the defeasance of Series 1986A revenue bonds:				
6.60% term bonds issued April 1, 1992, at 100%, due July 1, 2007 through 2010, interest payable semi-annually.	$ 2,040,000	$ -	$ 975,000	**$ 1,065,000**
Revenue bonds (Series 1992B) issued for construction costs during the final phase of the sewer wastewater treatment plant and improvements to selected interceptor sewers:				
6.60% term bonds issued April 1, 1992, at 100%, due July 1, 2007 through 2010; interest payable semi-annually.	1,390,000	-	660,000	**730,000**

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Revenue bonds (Series 1999) issued for a portion of the construction costs of a five-year capital improvement plan adopted by the District:				
3.40% to 5.00% serial bonds issued May 1, 1999, with maturities on each July 1, starting in 2002 through 2013 varying from $85,000 to $3,445,000; interest payable semi-annually	13,970,000	-	110,000	**13,860,000**
Revenue bonds (Series 1999) issued for a portion of the construction costs of a five-year capital improvement plan adopted by the District (Cont'd):				
4.90% term bonds issued May 1, 1999, at 98.5%, due July 2017 through 2019; interest payable semi-annually	3,065,000	-	-	**3,065,000**
Total - Series 1999 bonds	17,035,000	-	110,000	**16,925,000**
Revenue bonds (Series 2001) issued for construction costs of a portion of the construction costs of a five-year capital improvement plan adopted by the District:				
2.80% to 4.50% serial bonds issued December 13, 2001, with maturities on each July 1, 2004 through 2013 varying from $250,000 to $555,000; interest payable semi-annually	2,465,000	-	455,000	**2,010,000**
Enka-Candler Water and Sewer District Bonds liability assumed by the District on July 2, 1990 as stated in the sewer consolidation agreement:				
5.00% serial bonds assumed July 2, 1990 with maturities on each June 1, through 2024 varying from $19,000 to $64,000, interest payable semi-annually	902,000	-	45,000	**857,000**
Revenue refunding bonds (Series 2003) issued for the defeasance of a portion of the Series 1992A and 1992B revenue refunding bonds, and Series 1993A revenue bonds:				
2% to 5.25% serial bonds issued April 3, 2003, with maturities on each July 1, 2004 through 2022 varying from $205,000 to $2,730,000; interest payable semi-annually	15,170,000	-	965,000	**14,205,000**
4% term bonds issued April 3, 2003, at 100% due July 1, 2014; interest payable semi-annually	1,920,000	-	-	**1,920,000**
4% term bonds issued April 3, 2003, at 99.09% July 1, 2014; interest payable semi-annually	1,875,000	-	-	**1,875,000**
Total - Series 2003 Bonds	18,965,000	-	965,000	**18,000,000**
Revenue Refunding Bonds (Series 2008A) issued to currently refund the Series 2005 Revenue Refunding Bonds:				
Interest at variable rates in the weekly mode, payable monthly, due serially until 2031	33,635,000	-	-	33,635,000

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Revenue Refunding Bonds (Series 2008B) issued to currently refund the Series 2004 Revenue Bonds:				
Interest at variable rates in the weekly mode, payable monthly, due serially until 2031	22,165,000	-	-	22,165,000
Total Bonds - All Series	**98,597,000**	-	3,210,000	**95,387,000**
Less net of unamortized discounts and premiums	(3,847,605)	-	(219,842)	(3,627,763)
	94,749,395	$ -	$ 2,990,158	91,759,237
Series 1992A	975,000			1,040,000
Series 1992B	660,000			705,000
Series 1999	110,000			1,085,000
Series 2001	455,000			475,000
Series 2003	965,000			30,000
Series 2008A	-			175,000
Series 2008B	-			720,000
Enka-Candler	45,000			48,000
	(3,210,000)			(4,278,000)
	$ 91,539,395			$ 87,481,237

Maturities of long-term debt are as follows:

Year Ending June 30:	Principal: Serial and Term Maturity	Principal: Mandatory Sinking Fund Requirements (Term Bonds)	Total	Interest
2010	$ 2,503,000	$ 1,775,000	$ 4,278,000	$ 3,668,942
2011	4,400,000	80,000	4,480,000	3,468,316
2012	4,638,000	30,000	4,668,000	3,275,054
2013	4,810,000	35,000	4,845,000	3,064,117
2014	5,078,000	35,000	5,113,000	2,846,427
	21,429,000	1,955,000	23,384,000	16,322,856
Five years Ending June 30:				
2019	17,892,000	5,630,000	23,522,000	11,134,431
2024	21,956,000	-	21,956,000	6,572,308
2029	19,620,000	-	19,620,000	2,924,112
2032	6,905,000	-	6,905,000	247,781
	$ 87,802,000	$ 7,585,000	$95,387,000	$ 37,201,488

The mandatory sinking fund requirements for the term bonds set forth above assume sufficient cash flow to provide for the sinking fund requirements. To the extent the sinking fund does not fully redeem the term bonds, the Series 1992A and 1992B bonds are payable in full at maturity on July 1, 2012, the Series 1999 bonds are payable in full at maturity on July 1, 2019, and the Series 2003 bonds are payable in full at maturity on July 1, 2014.

The revenue bonds are secured by and payable solely from all sewer revenues of the District after provisions for operating expenses and from certain reserves and other monies of the District, as described in the bond order. Additional remittance requirements to the trustee for a sinking fund to redeem the term bonds, subordinated indebtedness outstanding, if any, and other purposes are set forth in the bond order.

Commencing in the year ending June 30, 2009, the District may redeem any of the Series 1999 Bonds maturing on or after July 1, 2010, (except for the Series 1999 Bonds due July 1, 2012) still outstanding on any date at premiums ranging from 0% to 1.0% depending on the date redeemed. Additionally, beginning July 1, 2009, the District may redeem any of the Series 1999 due July 1, 2012 still outstanding on any interest payment date at premiums ranging from 0% to 1.0% depending on the date redeemed. Finally, on or after

July 1, 2013, the District may redeem in whole or in part, any of the Series 2003 bonds maturing on or after July 1, 2014, at 0% premium.

Interest costs of $341,821 have been capitalized in the cost of construction for the year ended June 30, 2009. Net interest expense not capitalized in 2009 was $3,203,405.

B. Variable Debt

Interest rates. Interest rates for variable debt change weekly as determined by the responsible remarketing agent based on competitive municipal bond rates in the secondary market.

Liquidity Agreement. The District has entered into a remarketing agreement with the Bank of America to perform various functions in connection with the Series 2004 and Series 2005 variable debt. The Remarketing Agent's major responsibilities include (i) soliciting of purchases of Bonds from qualified investors, (ii) processing and recordkeeping for such purchases, (iii) billing and receiving payment for Bonds purchased, and (iv) determining the interest rate on the Bonds as provided in the Series Resolution.

C. Interest Rate Exchange Agreement (Swap)

Swap payments and associated debt. As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. The following computations are based on the interest assumptions reported in Note 2, where the purpose and terms of the investment are discussed.

Fiscal Year	Variable Rate Bonds		Interest Rate	
Ending June 30	Principal	Interest	Swap, Net	Total
2009	$ 175,000	$ 107,632	$ 970,483	$ 1,253,115
2010	180,000	107,072	965,434	1,252,506
2011	185,000	106,496	960,240	1,251,736
2012	170,000	105,904	954,902	1,230,806
2013	740,000	105,360	949,997	1,795,357
2014	765,000	102,992	928,646	1,796,638
2015	790,000	100,544	906,573	1,797,117
2016	825,000	98,016	883,779	1,806,795
2017	855,000	95,376	859,975	1,810,351
2018	885,000	92,640	835,305	1,812,945
2019	920,000	89,808	809,770	1,819,578
2020	2,075,000	86,864	783,225	2,945,089
2021	2,160,000	80,224	723,354	2,963,578
2022	2,235,000	73,312	661,031	2,969,343
2023	2,320,000	66,160	596,544	2,982,704
2024	2,400,000	58,736	529,604	2,988,340
2025	2,485,000	51,056	460,356	2,996,412
2026	2,585,000	43,104	388,655	3,016,759
2027	2,685,000	34,832	314,069	3,033,901
2028	2,785,000	26,240	236,598	3,047,838
2029	2,890,000	17,328	156,241	3,063,569
2030	1,240,000	8,080	72,855	1,320,935
2031	1,285,000	4,112	37,077	1,326,189
	$ 33,635,000	$ 1,661,888	$ 14,984,713	$ 50,281,601

D. Compensated Absences

Changes to the liability for compensated absences were as follows:

Balance June 30, 2008	$ 586,226
Additions	557,139
Withdrawals	(497,052)
Balance June 30, 2009	$ 646,313

The District accounts for compensated absences on a LIFO basis, assuming that employees are taking leave time as it is earned. For the year ended June 30, 2009, the District estimates that $28,750 is the current portion of this liability.

Note 4 - Defeasance of Bonds

1999 Refunding

On April 12, 1999, the District deposited with an escrow agent sufficient funds to purchase Treasury obligations maturing as to principal and interest at such times and in such amounts as shall be sufficient to pay the principal and interest on a portion of the Series 1992A, Series 1992B and Series 1993A bonds as follows:

1992A Revenue Refunding Term Bonds	$	3,545,000
1992B Revenue Refunding Term Bonds		2,395,000
1993A Revenue Serial Bonds		975,000
1993A Revenue Term Bonds		6,685,000
Total	$	13,600,000

2003 Refunding

On April 3, 2003, the District issued $26,970,000 of revenue advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of $26,890,000 of 1992A, 1992B, and 1993A revenue bonds redeemed July 1, 2003. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $1,900,825. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by $3,591,700 and resulted in an economic gain of $2,026,796.

2005 Refunding

On January 6, 2005, the District issued $33,915,000 of revenue advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments for $14,125,000 of 1999 bonds to be redeemed on July 1, 2009, and for $17,030,000 of 2001 bonds to be redeemed on July 1, 2011. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $2,760,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by $4,009,602 and resulted in an economic gain of $2,501,941.

Summary

Depositing these funds amounted to a defeasance of a portion of the 1992A, 1992B, 1993A, 1999 and 2001 series bonds. These liabilities, as well as the funds held by the escrow agent, were removed from the District's financial statements.

The defeased bonds at June 30, 2009 had the following outstanding balances:

	June 30, 2008	New	Retired	June 30, 2009
1992A	$ 3,525,000	$ -	$ -	$ 3,525,000
1992B	2,375,000	-	-	2,375,000
1993A	7,660,000	-	-	7,660,000
1999	14,125,000	-	-	14,125,000
2001	17,030,000	-	-	17,030,000
	$ 44,715,000	$ -	$ -	$ 44,715,000

Outstanding amounts will be redeemed as follows:

	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
1992A	$ -	$ 1,085,000	$ 1,180,000	$ 1,260,000	$ -
1992B	-	725,000	800,000	850,000	-
1993A	975,000	1,025,000	1,080,000	1,140,000	3,440,000
1999	14,125,000	-	-	-	-
2001	-	-	17,030,000	-	-
	$ 15,100,000	$ 2,835,000	$ 20,090,000	$ 3,250,000	$ 3,440,000

Note 5 - Capital Assets

A summary of changes in capital assets follows below.

	Balance 6/30/08	Additions	Disposals	Transfers	Balance 6/30/09
Capital Assets Not Being Depreciated					
Land	$ 2,515,666	$ –	$ –	$ –	$ 2,515,666
Buildings not currently in service	1,159,908	–	–	–	1,159,908
Construction in progress	3,005,930	12,789,611	–	(11,751,195)	4,044,346
Total capital assets not being depreciated	6,681,504	12,789,611	–	(11,751,195)	7,719,920
Capital Assets Being depreciated					
Buildings & waste treatment plants	47,927,541	–	–	–	47,927,541
Improvements other than bldgs.	3,396,388	–	–	266,518	3,662,906
Machinery & Equipment	48,330,141	15,039	(257,368)	517,603	48,605,415
Interceptor Sewer Lines	99,339,104	–	(51,636)	4,304,626	103,592,094
Collector lines	225,642,409	5,856,798	(38,383)	6,658,858	238,119,682
Automobiles and Trucks	4,038,524	322,467	(117,701)	–	4,243,290
Computer Equipment	371,207	99,917	–	3,590	474,714
Office furniture & equipment	584,142	–	–	–	584,142
Total capital assets being depreciated	429,629,456	6,294,221	465,088)	11,751,195	447,209,784
Less accumulated depreciation:					
Buildings & waste treatment plants	(14,935,303)	(963,873)	–	–	(15,899,176)
Improvements other than bldgs.	(2,167,405)	(139,032)	–	–	(2,306,437)
Machinery & Equipment	(36,745,649)	(2,204,627)	230,020	–	(38,720,256)
Interceptor Sewer Lines	(13,731,301)	(1,130,093)	51,636	–	(14,809,758)
Collector lines	(37,821,105)	(3,808,629)	38,383	–	(41,591,351)
Automobiles and Trucks	(3,174,233)	(254,172)	117,701	–	(3,310,704)
Computer Equipment	(340,393)	(18,683)	–	–	(359,076)
Office furniture & equipment	(473,330)	(42,853)	–	–	(516,183)
Total Accumulated Depreciation	(109,388,719)	(8,561,962)	437,740	–	(117,512,941)
Total capital assets being depreciated, net	320,240,737	(2,267,741)	(27,348)	–	329,696,843
	$326,922,241	$10,521,870	$ (27,348)	$ –	$337,416,763

Fully depreciated assets. The District currently has fully depreciated capital assets still in service with a historical cost of approximately $26.7 million, consisting primarily of sewer collector and interceptor lines, wastewater treatment plant facilities, and various machinery and equipment.

Buildings not being depreciated. In January of 1999, the District modified its sewage treatment process, which resulted in retiring the digester equipment. However, the building in which it had been housed is still suitable for use, and accordingly, depreciation will not be charged until it is placed back in service.

Contributed infrastructure. The District's responsibility is to maintain existing collector and interceptor sewer lines as well as to provide wastewater treatment. The majority of sewer lines added to the District are constructed by member agencies or developers and donated to the District. Occasionally, owners of private lines will petition the District to take over their sewer lines as well. This infrastructure must meet minimum District engineering standards, and when accepted by Board action, the District assumes all responsibility for future maintenance and rehabilitation. During the year ended June 30, 2009, the District accepted capital assets with an estimated fair market value of $5,856,798.

Note 6 - Pension Plan Obligation

A. North Carolina Local Governmental Employees' Retirement System:

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The District is required to contribute at an actuarially determined rate. For the District, the current rate for employees is 4.8% of annual covered payroll. The contribution requirements of members of the District are established and may be amended by the North Carolina General Assembly. The District's contributions to LGERS for the years ended June 30, 2009, 2008 and 2007 were $349,101, $327,187, and $318,824 respectively. The contributions made by the District equaled the required contributions for each year.

B. Supplemental Retirement Income Plan for Non-Law Enforcement Officers 401(k) Plan:

Plan Description. The District contributes to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees of the District who are members of the Local Government Employees' Retirement System. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Employee contributions are voluntary and must conform to applicable IRS limits. The District has a graduated matching contribution plan as follows: if an employee contributes 1%, 2% or 3%, the District will contribute 2%, 4%, or 5%, respectively, of their salary to either the 401(k) plan or the 457 plan described below. The District Board has the authority to establish and amend contribution requirements. During the year ended June 30, 2009, a total of $261,148 and $265,610 were contributed by the District and employees, respectively.

C. Deferred Compensation Plan:

Plan Description. The District also offers its employees a deferred compensation plan, another type of defined contribution plan, established under the Internal Revenue Code Section 457. The plan allows employees to defer receipt and taxation of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by a third party administrator who establishes and amends benefit provisions within the provisions of the Internal Revenue Code Section 457.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, and rights (until paid or made available to the employee or other beneficiary) are held in trust for the exclusive benefit of participants and their beneficiaries. As such, these assets and the related obligations are not reported in these financial statements.

Funding Policy. Employee contributions are voluntary and must conform to applicable IRS limits. The District has a graduated matching contribution plan as follows: if an employee contributes 1%, 2% or 3%, the District will contribute 2%, 4%, or 5%, respectively, of their salary to either the 401(k) plan described above or the 457 plan. The District Board has the authority to establish and amend contribution requirements. During the year ended June 30, 2009, $33,305 and $39,042 were contributed by the District and employees, respectively, to the deferred compensation plan.

Note 7 - Other Employment Benefit

Death Benefits. The District has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not be below $25,000 or exceed $50,000. All death benefit payments are made from the Death Benefit Plan. The District has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the District, the District does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the District made contributions of $6,535 to the State to provide death benefits. The District's required contributions for employees represented 0.09% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

Note 8 - Other Post-Employment Benefits

Healthcare Benefits

Plan Description. As of May 14, 2008, the District Board resolved to allow retirees to continue coverage under the Districts' self-insured group health and dental insurance plan (the GHD Plan) until the earlier of (1) reaching age 65; or (2) becoming covered under another group medical plan; or (3) failing to timely pay any required premium for such coverage. The District will pay the premium cost for the eligible retired employee as follows:

Years of Service	Subsidy Vesting %
30 years at any age	100%
25 at 55 years of age	90%
20 at 55 years of age	80%
15 at 55 years of age	65%
10 at 55 years of age	55% - Existing Employees 50% - Employees hired after 7/1/08
5 at 55 years of age	50% - Existing Employees

Also, the District's retirees can purchase coverage for their spouse at full actuarial cost. The District's Board may amend the benefit provisions.

Membership in the District's GHD Plan consisted of the following at July 1, 2008, the date of the latest actuarial valuation:

	Employees:
Retirees receiving benefits	1
Active plan members	143
Total	144

Funding Policy. The District pays the full cost of coverage for the healthcare benefits paid to qualified retirees under the plan. The District has chosen to fund the healthcare benefits on a pay as you go basis. Funding for these costs is included in budgeted appropriations in the annual budget. The District did not incur any cost for fiscal year June 30, 2009. The current ARC rate is 2.0% of annual covered payroll. For the current year, the District did not have any participating retirees. Therefore, no contributions were made in fiscal year June 30, 2009.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the Post employment account, which is maintained on the accrual basis of accounting. Expenditures are paid as they come due.

The District's board has agreed to set aside funds on an annual basis equivalent to the annual ARC requirement as determined by the District's actuarial consultants. As of June 30, 2009 the District set aside $212,000. These funds are to be used to meet the District's future post-employment obligation.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the healthcare benefits:

Annual required contribution	$ 212,000
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	212,000
Contributions made	-
Increase (decrease) in net OPEB Obligation	212,000
Net OPEB Obligations, beginning of year	-
Net OPEB Obligation, end of year	$ 212,000

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

For Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 212,000	0.0%	$ 212,000

Funded Status and Funding Progress. As of July 1, 2008 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $1,801,000. The covered payroll (annual payroll of active employees covered by the plan) was $6,532,000 and the ratio of the UAAL to the covered payroll was 27.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.0% to 5.0% annually. The investment rate included a 2.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2008 was 30 years.

Note 9 - Risk Management

The District has established a self-insured group health and dental insurance program, which provides medical coverage up to a maximum of $40,000 per employee, and approximately $900,000 in the aggregate. The District purchases commercial insurance for claims in excess of coverage.

All employees participate in the program and are responsible for premium and co-payment amounts as determined by the District. Charges to the Enterprise Fund are adjusted annually so that the Program revenues and expenses are approximately equal and there is an adequate amount in reserves in the event the District decides to discontinue the plan. The accrued self-insurance claims liability of $53,056 reported at June 30, 2009 represents estimated claims liabilities, including incurred but not reported losses, at the estimated ultimate cost of settling the claims using historical experience as determined by the Third Party Administrator (TPA).

Changes since inception in the claims liability amount are as follows:

Fiscal Year End June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balances at Fiscal Year End
1994	$ -	$ 122,442	$ 50,290	**$ 72,152**
1995	72,152	530,786	540,818	**62,120**
1996	62,120	775,891	702,688	**135,323**
1997	135,323	381,338	433,163	**83,498**
1998	83,498	304,519	352,603	**35,414**
1999	35,414	484,512	451,556	**68,370**
2000	68,370	635,222	659,136	**44,456**
2001	44,456	610,882	577,655	**77,683**
2002	77,683	543,810	495,395	**126,098**
2003	126,098	783,630	818,228	**91,500**
2004	91,500	772,527	742,557	**121,470**
2005	121,470	1,030,787	1,036,715	**115,542**

Fiscal Year End June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balances at Fiscal Year End
2006	115,542	1,134,973	1,084,686	**165,829**
2007	165,829	1,092,881	1,147,691	**111,019**
2008	111,019	1,129,645	1,126,860	**113,804**
2009	113,804	1,217,628	1,278,376	**53,056**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the District obtains general liability and auto liability coverage, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of $500,000 and $300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The District carries flood insurance through the National Flood Insurance Plan (NFIP). Because the District's structures, situated adjacent to the French Broad River, are in an "A" area designated by the Federal Emergency Management Agency, the District has purchased coverage in the maximum amount of $500,000 through the NFIP for each eligible structure. Management believes this will be adequate to remediate flood damage to exposed buildings and their contents.

In accordance with G.S. 159-29, the District has adopted a system of blanket faithful performance bonds for all employees and has purchased coverage of $100,000 from a commercial insurance carrier. The Finance Officer is individually bonded for $250,000.

Note 10 - Construction in Progress and Future Expansion Plans

During the year ended June 30, 2002, consulting engineers finalized a comprehensive twenty-year Wastewater System Master Plan to guide the District in reducing sanitary sewer overflows (SSOs) as well as keeping up with the maintenance and management of its infrastructure. The plan estimated that the District would need to spend approximately $257 million over a twenty-year period. Portions of this Master Plan are periodically updated as required to meet the needs identified by engineering staff for the Water Reclamation Facility and the collector and interceptor sewer lines. The District uses these plans, along with other resources including representatives from the member agencies, to develop a ten-year Capital Improvement Plan projected to spend an average of $13 million annually. The District expects to fund these costs out of user charges along with the issuance of additional bonds.

As of June 30, 2009, the District had begun sewer projects expected to incur future costs of approximately $40.3 million, and the District is committed under various contracts encumbered for sewer construction and rehabilitation estimated to cost $760,000 to complete. The majority of encumbered contracts are expected to be completed within the next fiscal year, and the projects currently under construction are scheduled to be completed within the next two to five years.

Note 11- Bond Covenants

The District is subject to the 1999 Amended Bond Order, which contains several operational directives including internal accounting fund structure, disclosure of financial records, and setting rates. The District was in compliance with all requirements of the Bond Order during the year ended June 30, 2008. A copy of the Bond Order may be obtained by contacting the Director of Finance.

The District is required by the 1999 Amended Bond Order to set rates as summarized by the following:

The District covenants to set rates and charges so that the Income Available for Debt Service (defined as the excess of "Revenues" over "Current Expenses") will not be less than the greater of (i) one hundred twenty percent (120%) of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year and (ii) one hundred percent (100%) of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year.

The definition of revenues for this purpose does not include grants, contributions, investment income credited to non-operating funds, or tap and connection fees. However, tap and connection fees may be considered revenues upon a resolution duly passed by the Board. Current expenditures include operating expenses other than additions to reserve funds, depreciation or amortization, or debt service payments. Long-Term Debt Service Requirement means the aggregate of the required deposits to be made in respect of principal and interest. The various Bond Series Resolutions require either monthly or semi-annual deposits of the upcoming principal and interest payments to be received by the Trustee at least one day prior to the payment date. In other words, during the fiscal year ended June 30, 2009, the Long-Term Debt Service Requirement equaled principal and interest due on January 1, 2009 and July 1, 2009.

The District does not currently have any subordinated indebtedness, so the computation of the current fiscal year's compliance with this covenant is based solely on 120% of the debt service requirement as follows:

Operating revenues	$	27,759,073
Interest and non-operating revenue		1,069,737
Adjustments to revenues:		
Interest Income allocable to non-operating funds		(456,469)
Facility, tap, and other fees		(2,976,034)
(Gain) on Disposal of Property		(22,150)
Adjusted Revenues		25,374,157
Less: Operating Expenses		(21,370,311)
Add back Depreciation		8,561,962
Adjusted Current Expenditures		(12,808,349)
Income Available for Debt Service	$	12,565,808
Long Term Debt Service Requirement	$	7,600,385
Minimum Required Percentage		120%
Minimum Required Income	$	9,120,462

Therefore, the District is in compliance with the rate covenant as income available for debt service is in excess of 120% of the annual required debt service. The actual coverage ratio is 165%.

Note 12 - Hydroelectric Power

The District operates a hydroelectric generation facility on the French Broad River in proximity to the wastewater treatment plant. In some years with above average rainfall, sufficient quantities of electricity are produced to supply all of the plant's needs with excess electricity generated being sold to Progress Energy. During the year ended June 30, 2009, the District generated power used by the plant, which was estimated to have a net cost after deducting expenditures to generate such power of approximately $263,000 if purchased. An immaterial amount was sold to Progress Energy. This is considerably lower than in prior years due to rainfall that was significantly below average levels.

Note 13 - Operating Leases

Rental Income

The District has entered into a cancelable agreement expiring in 2009 with an optional two-year renewal, with Pace Analytical Services Inc. (Pace) which leases a portion of a building in the Wastewater Treatment Plant facilities along with laboratory equipment. In lieu of direct cash payments to the District for rent, Pace performs certain water sampling and analytical services required under the terms and conditions of the District's NPDES Permit and its Industrial Waste Pretreatment Program. In the event that the fair market value of services rendered is less than the rent payment, Pace will remit funds for the deficit to the District. Conversely, if the fair market value of the laboratory services rendered exceeds the rental amount, the District will pay Pace for the difference. This agreement had an annual value of $45,750, and this amount is accordingly reflected as rental income and operating expense in these financial statements.

The final cancelable, renewable agreement entered into by the District is with a private company to lease land upon which the private company has placed a cell tower. The lease may be renewed indefinitely for five-year terms with 15% increases upon each renewal, and will provide $16,560 annually until the next scheduled increase in 2010.

Following are the carrying values of leased assets, along with current year depreciation and total accumulated depreciation at June 30, 2009. The value of the land leased for a cell tower is not included as it is immaterial and not otherwise useful to the District in current operations.

Leased Asset	Cost	Book Value	Accumulated Depreciation
Portion of Plant Building (estimate)	$ 426,000	$ 347,984	$ 78,016
Laboratory Equipment	14,251	-	14,251
Old Administration Building	467,008	220,992	246,016
Office Equipment & Fixtures	16,742	-	16,742

Lease Expense

The District leases certain office equipment under operating leases. Lease expenditures for these and other rental agreements during the year ended June 30, 2009 totaled $27,727.

Future minimum lease payments are as follows:

Year Ended June 30	Amount
2010	14,126
2011	10,857
2012	8,743
2013	6,978
2014	1,374
Total	$ 42,078

Note 14 - Subsequent Events

On August 18, 2009 the District entered into an agreement with the Department of Environmental and Natural Resources to fund a Sanitary Sewer Project. The District agrees to pay the State of North Carolina the principal sum of $707,346. As part of the American Recovery and Reinvestment Act of 2009, the unpaid principal sum is immediately reduced by one-half of the loan amount as "Principal Forgiveness". Interest will accrue at the rate of 0% per annum on the unpaid principal sum from the Water Pollution Control Revolving Fund. The principal sum shall be repaid in not more than 20 annual installments on May 1. The first principal payment is due not earlier than six months of completion of the Sanitary Sewer Project.

On October 7, 2009, the District closed a $17.2 million fixed rate revenue bond issue Series 2009A. Series 2009A has a 25 year maturity will level debt service payments. The all in true interest rate cost for this issue is 4.13%

Also on October 7, 2009, the District closed a $13.3 million fixed rate revenue refunding bond issue 2009B. Series 2009B refunded Series 1999. The all in true interest rate cost for this issue is 2.20%.

Note 15- Claims and Judgments

The District may be a party to lawsuits arising from the ordinary conduct of business. In the opinion of management, settlement of actual or possible litigation, if any, will not have a material effect on the financial position of the District.

REQUIRED SUPPLEMENTAL INFORMATION

Other Post-Employment Benefits
Required Supplement Information
Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Projected Unit Credit (b)	Unfunded All (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	% of Covered Payroll ((b-a) /c)
7/1/2008	$ -	$ 1,801,000	$ 1,801,000	0.0%	$ 6,532,000	27.6%

Other Post-Employment Benefits
Required Supplement Information
Employer Contributions and Notes to the Required Schedules

Year Ended June 30,	Annual Required Contribution		Percentage Contributed
2009	$	212,000	0.0%

Notes to the Required Schedules

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

Valuation date	7/1/2008
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 Years
Actuarial assumptions:	
Investment rate of return	4.50%
Inflation assumption	2.50%
Healthcare cost trend rate	9% initial, 5% ultimate

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SUPPLEMENTAL FINANCIAL DATA

Comparative Statement of Net Assets

June 30, 2009 and 2008

	2009	2008
Assets:		
Current assets:		
Cash and cash equivalents	$ 24,969,075	$ 21,508,531
Investments	2,051,880	9,000,450
Restricted cash and cash equivalents	5,275,230	4,298,463
Receivables (net):		
Accounts	3,868,630	4,465,321
Sales	293,152	286,402
Employee	16,668	12,163
Interest	255,704	34,642
Inventories	279,038	268,476
Prepaid expenses	2,950	2,950
Total current assets	37,012,327	39,877,398
Noncurrent assets:		
Restricted cash and cash equivalents	5,215,497	5,682,933
Deferred bond issuance costs-net	1,150,805	1,218,192
Capital Assets:		
Land	2,515,666	2,515,666
Plant and equipment	448,369,692	430,789,364
Construction in progress	4,044,346	3,005,930
Less: accumulated depreciation	(117,512,941)	(109,388,719)
Total property and equipment	337,416,763	326,922,241
Total noncurrent assets	343,783,065	333,823,366
Total assets	380,795,392	373,700,764
Liabilities and Net Assets:		
Current liabilities:		
Payments from current assets:		
Accounts payable and accrued expenses	2,814,255	2,729,503
Current portion of compensated absences payable	28,750	28,750
Payments from restricted cash and cash equivalents:		
Bond interest payable	997,230	1,095,288
Current portion of long term debt	4,278,000	3,210,000
Total current liabilities	8,118,235	7,063,541
Noncurrent liabilities:		
Compensated absences, net of current portion	617,563	557,476
Deferred revenue	8,000	8,000
Bonds payable, net of current maturities	87,481,237	91,539,395
Total noncurrent liabilities	88,106,800	92,104,871
Total liabilities	96,225,035	99,168,412
Net assets:		
Invested in capital assets, net of related debt	246,808,331	231,678,011
Restricted for debt service	8,688,327	8,094,629
Restricted for capital projects	805,170	791,479
Unrestricted	28,268,529	33,968,233
Total net assets	$ 284,570,357	$ 274,532,352

Comparative Statements of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Sewer charges	$ 24,290,719	$ 24,895,694
Facility and tap fees	2,959,115	3,005,184
Miscellaneous	509,239	702,777
Total operating revenues	27,759,073	28,603,655
Operating expenses:		
Salaries and employee benefits	6,181,775	5,717,428
Contractual services	1,387,098	1,167,260
Utilities	1,298,053	1,265,901
Repairs and maintenance	877,124	877,634
Other supplies and expenses	1,337,610	1,288,061
Insurance claims and expenses	1,726,689	1,753,911
Depreciation	8,561,962	7,065,752
Total operating expenses	21,370,311	19,135,947
Operating income	6,388,762	9,467,708
Nonoperating revenues (expenses):		
Interest income	1,047,587	1,742,108
Interest expense	(3,203,405)	(3,736,405)
Amortization of bond issuance costs	(73,887)	(91,286)
Gain (loss) on disposal of surplus property	22,150	(49,926)
Total nonoperating expenses	(2,207,555)	(2,135,509)
Income before contributions and special items	4,181,207	7,332,199
Capital contribution	5,856,798	6,244,304
Change in net assets	10,038,005	13,576,503
Total net assets, beginning of year	274,532,352	260,955,849
Total net assets, end of year	$ 284,570,357	$ 274,532,352

Schedule of Revenues and Expenditures - Budget and Actual (NON-GAAP)

For the year ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Sewer charges (net):			
Domestic users	$ 23,408,339	$ 22,284,340	$ (1,123,999)
Industrial users	1,438,311	1,386,132	(52,179)
Billings and collections	590,181	620,247	30,066
	25,436,831	24,290,719	(1,146,112)
Facility and tap fees	1,477,000	2,959,115	1,482,115
City of Asheville(Enka Bonds)	37,000	37,003	3
Rental Income	58,750	16,560	(42,190)
Miscellaneous	388,995	455,676	66,681
Total operating revenues	27,398,576	27,759,073	360,497
Nonoperating revenues:			
Interest income	799,982	1,047,587	247,605
Total nonoperating revenues	799,982	1,047,587	247,605
Total revenues	28,198,558	28,806,660	608,102
Expenses:			
Operating expenses:			
Salaries and employee benefits		6,181,775	
Contractual services		1,387,098	
Utilities		1,298,053	
Repairs and maintenance		877,124	
Other supplies and expenses		1,337,610	
Insurance claims and expenses		1,726,689	
Total operating expenses	13,620,207	12,808,349	811,858
Capital projects:			
Equipment		437,423	
Infrastructure		12,447,791	
Total capital projects	19,241,148	12,885,214	6,355,934
Debt service:			
Principal		4,278,000	
Interest		3,423,442	
Total debt service	8,160,540	7,701,442	459,098
Total expenses	41,021,895	33,395,005	7,626,890
Revenues over (under) expenses	(12,823,337)	(4,588,345)	8,234,992
Other Financing Sources:			
Fund balance appropriated	12,823,337	-	(12,823,337)
	12,823,337	-	(12,823,337)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ (4,588,345)	$ (4,588,345)

Schedule of Revenues and Expenditures - Budget and Actual (NON-GAAP)

For the year ended June 30, 2009

	Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues and other financing sources under expenditures and other financing uses	$ (4,588,345)
Reconciling items:	
Interest expense capitalized	341,821
Change in accrued interest expense	98,058
Unamortized discount recognized in interest expense	(219,842)
Debt principal payments	4,278,000
Capital project transfers	12,885,214
Contributed assets	5,856,798
Depreciation	(8,561,962)
Gain on disposal of surplus property	22,150
Amortization of bond issuance cost	(73,887)
Total reconciling items	14,626,350
Change in net assets	$ 10,038,005

Combining Statement of Net Assets, All Funds (NON-GAAP)

June 30, 2009

	Enterprise Acccount	Capital Reserve Account	Bond Service Account	Debt Service Reserve Account	Construction Account	General Account	Capital Account	Total
Assets:								
Current assets:								
Cash and cash equivalents	$ 19,632,168	$ -	$ -	$ -	$ 1,264,826	$ 3,163,781	908,300	$ 24,969,075
Investments	-	-	-	-	-	2,051,880	-	2,051,880
Restricted cash and cash equivalents	-	-	4,586,034	607,647	-	81,549	-	5,275,230
Receivables (net):								
Accounts	3,868,630	-	-	-	-	-	-	3,868,630
Sales Tax	180,015	-	-	-	113,137	-	-	293,152
Employee	16,668	-	-	-	-	-	-	16,668
Interest	-	-	-	-	-	255,704	-	255,704
Inventories	279,038	-	-	-	-	-	-	279,038
Prepaid expenses	2,950	-	-	-	-	-	-	2,950
Total current assets	23,979,469	-	4,586,034	607,647	1,377,963	5,552,914	908,300	37,012,327
Noncurrent assets:								
Restricted cash and cash equivalents	-	805,170	-	4,410,327	-	-	-	5,215,497
Deferred bond issuance costs-net	-	-	-	-	-	-	1,150,805	1,150,805
Capital Assets:								
Land	-	-	-	-	-	-	2,515,666	2,515,666
Plant and equipment	-	-	-	-	-	-	448,369,692	448,369,692
Construction in progress	-	-	-	-	-	-	4,044,346	4,044,346
Less accumulated depreciation	-	-	-	-	-	-	(117,512,941)	(117,512,941)
Total property and equipment	-	-	-	-	-	-	337,416,763	337,416,763
Total noncurrent assets	-	805,170	-	4,410,327	-	-	338,567,568	343,783,065
Total assets	23,979,469	805,170	4,586,034	5,017,974	1,377,963	5,552,914	339,475,868	380,795,392

	Enterprise Account	Capital Reserve Account	Bond Service Account	Debt Service Reserve Account	Construction Account	General Account	Capital Account	Total
Liabilities and Net Assets:								
Current liabilities:								
Payments from current assets:								
Accounts payable and accrued expenses	1,402,781	-	-	-	1,377,745	2,320	31,409	2,814,255
Current portion of compensated absences payable	28,750	-	-	-	-	-	-	28,750
Payments from restricted cash and cash equivalents:								
Bond interest payable	-	-	997,230	-	-	-	-	997,230
Current portion of long term debt	-	-	-	-	-	-	4,278,000	4,278,000
Total current liabilities	1,431,531	-	997,230	-	1,377,745	2,320	4,309,409	8,118,235
Noncurrent liabilities:								
Compensated absences, net of current portion	617,563	-	-	-	-	-	-	617,563
Deferred revenue	8,000	-	-	-	-	-	-	8,000
Bonds payable, net of current maturities	-	-	-	-	-	-	87,481,237	87,481,237
Total noncurrent liabilities	625,563	-	-	-	-	-	87,481,237	88,106,800
Total liabilities	2,057,094	-	997,230	-	1,377,745	2,320	91,790,646	96,225,035
Net assets:								
Net assets	$ 21,922,375	$ 805,170	$ 3,588,804	$ 5,017,974	$ 218	$ 5,550,594	$ 247,685,222	$ 284,570,357

Combining Schedule of Revenues, Expenses and Changes in Net Assets, All Funds (NON-GAAP)

For the year ended June 30, 2009

	Enterprise Account	Capital Reserve Account	Bond Service Account	Debt Service Reserve Account	Construction Account	General Account	Capital Account	Total
Operating revenues:								
Sewer charges (refunds)	$ 24,290,719	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,290,719
Facility and tap fees	-	-	-	-	-	2,959,115	-	2,959,115
Miscellaneous	469,769	-	-	-	1,500	37,970	-	509,239
Total operating revenues	24,760,488	-	-	-	1,500	2,997,085	-	27,759,073
Operating expenses:								
Operations	12,699,183	-	-	-	65,214	-	43,952	12,808,349
Depreciation	-	-	-	-	-	-	8,561,962	8,561,962
Total operating expenses	12,699,183	-	-	-	65,214	-	8,605,914	21,370,311
Operating income (loss)	12,061,305	-	-	-	(63,714)	2,997,085	(8,605,914)	6,388,762
Nonoperating revenues (expenses):								
Interest income	591,118	13,691	12,222	126,520	4,438	274,315	25,283	1,047,587
Interest expense	-	-	(3,545,226)	-	-	-	-	(3,545,226)
Less capitalized interest	-	-	341,821	-	-	-	-	341,821
Amortization of bond issuance costs	-	-	-	-	-	-	(73,887)	(73,887)
Gain (loss) on disposal of surplus property	49,498	-	-	-	-	-	(27,348)	22,150
Miscellaneous expense	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	640,616	13,691	(3,191,183)	126,520	4,438	274,315	(75,952)	(2,207,555)
Income (loss) before other transactions	12,701,921	13,691	(3,191,183)	126,520	(59,276)	3,271,400	(8,681,866)	4,181,207
Capital contribution	-	-	-	-	-	5,856,798	-	5,856,798
Operating transfers	(10,546,353)	-	7,154,820	-	12,507,067	(9,090,450)	(25,084)	-
Purchase of and transfer capital assets	(437,423)	-	(341,821)	-	(12,447,791)	(5,856,798)	19,083,833	-
Payment of debt:								
Principal	-	-	(3,210,000)	-	-	-	3,210,000	-
Change in net assets	1,718,145	13,691	411,816	126,520	(0)	(5,819,050)	13,586,883	10,038,005
Total net assets, beginning of year	20,204,230	791,479	3,176,988	4,891,454	218	11,369,644	234,098,339	274,532,352
Total net assets, end of year	$ 21,922,375	$ 805,170	$ 3,588,804	$ 5,017,974	$ 218	$ 5,550,594	$ 247,685,222	$ 284,570,357

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Introduction

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

Financial Trends

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

- Net Assets by Component
- Changes in Net Assets
- General Revenue by Source
- Expenses by Function

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue sources.

- Sewer Charge Revenue by Type of Customer
- Residential Sewer Rates
- Principal Commercial Users

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- Ratios of Outstanding Debt
- Revenue Bond Coverage

Demographic and Economic Information

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

- Demographic & Economic Statistics
- Personal Income by Industry
- Principal Employers

Operating Information

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

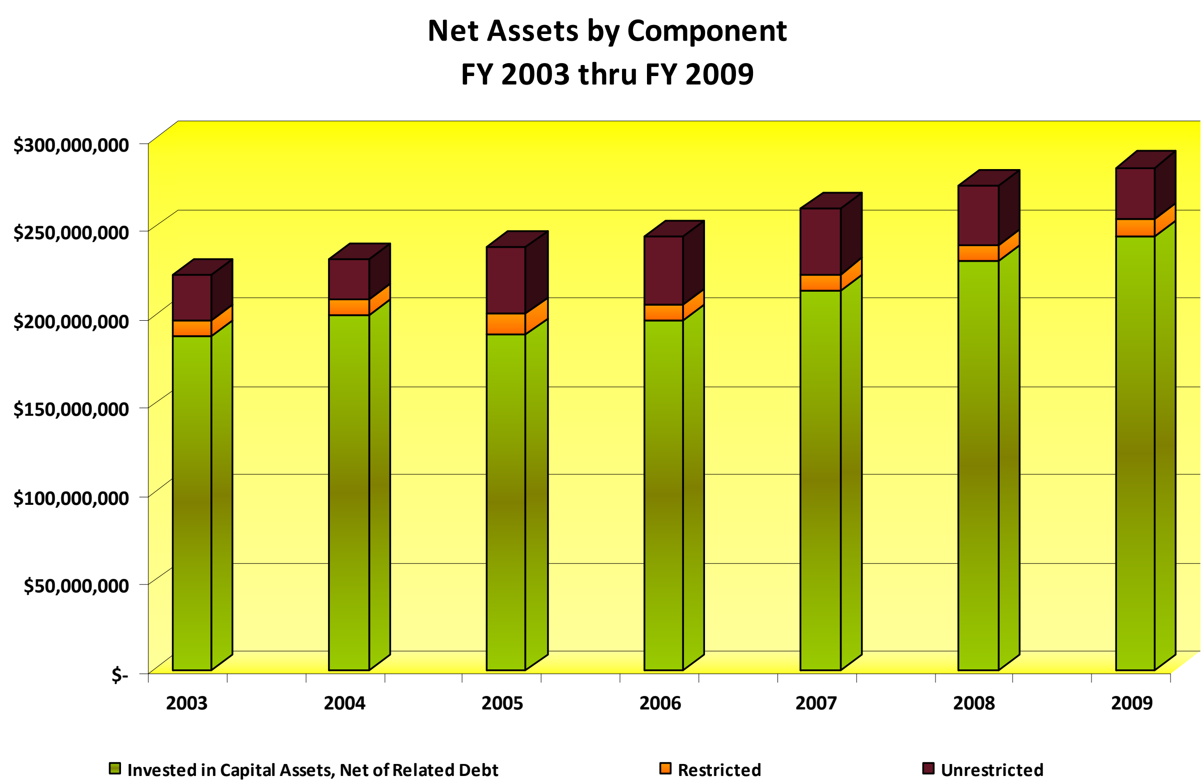
- Operating Indicators by Division
- Employees by Division
- Capital Asset Statistics

Sources: Unless otherwise noted, the information in theses schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in the year ended June 30, 2003, therefore certain schedules do not contain information prior to this year.

Net Assets by Component FY 2003 to FY 2009

Fiscal Year Ended June 30	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total Net Assets
2003	$ 188,888,144	$ 8,930,265	$ 26,071,210	$ 223,889,619
2004	200,997,207	9,156,422	22,071,391	232,225,020
2005	190,156,068	11,404,911	38,055,205	239,616,184
2006	197,656,088	9,446,269	38,041,095	245,143,452
2007	214,808,683	9,447,494	36,699,672	260,955,849
2008	231,678,011	8,886,108	33,968,233	274,532,352
2009	246,808,331	9,493,497	28,268,529	284,570,357

Note: MSD implemented GASB Statements 34 and 35 in FY 2003. In the future, up to nine (9) prior years will be presented with the current year to illustrate the District's financial performance over time. The reader may refer to General Revenues by Source and Expenses by Function on the following pages containing detailed comparisons over the past ten years.



Changes in Net Assets (Accrual Basis of Accounting) FY 2003 to FY 2009

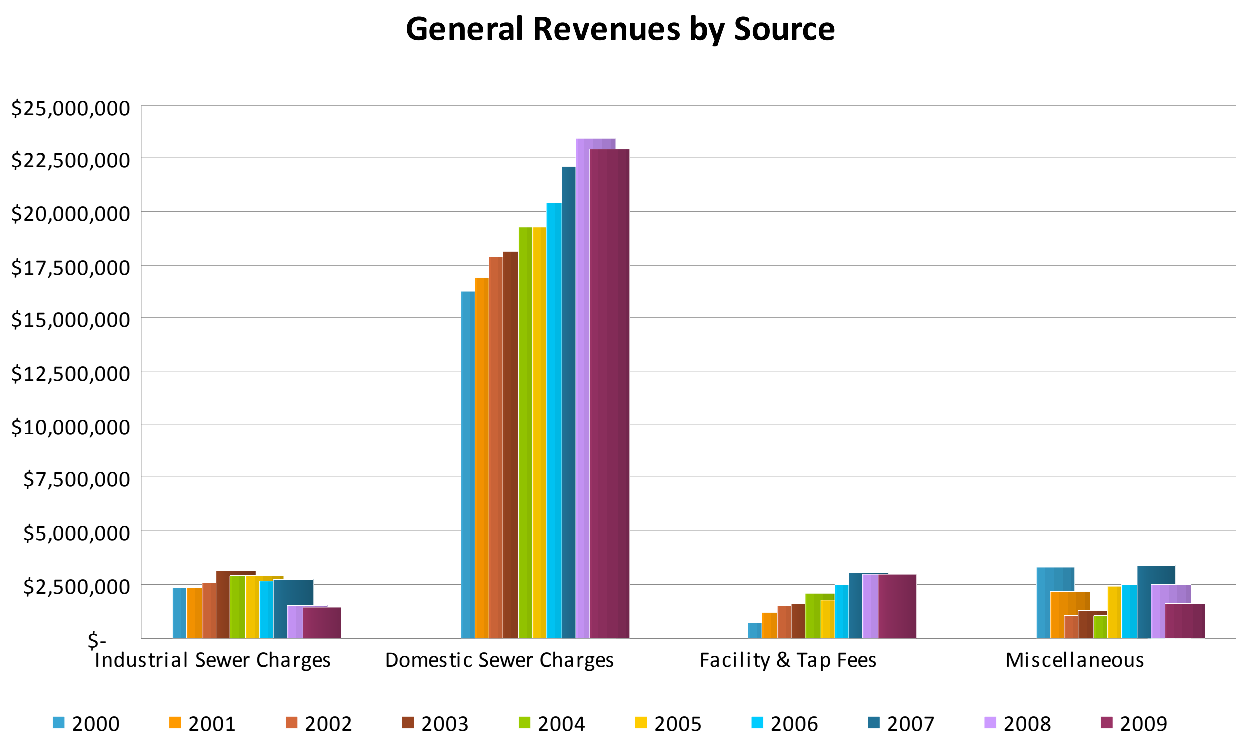
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Operating revenues:							
Sewer charges	$ 21,283,426	$ 22,146,671	$ 22,169,581	$ 22,980,969	$ 24,771,102	$ 24,895,694	$ 24,290,719
Facility and tap fees	1,557,990	2,050,380	1,769,620	2,481,850	3,054,950	3,005,184	2,959,115
Miscellaneous	502,172	594,118	1,091,124	525,392	1,194,643	702,777	509,239
Total operating revenues	23,343,588	24,791,169	25,030,325	25,988,211	29,020,695	28,603,655	27,759,073
Operating expenses:							
Salaries & employee benefits	5,502,176	5,176,637	5,400,871	5,637,905	5,372,585	5,717,428	6,181,775
Contractual services	915,812	1,067,585	1,041,397	1,062,093	1,194,932	1,167,260	1,387,098
Utilities	1,154,367	1,153,457	943,951	1,319,915	1,384,603	1,265,901	1,298,053
Repairs and maintenance	796,882	772,187	907,881	888,423	945,091	877,634	877,124
Other supplies and expenses	761,655	962,080	1,225,679	1,233,017	1,320,107	1,288,061	1,337,610
Insurance claims and expenses	1,667,717	1,443,927	1,649,369	1,712,310	1,759,923	1,753,911	1,726,689
Depreciation	8,297,106	6,871,100	7,319,331	7,700,136	7,806,535	7,065,752	8,561,962
Total operating expenses	19,095,715	17,446,973	18,488,479	19,553,799	19,783,776	19,135,947	21,370,311
Operating income	4,247,873	7,344,196	6,541,846	6,434,412	9,236,919	9,467,708	6,388,762
Nonoperating revenues (expenses):							
Interest income	742,279	447,907	1,284,644	1,922,002	2,190,254	1,742,108	1,047,587
Interest expense	(2,757,040)	(2,703,836)	(3,482,174)	(4,152,308)	(3,924,737)	(3,736,405)	(3,203,405)
Amortization of bond issuance costs	(99,610)	(93,432)	(67,760)	(81,306)	(80,684)	(91,286)	(73,887)
Gain (loss) on sale of surplus property	54,230	-	60,985	(101,491)	(13,698)	(49,926)	22,150
Total nonoperating revenues (expenses)	(2,060,141)	(2,349,361)	(2,204,305)	(2,413,103)	(1,828,865)	(2,135,509)	(2,207,555)
Income before contributions & special items	2,187,732	4,994,835	4,337,541	4,021,309	7,408,054	7,332,199	4,181,207
Capital contribution	4,096,598	3,340,566	3,053,623	4,184,135	8,404,343	6,244,304	5,856,798
Special items	-	-	-	(2,678,176)	-	-	-
Increase in net assets	$ 6,284,330	$ 8,335,401	$ 7,391,164	$ 5,527,268	$ 15,812,397	$ 13,576,503	$ 10,038,005

Note: MSD implemented GASB Statements 34 and 35 in FY 2003. In the future, up to nine (9) prior years will be presented with the current year to illustrate the District’s financial performance over time. The reader may refer to General Revenues by Source and Expenses by Function on the following pages containing detailed comparisons over the past ten years.

General Revenues by Source — FY 2000 to FY 2009

Fiscal Year Ended June 30	Industrial Sewer Charges	Domestic Sewer Charges	Facility & Tap Fees	Miscellaneous	Total
2000	$ 2,349,123	$ 16,248,080	$ 726,900	$ 3,282,517	$ 22,606,620
2001	2,359,405	16,865,326	1,146,935	2,170,984	22,542,650
2002	2,539,868	17,848,396	1,518,940	1,042,874	22,950,078
2003	3,169,870	18,113,556	1,557,990	1,298,681	24,140,097
2004	2,858,675	19,287,996	2,050,380	1,042,025	25,239,076
2005	2,912,188	19,257,393	1,769,620	2,436,753	26,375,954
2006	2,617,298	20,363,671	2,481,850	2,447,394	27,910,213
2007	2,693,328	22,077,774	3,054,950	3,384,897	31,210,949
2008	1,510,669	23,385,025	3,005,184	2,444,885	30,345,763
2009	1,386,132	22,904,587	2,959,115	1,556,826	28,806,660

Note: Does not include Capital Contributions.



Expenses by Function

FY 2000 to FY 2009

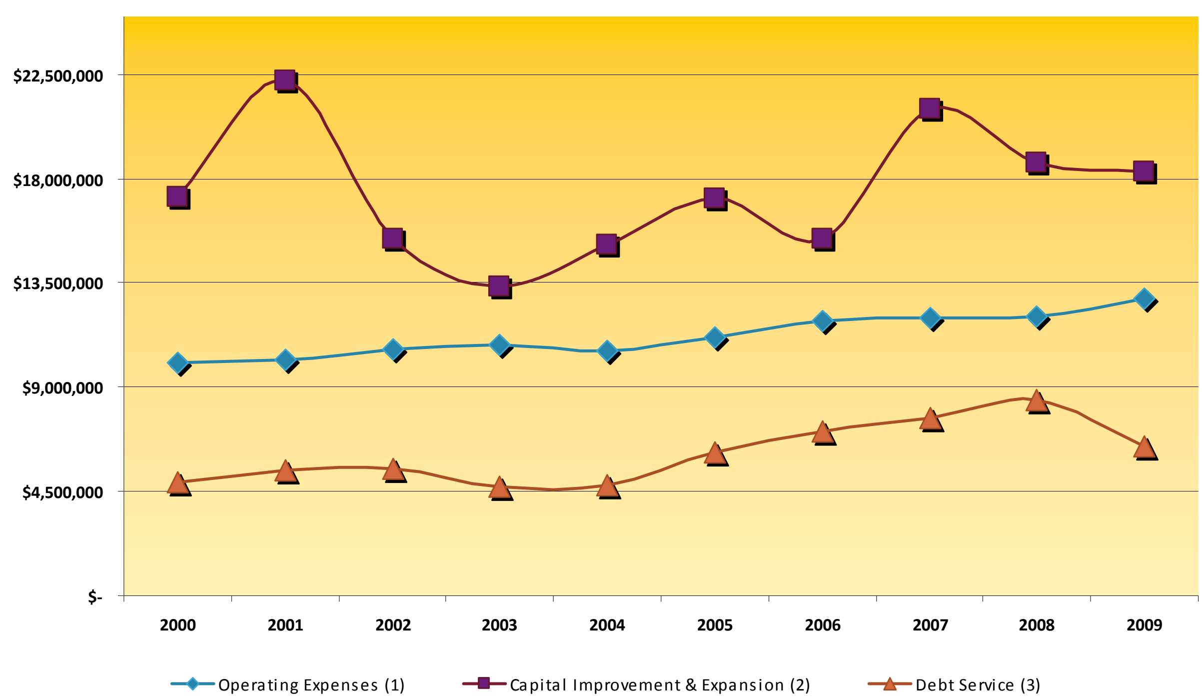
Fiscal Year Ended June 30	Operating Expenses (1)	Capital Improvement & Expansion (2)	Debt Service (3)	Total
2000	$ 10,076,150	$ 17,213,313	$ 4,915,749	$ 32,205,212
2001	10,212,401	22,212,013	5,397,423	37,821,837
2002	10,647,193	15,428,596	5,497,793	31,573,582
2003	10,798,609	13,366,288	4,691,040	28,855,937
2004	10,575,873	15,156,584	4,754,836	30,487,293
2005	11,169,148	17,109,214	6,179,174	34,457,536
2006	11,853,663	15,397,187	7,071,308	34,322,158
2007	11,977,241	20,979,245	7,650,737	40,607,223
2008	12,070,195	18,716,098	8,419,405	39,205,698
2009	12,808,349	18,304,589	6,413,405	37,526,343

(1) Includes general operations

(2) Includes expansion-related and rehabilitation capital expenditures but excludes depreciation expense. During FY08, developers donated sewerlines valued at approximately $6.2 million.

(3) Includes Bond Principal Expense and Bond Interest Less Capitalized Interest Portion and excludes early retirement of long-term debt.

Expenses by Function - FY 2000 to FY 2009

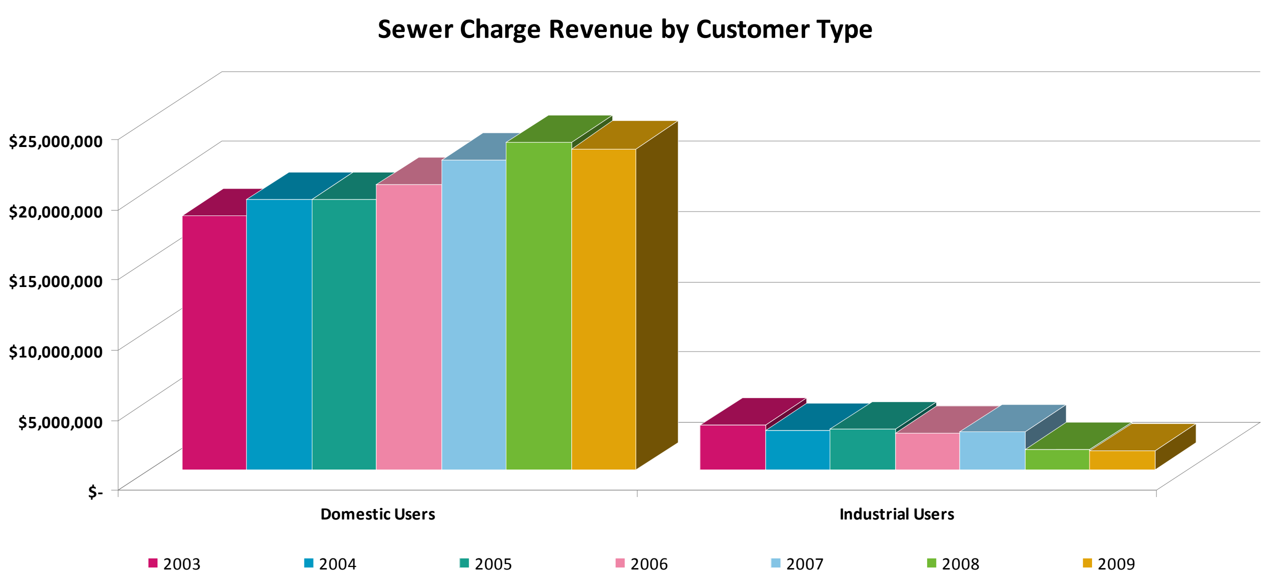


Sewer Charge Revenue by Customer Type FY 2003 to FY 2009

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Domestic Users							
Asheville	$ 14,108,130	$ 15,256,447	$ 15,284,448	$ 15,933,744	$ 17,083,346	$ 17,979,548	$ 17,930,855
Biltmore Forest	266,354	252,008	248,609	268,993	266,318	288,205	282,656
Black Mountain	719,448	726,796	704,476	764,964	857,251	819,685	888,368
Henderson County	595,780	679,790	445,217	570,818	762,702	1,133,375	925,744
Montreat	186,002	185,604	209,974	192,327	263,354	278,131	207,087
Weaverville	464,927	505,419	547,485	528,099	598,764	661,716	602,232
Woodfin Sanitary Water & Sewer District	678,807	597,993	656,303	759,633	848,640	842,717	758,294
Other	1,094,108	1,083,939	1,160,881	1,345,093	1,397,399	1,381,648	1,309,351
Industrial Users	3,169,870	2,858,675	2,912,188	2,617,298	2,693,328	1,510,669	1,386,132
Total	$ 21,283,426	$ 22,146,671	$ 22,169,581	$ 22,980,969	$ 24,771,102	$ 24,895,694	$ 24,290,719

Note: MSD implemented GASB Statements 34 and 35 in FY 2003. In the future, up to nine (9) prior years will be presented with the current year to illustrate the District's financial performance over time.

Municipalities include sewer charges on water bills. "Other" represents sewer charges billed directly by MSD to domestic users on wells and to septage haulers.



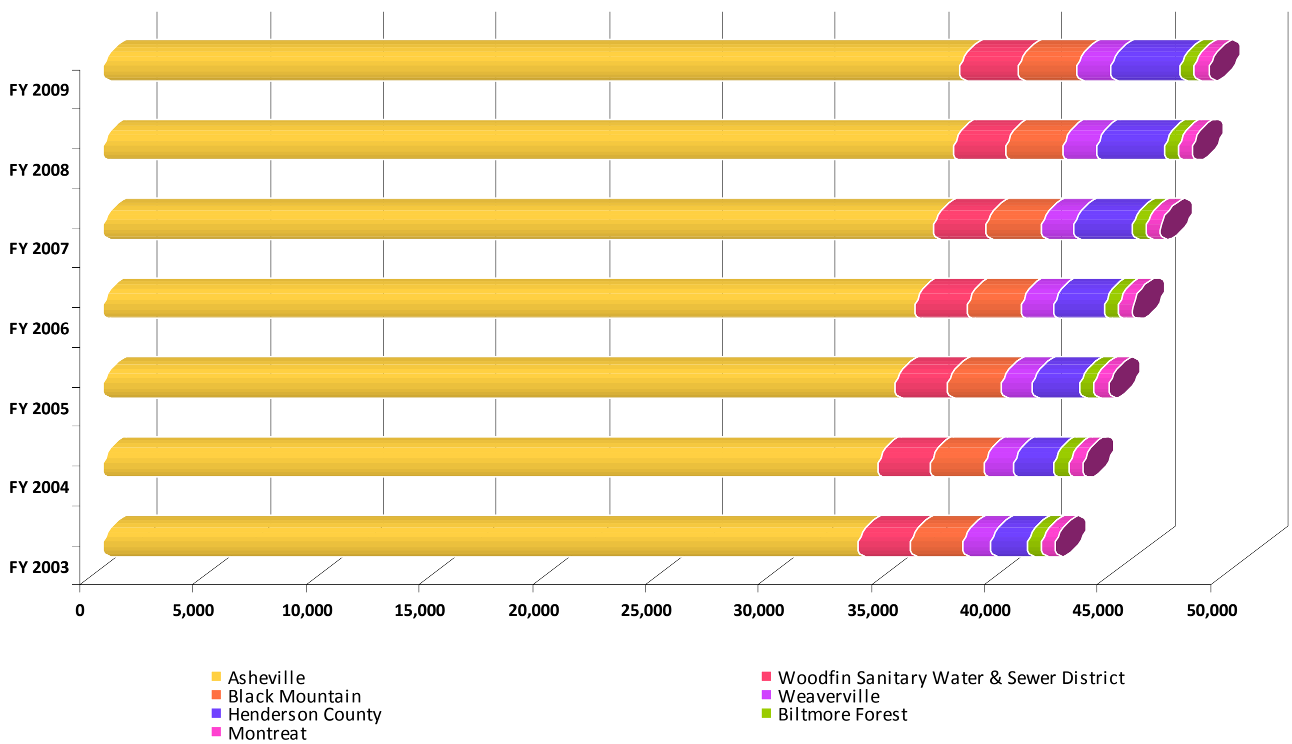
Customers by Member Agency FY 2003 to FY 2009

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Asheville	33,400	34,300	35,000	35,900	36,700	37,582	37,878
Woodfin Sanitary Water & Sewer District	2,300	2,300	2,330	2,330	2,330	2,374	2,579
Black Mountain	2,300	2,350	2,375	2,400	2,479	2,519	2,579
Weaverville	1,270	1,300	1,390	1,400	1,403	1,488	1,503
Henderson County	1,611	1,817	2,106	2,237	2,574	2,957	3,073
Biltmore Forest	624	631	637	642	637	633	636
Montreat	620	647	642	642	653	651	652
Total	42,125	43,345	44,480	45,551	46,776	48,204	48,900

Note: MSD implemented GASB Statements 34 and 35 in FY 2003. In the future, up to nine (9) prior years will be presented with the current year to illustrate the District's financial performance over time.

Source: Member Agencies

Customers by Member Agency



Residential Sewer Rates — FY 2000 to FY 2009

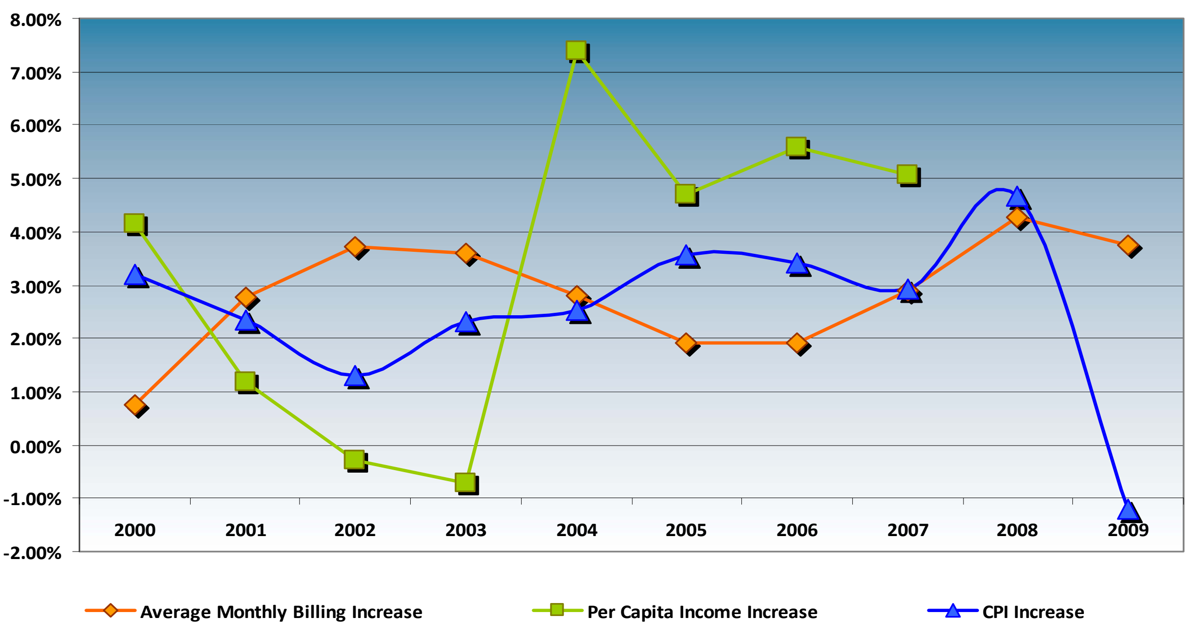
Fiscal Year Ended June 30	Monthly Base Rate	Rate Per 1,000 Gallons	Average Monthly Billing
2000	$ 4.10	$ 3.53	$ 18.08
2001	4.25	3.68	18.78
2002	4.40	3.82	19.48
2003	4.51	3.92	20.04
2004	4.60	4.00	20.43
2005	4.69	4.06	20.83
2006	4.83	4.20	21.45
2007	5.05	4.39	22.41
2008	5.25	4.56	23.28
2009	5.41	4.69	23.99

Note: Rates are based on 5/8" meter, which is the standard household meter size. The District charges a higher base rate for larger meters. Each municipality will set its own water rates.

The chart below compares percentage increases in average monthly bills with percentage increases in per capita income (See page 62) from 2000 to the most current year for which data is available.

Source: CPI from Bureau of Labor Statistics, U.S. Department of Labor

Percentage Increase in Average Sewer Billings compared to Percent Increase in Per Capita Income and CPI



Principal Commercial Users

FY 2000 & FY 2009

Commercial User	Type of Business	2000 Total Charges	2000 Rank	2000 Percentage of Total Charges	2009 Total Charges	2009 Rank	2009 Percentage of Total Charges
Milkco, Inc.	Dairy Products & Juices	$ 430,037	2	2.31%	$ 529,795	1	2.18%
Mission St. Joseph's Health System	Health & Emergency Services	145,258	6	0.78	241,158	2	0.99
Ridgecrest Baptist Conference Center	Christian Conference Center	-	-	-	163,766	3	0.67
VA Medical Center - Asheville Department of Veterans Affairs	Veterans Hospital	65,973	9	0.35	93,394	4	0.38
Colbond, Inc.	Chemical Manufacturer	-	-	-	83,455	5	0.34
Jacob Holms Industries	Textile Manufacturing	-	-	-	60,693	6	0.25
The Biltmore Company	Tourist Attraction/Winery/Resort Services	-	-	-	60,210	7	0.25
Day International	Textile Machine Parts	-	-	-	49,340	8	0.20
UNC-Asheville	Educational Services	-	-	-	48,849	9	0.20
Arcadia Dairy Farm	Dairy Products & Juices	-	-	-	48,810	10	0.20
Lustar Dyeing & Finishing	Textile Manufacturing	621,470	1	3.34	-	-	-
Anvil Kintwear (formerly Asheville Dyeing & Finishing)	Textile Manufacturing	342,544	3	1.84	-	-	-
Pillowtex Corporation (formerly Beacon Manufacturing Co.)	Textile Manufacturing	171,664	4	0.92	-	-	-
Owen Manufacturing Company, Inc.	Textile Manufacturing	149,518	5	0.80	-	-	-
Grove Park Inn	Resort/Spa/Convention Services	125,609	7	0.68	-	-	-
Tultex, Inc. (formerly Champion Dyeing & Finishing)	Textile Manufacturing	74,770	8	0.40	-	-	-
Square D Company	Electrical Products	46,052	10	0.25	-	-	-
		$ 2,172,895		11.68%	$ 1,379,471		5.68%

Ratio of Outstanding Debt FY 2003 to FY 2009

Fiscal Year	Revenue Bonds [1]	Debt Per Capita [2]	Per Capita Income [3]	Percentage of Personal Income
2003	$ 85,751,666	$ 883	$ 26,738	3.30%
2004	83,788,169	843	28,711	2.94%
2005	102,182,133	1,127	30,060	3.75%
2006	98,689,233	1,076	31,743	3.39%
2007	95,098,097	968	33,347	2.90%
2008	91,539,395	912	Unavailable	-
2009	87,481,237	778	Unavailable	-

[1] Details of the District's outstanding debt can be found in Note 3 to the Financial Statements.

[2] This ratio was calculated by using the number of domestic accounts and multiplying by Buncombe County census average of 2.3 persons per household to get the number of users in the District. This information is not available for prior years.

[3] Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

Note: MSD implemented GASB Statements 34 and 35 in FY 2003. In the future, up to nine (9) prior years will be presented with the current year to illustrate the District's financial performance over time.

Revenue Bond Coverage FY 2000 to FY 2009

Fiscal Year Ended June 30	Revenues from Sewerage Rates	Direct Operating Expenses (A)	Required Deposits for Debt Service	120% Principal and Interest	Higher of Amount in Previous Two Columns	Sum of Expenses & Higher Debt Service	Excess of Revenues over Expenses & Debt Service
2000	18,635,279	10,073,426	4,436,546	5,323,855	5,323,855	15,397,281	3,237,998
2001	19,246,667	10,212,401	5,366,236	6,439,483	6,439,483	16,651,884	2,594,783
2002	20,701,237	10,647,193	6,030,929	7,237,115	7,237,115	17,884,308	2,816,929

(A) Includes all operation and maintenance expenses, except depreciation.
(B) Excludes early retirement of long-term debt.

From 1985 to 2002, the District was subject to Section 501 of the 1985 Bond Order which covenants that the District will set rates to produce sufficient revenues, together with any other available funds, including the amounts transferred by the District from the General Fund to the Revenue Fund, to permit the deposit and transfer to the credit of the Revenue Fund in the then current fiscal year of a sum at least equal to the total of the following:

1. the current expenses of the Sewerage System for the current fiscal year, and
2. to provide for the higher of either:

   a) the amounts needed for making the required cash deposits in each fiscal year to the credit of the several accounts in the Bond Service Fund and to the credit of the Subordinated Indebtedness Service Fund, the Debt Service Reserve Fund and the Maintenance Reserve Fund, or

   b) one hundred twenty per centum (120%) of the amount of the principal and interest requirements for the current fiscal year on account of the indebtedness then outstanding excluding principal and interest requirements on account of indebtedness incurred to finance improvements or additional improvements which have not been completed as of the beginning of such fiscal year.

However, with the issuance of refunding bonds on April 3, 2003, a sufficient amount of debt subject to the 1985 bond order was defeased allowing application of the 1999 Amended Bond Order whose rate covenant is summarized in the following paragraph.

The District covenants to set rates and charges so that the Income Available for Debt Service (defined as the excess of “Revenues” over “Current Expenses”) will not be less than the greater of (i) one hundred twenty percent (120%) of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year and (ii) one hundred percent (100%) of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year. The definition of revenues for this purpose does not include grants, contributions, investment income credited to non-operating funds, or tap and connection fees. Current expenditures include operating expenses other than additions to reserve funds, depreciation or amortization, or debt service payments.

The District does not currently have any subordinated indebtedness, so the computation of the current fiscal year’s compliance with this covenant is based solely on 120% of the debt service requirement. Long-Term Debt Service Requirement is defined as interest and principal required to be remitted to the Trustee, except that interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness. The coverage ratio is computed on the basis of 100% of required debt service.

Revenue Bond Coverage (Continued) FY 2000 to FY 2009

Fiscal Year Ended June 30	Adjusted Revenues (B)	Current Expenses (A)	Income Available for Debt Service	Principal and Interest Payable During Year	120% Principal and Interest Payable	Excess of Income Available for Debt over Debt Service	Coverage Ratio
2003	$ 22,108,456	$ 10,798,609	$ 11,309,847	$ 5,509,358	$ 6,611,230	$ 5,800,489	2.05
2004	22,927,997	10,575,873	12,352,124	6,603,923	7,924,708	5,748,201	1.87
2005	23,562,271	11,169,148	12,393,123	6,946,701	8,336,041	5,446,422	1.78
2006	23,959,694	11,853,663	12,106,031	7,866,765	9,440,118	4,239,266	1.54
2007	26,092,369	11,977,241	14,115,128	8,066,669	9,780,000	6,048,459	1.75
2008	26,104,746	12,070,195	14,034,551	8,074,031	9,831,535	5,960,520	1.74
2009	25,374,157	12,808,349	12,565,808	7,600,385	9,120,462	4,965,423	1.65

(A) Includes all operation and maintenance expenses, except depreciation.

(B) Does not include tap and connection fees, grants, contributions, investment income allocated to non-operating funds.

Demographic & Economic Statistics FY 2000 to FY 2009

	Population Estimates [1]	Per Capita Income [2]	Median Age [1]	Civilian Labor Force [3] Employed	Unemployed	Unemployment Rate
2000	207,008	$ 26,688	38.92	105,110	3,547	3.3%
2001	208,350	27,007	39.16	103,860	4,619	4.3%
2002	210,097	26,929	39.38	105,733	6,023	5.4%
2003	212,280	26,738	39.6	108,133	6,038	5.3%
2004	214,981	28,711	39.82	109,231	5,249	4.6%
2005	216,356	30,060	40.08	109,666	5,454	4.7%
2006	221,099	31,743	40.12	114,899	4,751	4.0%
2007	225,057	33,347	40.18	116,997	4,510	3.7%
2008	227,875	Unavailable	40.31	117,369	5,889	4.8%
2009	230,957	Unavailable	40.42	110,111	10,980	9.1%

Note: The information above is for Buncombe County, N.C. The District believes that the above information is representative of the entire service area, which extends over approximately 80% of the County.

Sources:

[1] North Carolina Office of State Budget and Management
[2] Regional Economic Information System, Bureau of Economic Analysis, U.S. Dept. of Commerce
[3] North Carolina Employment Security Commission

Personal Income by Industry

CY 2000 to CY 2009

Calendar Year

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Personal Income	$ 4,127,500	$ 4,216,397	$ 4,228,252	$ 4,412,259	$ 4,670,118	$ 4,964,156	$ 5,295,653	$ 5,587,441	Unavailable	Unavailable
Farm earnings	37,760	35,814	21,045	20,115	13,747	17,421	17,074	11,216	-	-
Nonfarm earnings	4,089,740	4,180,583	4,207,207	4,392,144	4,656,371	4,946,735	5,278,579	5,576,225	-	-
Private earnings	3,444,253	3,518,487	3,532,145	3,666,195	3,881,188	4,140,545	4,421,085	4,668,932	-	-
Agricultural services, forestry, fishing	20,165	-	-	-	-	-	1,144	-	-	-
Mining	5,179	5,398	5,016	4,444	5,565	6,330	-	6,812	-	-
Construction	325,978	329,290	309,907	301,076	337,597	381,206	399,850	417,565	-	-
Manufacturing	682,622	642,876	638,463	678,954	678,846	670,258	687,996	706,083	-	-
Durable goods	433,196	427,421	413,046	457,239	468,099	466,936	484,387	507,476	-	-
Nondurable goods	249,426	215,455	225,417	221,715	210,747	203,322	203,609	198,607	-	-
Wholesale trade	207,657	164,660	168,404	179,079	182,469	195,689	215,729	219,603	-	-
Retail Trade	463,739	359,489	359,596	371,064	376,914	414,239	443,410	463,591	-	-
Transportation and public utilities	206,500	185,702	143,987	137,754	161,368	178,478	192,000	201,441	-	-
Services	1,532,413	1,828,671	1,904,585	1,991,918	2,136,501	2,292,089	2,473,230	2,651,158	-	-
Government and government enterprises	645,487	662,096	675,062	725,949	775,183	806,190	857,494	907,293	-	-
Federal, civilian	185,429	193,282	193,802	224,725	251,363	249,698	269,918	282,744	-	-
Military	13,831	14,721	18,977	25,453	26,236	29,396	29,416	29,430	-	-
State and local	446,227	454,093	462,283	475,771	497,584	527,096	558,160	595,119	-	-

Principal Employers

FY 2000 & FY 2009

	FY 2000			FY 2009		
Employer	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Mission Health System & Hospitals	5,250	1	4.99%	6,990	1	6.35%
Buncombe County Public Schools	3,400	2	3.23%	4,010	2	3.64%
Ingles Markets, Inc.	900	8	0.86%	3,050	3	2.77%
Buncombe County Government	1,425	3	1.36%	1,670	4	1.52%
The Biltmore Company			0.00%	1,580	5	1.43%
VA Medical Center	1,000	7	0.95%	1,140	6	1.04%
The Grove Park Inn Resort & Spa	891	9	0.85%	1,100	7	1.00%
Eaton Corporation - Electrical Division			0.00%	1,010	8	0.92%
City of Asheville	1350	4	1.28%	1,000	9	0.91%
BorgWarner Turbo & Emission Systems			0.00%	830	10	0.75%
CarePartners	1,200	5	1.14%			
Sonopress, LLC	1085	6	1.03%			
Pillowtex Corporation/Blanket Division	832	10	0.79%			
	17,333		16.49%	22,380		20.32%

Note: The information above is for Buncombe County, N.C. The District believes that the above information is representative of the entire service area, which extends over approximately 80% of the County.

Source: Asheville Area Chamber of Commerce, Economic Development Department & NC Employment Security Commission

Employees by Division

FY 2000 to FY 2009

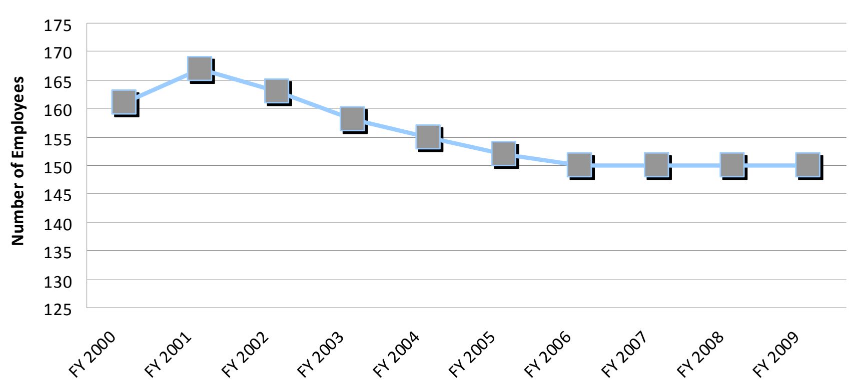
Division	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Office of the General Manager										
Office Support	4	3	2	1	1	1	1	1	1	1
Human Resource	2	2	2	2	2	2	2	3	3	3
Administrative Services Department										
Office Support	0	0	0	0	0	1	1	0	0	0
IT & MIS	4	5	6	9	9	8	7	8	5	5
Environmental, Health & Safety	1	2	2	2	2	2	2	2	2	2
Fleet Maintenance	3	3	4	4	4	4	4	4	4	4
Financial Services Department										
Finance & Budget	1	1	1	1	1	1	1	2	1	1
Accounting, Investments & Cash Flow Mgmt.	4	4	4	3	3	3	3	3	3	3
Purchasing & Warehouse	6	6	6	4	4	3	3	3	3	3
Water Reclamation Facility										
Office Support	1	2	1	2	1	1	0	0	0	0
Plant Operations	17	15	16	15	15	15	15	14	13	13
Laboratory	4	3	1	0	0	0	0	0	0	0
Industrial Waste	8	6	4	4	4	4	4	4	4	4
Mechanical Maintenance	10	11	10	9	9	9	9	8	8	8
Electrical Maintenance/Hydro	5	6	6	7	7	7	7	8	8	8
Structural Maintenance	11	14	8	5	5	5	5	5	5	5
System Services Department										
Office Support	3	3	3	3	3	3	4	4	4	4
System Services	45	46	54	53	53	51	52	52	52	52
Engineering Services Department										
Planning and Development	6	8	9	9	9	8	7	7	7	7
Capital Improvement Department										
Office Support	2	2	1	1	1	1	1	1	1	1
Right of Way	3	3	3	3	3	3	3	3	3	3
Construction Administration	8	9	7	7	6	7	6	5	5	5
Design and Drafting	3	3	3	3	3	3	3	3	3	3
Engineers	4	4	4	4	3	3	3	3	3	3
Geographic Information Systems	0	0	0	0	0	0	0	0	4	4
Management										
Division Heads	3	5	5	6	6	6	6	6	7	7
Deputy General Managers	2	0	0	0	0	0	0	0	0	0
General Manager	1	1	1	1	1	1	1	1	1	1
Total	**161**	**167**	**163**	**158**	**155**	**152**	**150**	**150**	**150**	**150**

Note: All employees are considered full time based on 2080 hours worked per year.

Above numbers represent budgeted positions and may include vacancies at year-end.

Source: District Personnel Records.

Staffing History by Fiscal Year



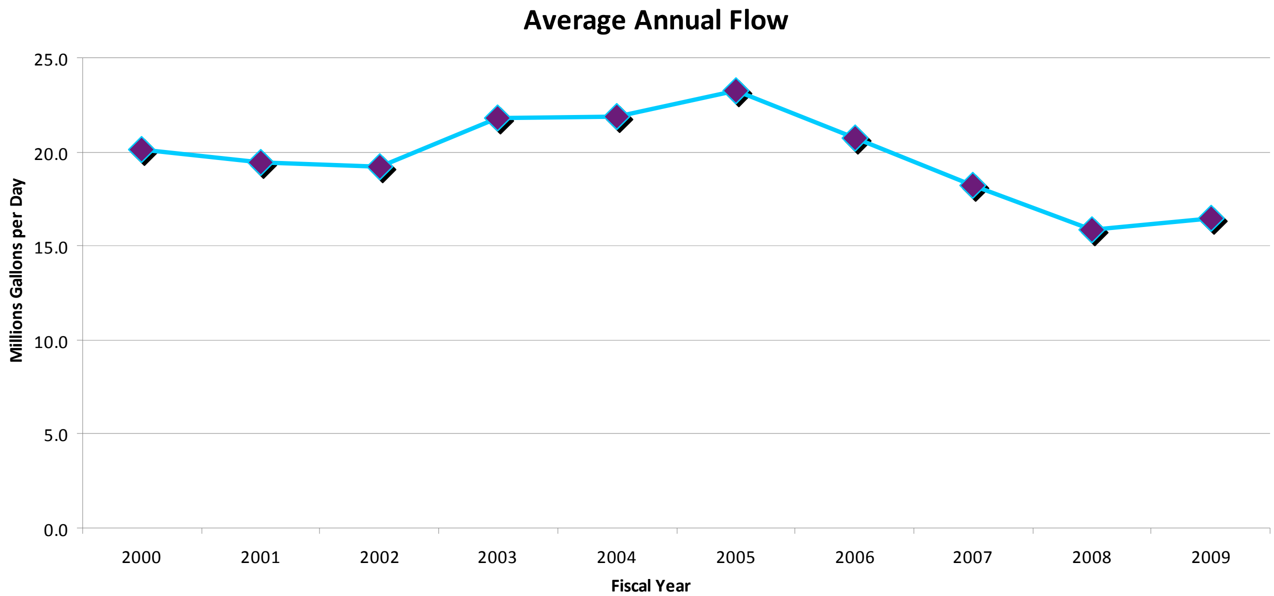
Operating Indicators by Division FY 2003 to FY 2009

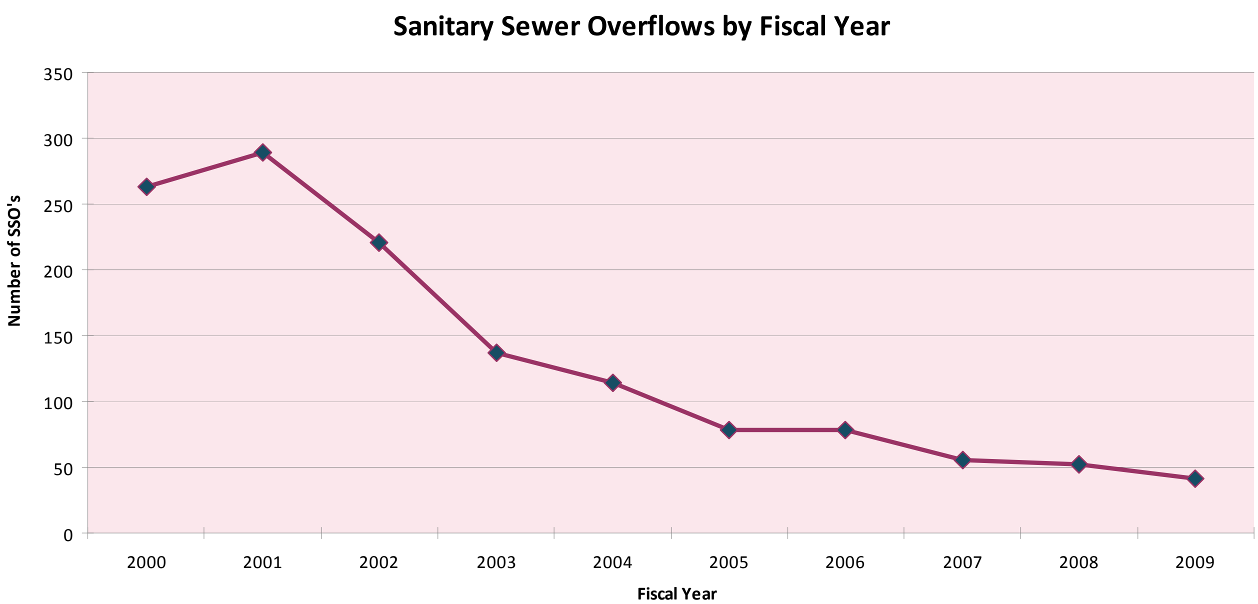
Division	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Engineering Services Department							
Sewer Tap Applications	2,025	1,079	1597	1236	1339	1145	955
Plans Reviewed	133	119	114	115	123	123	132
Linear Feet of Accepted Sewer Systems	30,304	61,688	65,484	76,056	129,025	78,451	77,572
Capital Improvement Department							
Linear Feet of rehabilitated Sewer Systems	63,596	56,938	60,330	59,459	51,272	69,249	45,179
System Services Department							
Average Response Time to sewer problem (hours)	0.66	0.65	0.66	0.71	0.57	0.53	0.48
Lines Washed (lineal feet) - in-house only	456,315	548,981	485,057	616,166	637,706	867,237	811,890
Construction Repairs to Sewer Lines	677	598	636	603	528	513	472
Taps Installed	251	217	305	295	308	260	198
Manhole Repairs	535	535	485	484	407	411	394
Sanitary Sewer Overflows	114	78	78	55	52	41	23
Water Reclamation Facility							
Pump Stations	18	18	21	23	31	31	31
Sanitary Sewers (approximate miles)	860	875	890	900	900	930	920
Treatment Provided (millions of gallons)	7,957.00	7,993.50	8,723.50	7,665.00	6,643.00	5,767.00	5,621.00
Daily (average) flow treated (millions of gallons daily)	21.8	21.9	23.9	21.0	18.2	15.8	15.4
Maximum daily flow treated (millions of gallons daily)	63.1	57.7	63.6	51.0	47.9	33.2	40.2
Percentage of plant capacity used	54.5%	54.75%	59.75%	52.5%	45.5%	39.5%	38.5%
Cost per millions of gallons treated	$ 570	$ 558	$ 526	$ 621	$ 786	$ 873	$ 961
Energy cost per millions of gallons treated	$ 111	$ 116	$ 84	$ 143	$ 178	184	$ 205
Total suspended solids (TSS) removal efficiency (percentage)	93%	91%	88%	90%	90%	92%	92%
Inspection of Significant Industrial Users	28	28	23	24	20	23	24
Restaurant inspections for Grease Reduction Compliance	203	552	650	680	710	995	890
Administrative Services Department							
Number of workforce injuries	16	16	10	8	11	4	2
Lost Work Rate per 100 employees	1.82	1.30	1.32	2.00	3.00	2.56	1.28

Note: MSD implemented GASB Statements 34 and 35 in FY 2003. In the future, up to nine (9) prior years will be presented with the current year to illustrate the District's financial performance over time.

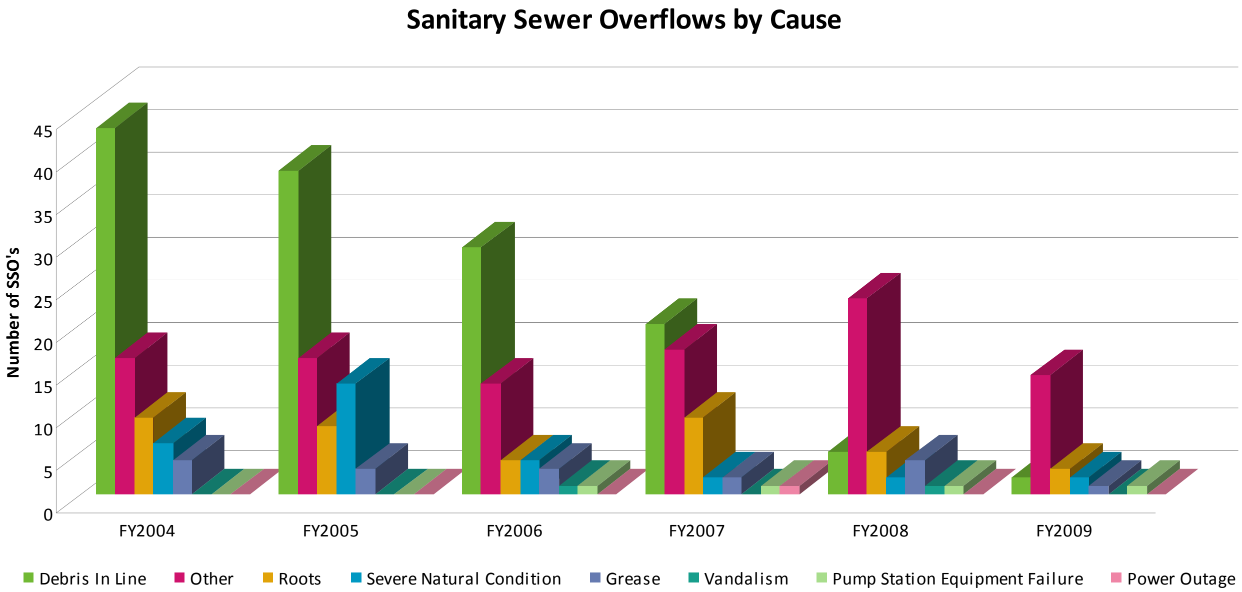
Source: District Operational Records

Operating Indicators by Division (Continued) FY 2003 to FY 2009





Operating Indicators by Division (Continued) FY 2003 to FY 2009



Note: MSD implemented GASB Statements 34 and 35 in FY 2003. In the future, up to nine (9) prior years will be presented with the current year to illustrate the District's financial performance over time.

Source: District Operational Records

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CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

The Board of Directors
Metropolitan Sewerage District of Buncombe County, North Carolina
Asheville, North Carolina

We have audited the financial statements of Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 29, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert + Holland, L.L.P.

Charlotte, North Carolina
October 29, 2009

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Metropolitan Sewerage District of Buncombe County
BOARD INFORMATIONAL ITEM

Meeting Date: December 16, 2009

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, Director of Finance

Subject: Cash Commitment/Investment Report-Month Ended October 31, 2009

Background

Each month, staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of October 31, 2009 were $49,006,840. The detailed listing of accounts is available upon request. The average rate of return for all investments is 2.474%. These investments comply with North Carolina General Statutes, Board written investment policies and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of October 31, 2009 does not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of October 31, 2009 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is $9,645,493.

Total Cash & Investments as of 10/31/2009		49,006,840
Less:		
Budgeted Commitments (Required to pay remaining FY10 budgeted expenditures from unrestricted cash)		
Construction Funds	(16,417,482)	
Operations & Maintenance Fund	(9,566,929)	
		(25,984,411)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(71,034)	
Debt Service Reserve	(2,544,560)	
Remaining Principal & Interest Due	(7,232,171)	
		(9,847,765)
District Reserve Funds		
Fleet Replacement	(1,001,603)	
WWTP Replacement	(878,483)	
Maintenance Reserve	(806,002)	
		(2,686,088)
Post-Retirement Benefit		(290,412)
Self-Funded Employee Medical		(552,671)
Designated for Capital Outlay		9,645,493

Staff Recommendation

None. Information Only.

Action Taken

Motion by: to Approve Disapprove

Second by: Table Send to Committee

Other:

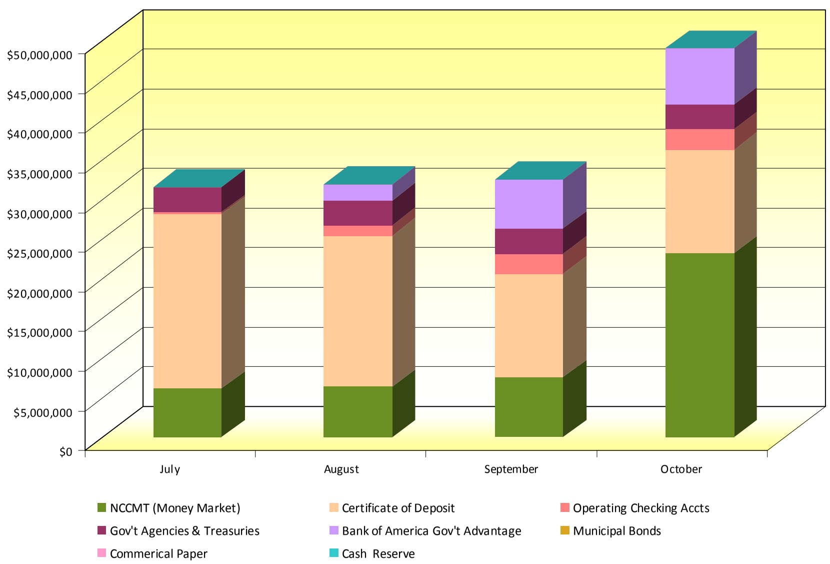
Follow-up required:

Person responsible: **Deadline:**

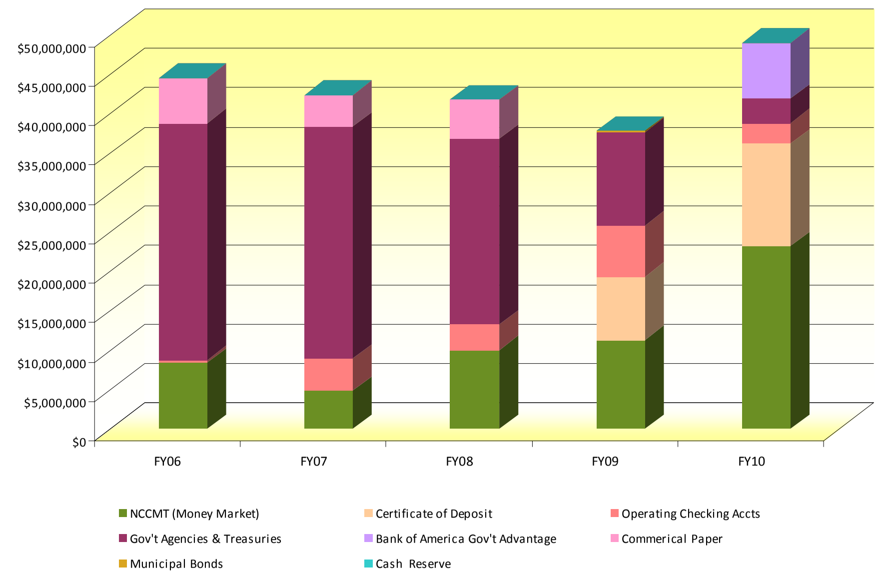
Metropolitan Sewerage District of Buncombe County
Investment Portfolio

	Cash in Operating Checking Accounts	Bank of America Gov't Advantage	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	$ -	$ -	$ 1,485,772	$ -	$ -	$ -	$ -	$ 1,129,822	$ 2,615,594
Held by MSD	7,621,379	2,000,336	21,718,115	13,015,796	-	-	-	2,035,620	46,391,246
	$ 7,621,379	$ 2,000,336	$ 23,203,887	$ 13,015,796	$ -	$ -	$ -	$ 3,165,442	$ 49,006,840

MSD of Buncombe County
Investment Portfolio - FY10



MSD of Buncombe County
Investment Portfolio
As of October 31, 2009



MSD Investment Managers' Report
at October 31, 2009

Summary of Asset Transactions

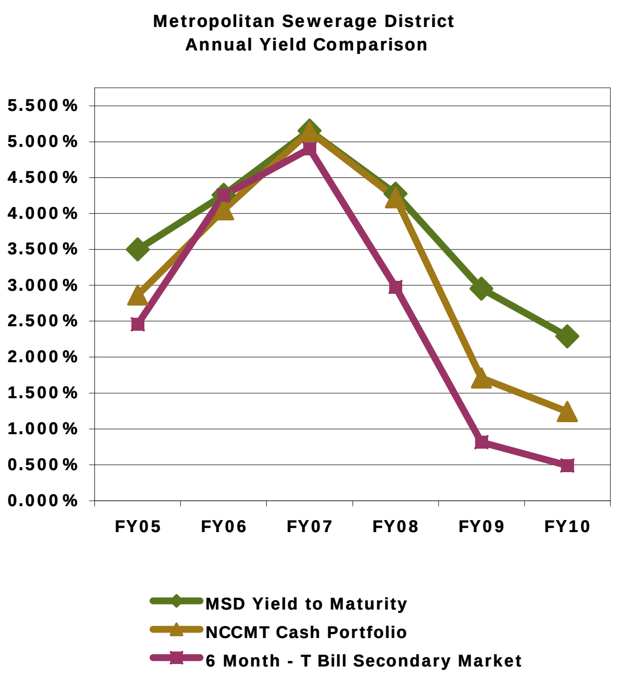
	Original Cost	Market	Interest Receivable
Beginning Balance	$ 23,410,768	$ 23,450,768	$ 263,112
Capital Contributed (Withdrawn)	18,826,572	18,826,572	
Realized Income	3,748	3,748	
Unrealized/Accrued Income	-	(4,380)	35,687
Ending Balance	$ 42,241,088	$ 42,276,708	$ 298,799

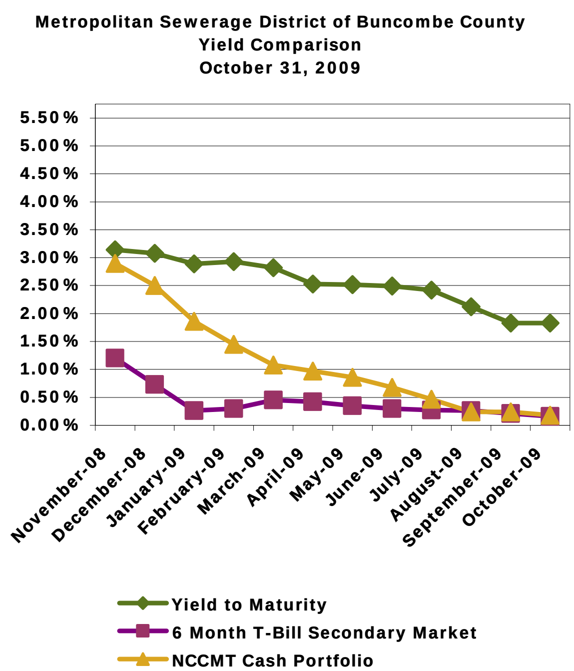
Value and Income by Maturity

	Original Cost	Income
Cash Equivalents <91 Days	$ 27,225,292	$ 22,594
Securities/CD's 91 to 365 Days	13,015,796	$ 10,802
Securities/CD's > 1 Year	2,000,000	$ 1,660
	$ 42,241,088	$ 35,055

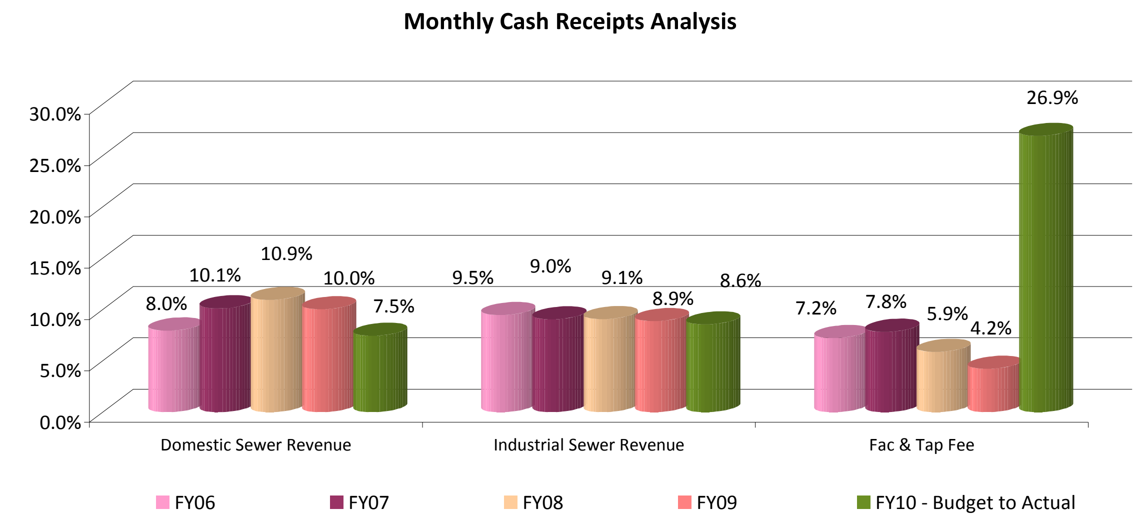
Month End Portfolio Information

Weighted Average Maturity	68 Days
Yield to Maturity	1.83%
6 Month T-Bill Secondary Market	0.16%
NCCMT Cash Portfolio	0.18%





METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF 10/31/09

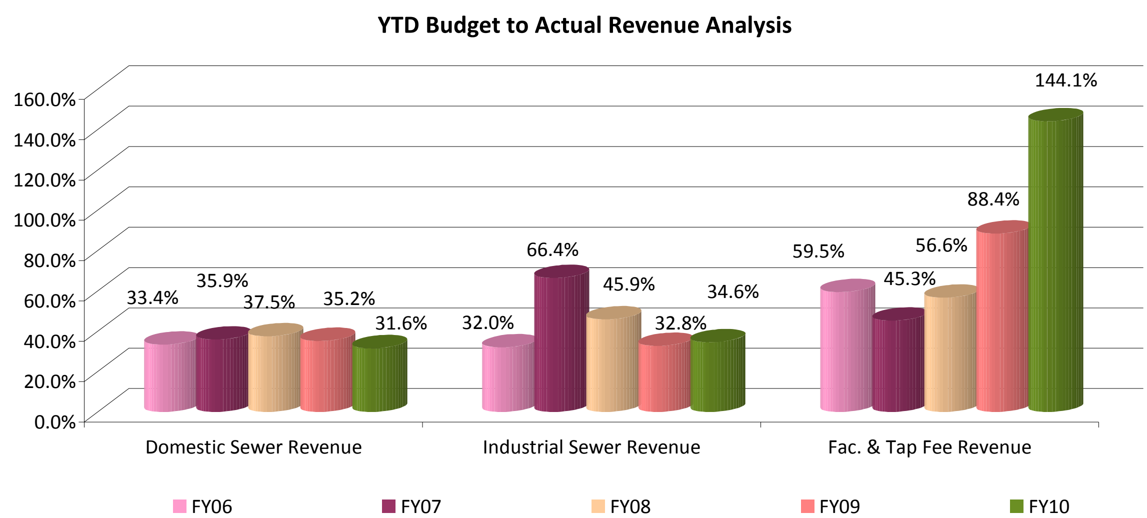


Monthly Cash Receipts Analysis:

Monthly Domestic Sewer Revenue is lower due to timing of 3 cash receipts as well as decreased residential consumption due to a wet summer.

Monthly Industrial Sewer Revenue is considered reasonable based on historical trends.

Due to the unpredicitable nature of facility and tap fee revenue, staff budgets this revenue stream conservatively. Based on that facility and tap fee revenue is considered reasonable.



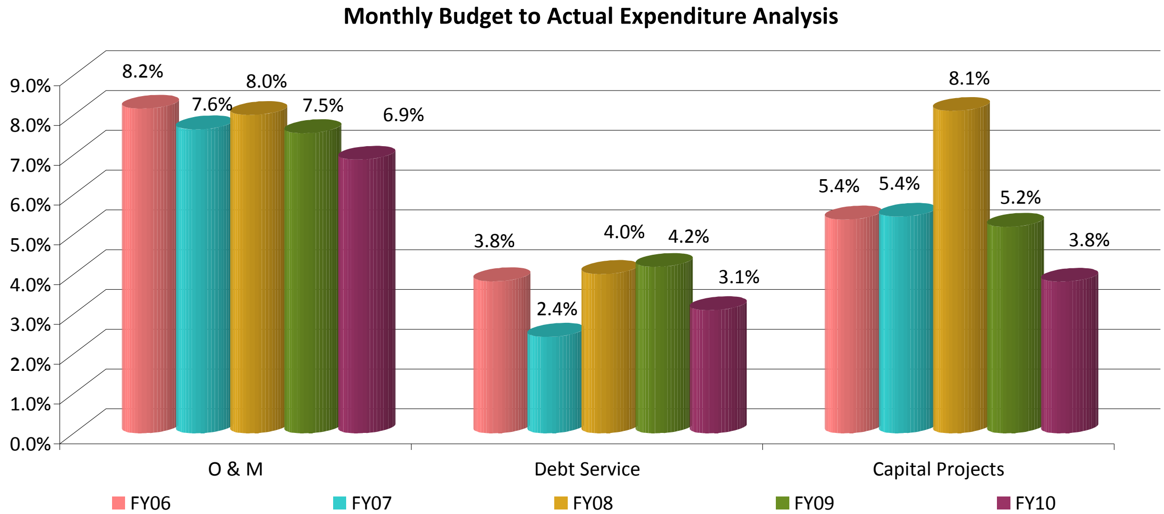
YTD Budget to Actual Revenue Analysis:

YTD Domestic Sewer Revenue is lower due to a wet summer as well as continuing recessionary pressures.

YTD Industrial Sewer Revenue is considered reasonable based on historical trends.

Due to the unpredicitable nature of facility and tap fee revenue, staff budgets this revenue stream conservatively. Based on that facility and tap fee revenue is considered reasonable.

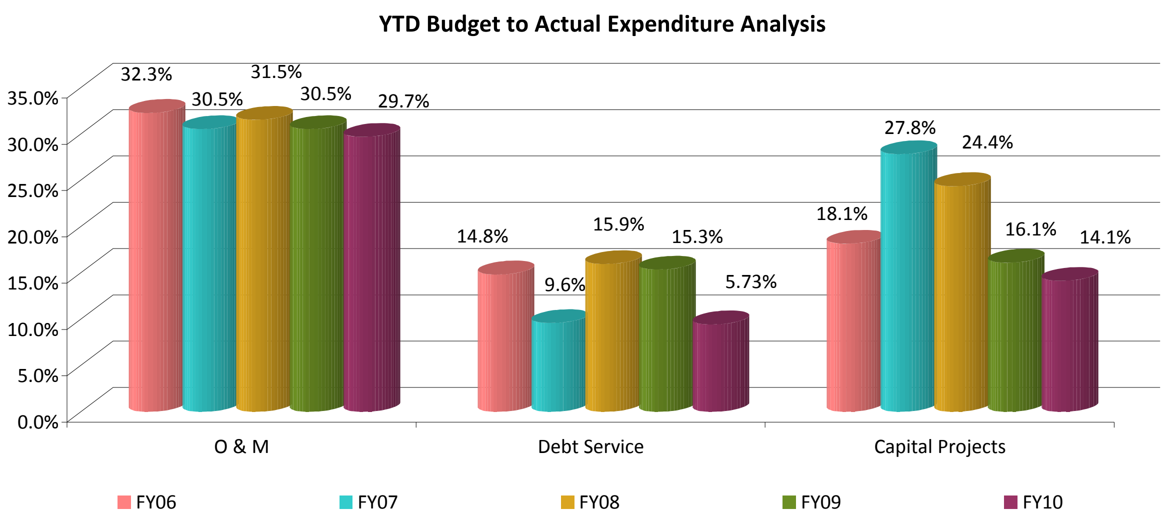
METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF OCTOBER 31, 2009



Monthly Budget to Actual Expenditure Analysis:
O&M expenditures are consider reasonable based on historic trends.

Due to the the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates monthly debt service expenditures are consider reasonable.

Due to nature and timing of capital projects, monthly expenditures can vary from year to year. Based on the current outstanding capital projects, monthly capital project expenditures are consider reasonable.

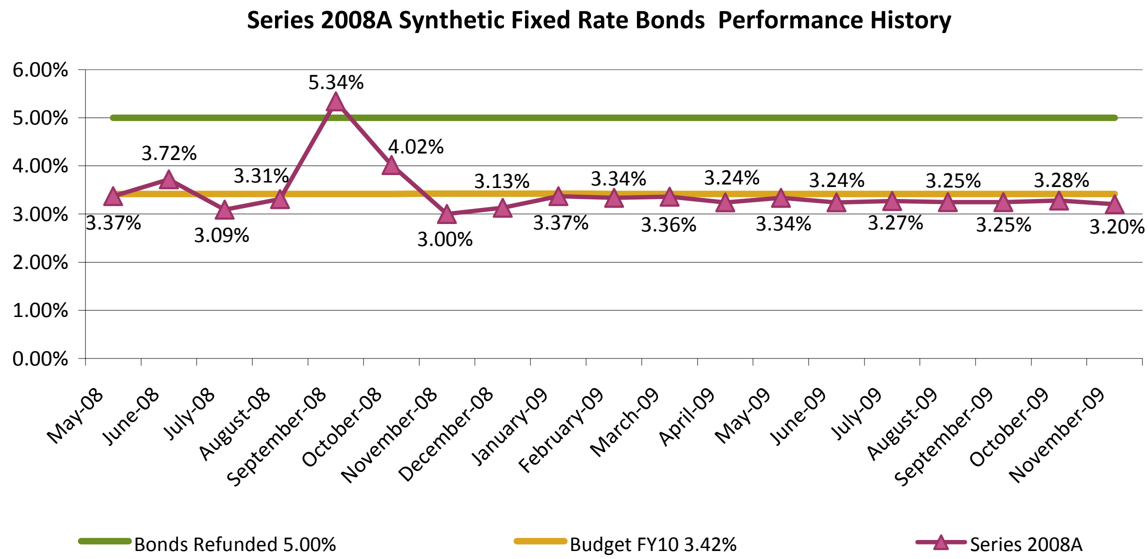


YTD Budget to Actual Expenditure Analysis:
YTD O&M expenditures are considered reasonable based on historical trends.

Due to the the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates YTD debt service expenditures are consider reasonable.

Due to nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD capital project expenditures are consider reasonable.

MSD Variable Debt Service Report
As of November 30, 2009

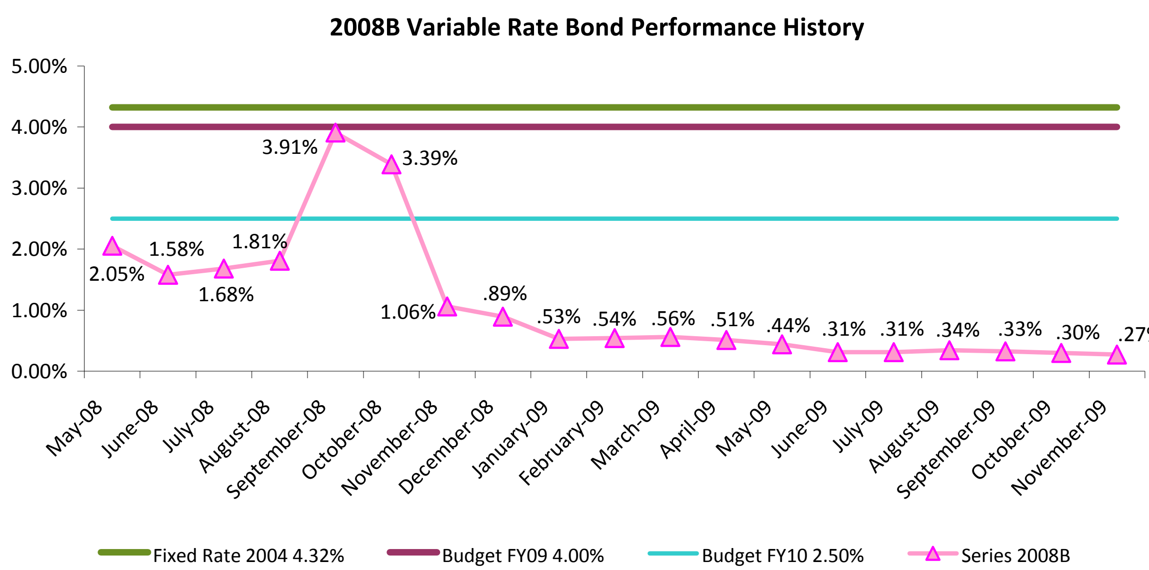


Series 2008A:

Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is $790,653 as compared to 4/1 fixed rate of 4.83%.

Assuming that the rate on the Series 2008A Bonds continue at the current all-in rate of 4.1675%. MSD will achieve cash savings of $4,730,000 over the life of the bonds.

MSD would pay $3,430,000 to terminate the existing Bank of America Swap Agreement.



Series 2008B:

Saving to date on the 2008B Variable Rate Bonds is $1,100,202 as compared to 5/1 fixed rate of 4.32%

Since May 1, 2008, the Series 2008B Bonds average variable rate has been 1.12% .

MSD will achieve $7,440,000 in cash savings over the life of the bonds at the current average variable rate.

STATUS REPORTS

CAPITAL IMPROVEMENT PROGRAM **STATUS REPORT SUMMARY** **Current as of December 7, 2009**

PROJECT	AWARD DATE	NOTICE TO PROCEED	*COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
BILTMORE AVENUE BRIDGE REPLACEMENT (NCDOT) / THOMPSON STREET SEWER	10/16/2009	10/26/2009	12/9/2009	$42,068.00	95%	**Informal** Project is complete and cleaned up with exception of final paving which will wait until Spring and warm weather.
DINGLE CREEK INTERCEPTOR @ CROWFIELDS, PHASE 1	TBA	TBA	TBA	TBA	0%	**Informal** Huntley Construction Company is the apparent low bidder. Project will be presented at the December Board meeting.
EASTWOOD AVENUE @ OLD U.S. 70	9/16/2009	12/2/2009	5/31/2010	$165,330.00	0%	**Informal** Preconstruction meeting was held on November 24. Construction expected to begin in January.
GLEN BRIDGE ROAD (PRP 47006)	6/10/2009	7/6/2009	2/1/2010	$227,967.50	100%	**Formal** - ARRA project Complete and in close out.
LONG SHOALS ROAD (PRP 48002)	6/10/2009	7/6/2009	2/1/2010	$365,024.50	95%	**Formal** - ARRA project Project essentially complete. Final paving to remain until Spring and warm weather.
MIDDLE BEAVERDAM CREEK INTERCEPTOR	7/15/2009	8/31/2009	2/27/2010	$736,476.00	45%	**Formal** Mainline construction is progressing slowly because of rock excavation.
REEMS CREEK INTERCEPTOR	9/17/2008	10/9/2008	6/30/2010	$3,549,320.00	100%	**Formal** Project complete and in closeout.
TOWN BRANCH INTERCEPTOR	8/19/2009	9/21/2009	2/18/2010	$726,875.00	10%	**Formal** Contractor is working on bore and moving an 8-inch water line.
U.S. HIGHWAY 70 @ NEIL PRICE AVENUE, PHASES I AND II B	TBA	TBA	TBA	TBA	0%	**Formal** Buckeye Construction Company is the apparent low bidder. Project will be presented at the December Board meeting.
WRF - INTERMEDIATE PUMPING REPLACEMENT	7/15/2009	8/19/2009	8/19/2010	$1,690,788.00	10%	**Formal** Contractor was directed to build alternate route / plan for the primary electrical feed. Work below operating room floor complete. Block work for Electrical room has been completed.

***Updated to reflect approved Change Orders and Time Extensions**

Planning and Development Projects
Status Report December 16, 2009

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Gene Bradley Subdivision	2004022	Fletcher	9	420	3/3/2005	Complete-Waiting on final documents
	Davidson Road Sewer Extension	2004154	Asheville	3	109	12/15/2004	Complete-Waiting on final documents
	Riverbend Urban Village	2004206	Asheville	260	1250	8/29/2006	Complete-Waiting on final documents
	N. Bear Creek Road Subdivision	2005137	Asheville	20	127	7/11/2006	Complete - Waiting on final documents
	Willowcreek Village Ph.3	2003110	Asheville	26	597	4/21/2006	Complete - Waiting on final documents
	Westmore Subdivision	2003003	West Asheville	92	1163	8/29/2006	Complete - Waiting on final documents
	Rock Hill Road Subdivision	2005153	Asheville	2	277	8/7/2006	Complete - Waiting on final documents
	Ken Higgins	1999153	Asheville	-	240	6/15/2007	Complete - Waiting on final documents
	Jim Beck	2003003	West Asheville	future	75	12/12/2000	Complete - Waiting on final documents
	Byrd Street Condos	2007085	Asheville	14	300	7/31/2007	Complete - Pending punchlist/ final docs
	MWB Sewer Extension	2008046	Asheville	Comm.	285	5/12/2008	Complete - Waiting on final documents
	The Cottages on Liberty Green	2007297	Asheville	7	124	5/30/2008	Complete - Waiting on final documents
	Haw Creek Tract	2006267	Asheville	49	1,817	10/16/2007	Complete - Waiting on final documents
	Haywood Village	2007172	Asheville	55	749	7/15/2008	Complete - Waiting on final documents
	Oak Crest Place	2004056	West Asheville	27	791	12/3/2004	Ready for final inspection
	Buncombe County Animal Shelter	2007216	Asheville	Comm.	78	5/1/2008	Complete - Waiting on final documents
	Oak Crest Drive	2008138	Asheville	5	290	1/14/2009	Complete - Waiting on final documents
	Lodging at Farm (Gottfried)	2008169	Candler	20	45	6/2/2009	Complete - Waiting on final documents
	Camp Dorothy Walls - Ph. 1	2007294	Black Mtn.	Comm.	593	6/16/2009	Complete - Waiting on final documents
	Leicester Village Townhomes	2007291	Weaverville	56	427	4/15/2008	Complete - Waiting on final documents
	Momentum Health Adventure	2008097	Asheville	Comm.	184	8/19/2009	Complete - Waiting on final documents
	Honeysuckle Breeze	2007246	Asheville	5	70	9/22/2009	Complete - Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents
			Subtotal	668	10,769		

Planning and Development Projects
Status Report December 16, 2009

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Crayton Creek Green	2006282	Asheville	10	482	3/15/2007	New developer & Engineer, ready for final
	Grove Park Cove Subdivision	2004101	Asheville	14	1122	6/28/2006	Pre-con held ready for construction
	The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
	Asheville Ford	2008083	Asheville	Comm.	243	2/16/2009	Ready for final inspection
	McGinnis Sewer Extension	2004225	Asheville	9	48	5/19/2005	In redesign.
	Falcon Ridge	2004240	Asheville	38	3,279	10/11/2006	Ready for final inspection
	Waightstill Mountain PH-8	2006277	Arden	66	3,387	7/26/2007	testing
	Artisan Park	1998125	West Asheville	133	4,529	4/26/2001	Changed Engineer - work to restart soon
	Brookside Road Relocation	2008189	Black Mtn	n/A	346	1/14/2009	Pre-con held, ready for construction
	Scenic View	2006194	Asheville	48	534	11/15/2006	Ready for final inspection
	Ingles	2007214	Black Mtn.	Comm.	594	3/4/2008	Ready for final inspection
	Bartram's Walk	2007065	Asheville	100	10,077	7/28/2008	testing
	Morgan Property	2008007	Candler	10	1,721	8/11/2008	Pre-con held, ready for construction
	Village at Bradley Branch - Ph. III	2008076	Asheville	44	783	8/8/2008	Ready for final inspection
	Versant Phase I	2007008	Woodfin	64	12,837	2/14/2007	Ready for final inspection
	Canoe Landing	2007137	Woodfin	4	303	5/12/2008	Ready for construction
	Central Valley	2006166	Black Mtn	12	472	8/8/2007	Punchlist pending
	Hominy Valley Center	2005010	Candler	5	433	8/9/2005	Punchlist pending
	Kenilworth Cottages	2008031	Asheville	11	177	5/12/2008	Ready for construction
	CVS-Acton Circle	2005163	Asheville	4	557	5/3/2006	Ready for final inspection
	Hamburg Mountain Phase 3	2004086	Weaverville	13	844	11/10/2005	Ready for final inspection
	UNCA New Science Building	2005039	Asheville	5	538	10/28/2005	Ready for final inspection
	Bostic Place Sewer Relocation	2005102	Asheville	3	88	8/25/2005	Ready for final inspection
	Kyfields	2003100	Weaverville	35	1,118	5/10/2004	Ready for final inspection
	Brotherton Co-Housing	1999162	West Asheville	32	152	1/24/2003	Undergoing redesign by new developer
	Teems Road Subdivision	2007143	Asheville	40	1,308	5/27/2008	Ready for construction
	Thom's Estate	2006309	Asheville	40	3,422	1/24/2008	testing
	Thom's Estate - Phase II	2008071	Asheville	40	3,701	6/10/2008	testing
	Rockwood Apartments - Phase 2	2008109	Asheville	256	4072	1/27/2009	Installing
	Skyland Apartments	2007117	Arden	63	96	4/23/2008	Installing
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Installing
	Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Installing
	North Point Baptist Church	2008105	Weaverville	Comm.	723	5/20/2009	Ready for final inspection
	The Villages at Crest Mountain	2009049	Asheville	63	1,364	9/9/2009	Pre-con held, ready for construction
	CVS- Weaverville Hwy	2006301	Woodfin	Comm.	59	8/18/2009	Pre-con held, ready for construction
	Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
	Forest Manor Complex	2088050	Asheville	Comm.	96	12/4/2008	Ready for final inspection
			Subtotal	2423	83,271		
			Total Units:	3,091			
			Total LF:		94,040		