THE CITY OF ASHEVILLE

STAFF REPORT

City Council: December 9, 2025

Subject: Budget Amendment for Year-End Encumbrances, Carry-Overs, and Auditor Recommended Adjustments

Staff Resource(s): Tony McDowell, Finance Director

Action Requested: Adoption of a budget amendment in each of the City's annual operating funds to: 1) Appropriate from restricted and assigned fund balance the required budget authorization for prior year contracts, purchase orders, and other carry-over appropriations that rolled from Fiscal Year 2024-25 (FY25) to Fiscal Year 2025-26 (FY26); and 2) Adjust the budget to reflect a change in the accounting treatment of cost allocation charges in the General Fund.

Background:

- As part of its ongoing operations, the City enters into various contracts and purchase order agreements throughout the fiscal year.
    - Budget funds are encumbered for the full amount of the expected purchase.
    - These contracts and purchase orders are often not fully completed and paid in one fiscal year.
    - North Carolina General Statutes provide authorization for local governments to reserve the unexpended portion of these prior year commitments and roll those budgets forward to the new fiscal year.
- As a part of the FY25 annual audit, staff identified prior year commitments and carry-over appropriations to roll forward to FY26.
    - These dollar amounts were deducted from the unassigned fund balance amounts that were reported in the Annual Comprehensive Financial Report (ACFR).
    - The attached budget amendment will provide authorization to officially appropriate these amounts in the FY26 budget for each of the City's annual operating funds.
    - It is standard practice for staff to bring forward this budget amendment each year at the same City Council meeting in which the external auditors present the annual audit results.
- Also as a part of the FY25 annual audit, the City's external auditors recommended that the City change its accounting treatment of cost allocation charges from the Enterprise Funds to the General Fund to record those charges as an offset to expenses as opposed to revenue in the General Fund.
- This change in the accounting treatment of cost allocation charges results in an equal reduction in both revenues and expenses in the FY26 General Fund budget.

Council Goal(s):

- A Financially Resilient City

Committee(s):

- None

Pro(s):

- Provides budget authorization for prior year contracts, purchase orders, and other carry-over appropriations that rolled forward to FY26.
- Aligns the City's accounting practices with auditor recommendations.

Con(s):

- None.

Fiscal Impact:

- There is no impact on unassigned or available fund balance in the City's operating funds.
- The change in accounting for cost allocation charges results in an overall decrease of $5.7M in the City's FY26 General Fund budget.

Suggested Motion:

- Motion to adopt a budget amendment in each of the City's annual operating funds to: 1) Appropriate from restricted and assigned fund balance the required budget authorization for prior year contracts, purchase orders, and other carry-over appropriations that rolled from Fiscal Year 2024-25 (FY25) to Fiscal Year 2025-26 (FY26); and 2) Adjust the budget to reflect a change in the accounting treatment of cost allocation charges in the General Fund.

Attachment(s):

- Budget Amendment

ORDINANCE NO.

BUDGET ORDINANCE AMENDMENT

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE

That Section 1 of the City of Asheville Annual Operating Budget Ordinance be amended to provide from restricted and assigned fund balance the required budget authorization for prior year contracts, purchase orders, and other carry-over appropriations that rolled forward to Fiscal Year (FY) 2025-26, and to adjust the accounting for cost allocation charges in the General Fund as follows:

ALL OPERATING FUNDS

Revenues:

Appropriated Fund Balance (General Fund)	$4,607,185.74
Appropriated Fund Balance (Housing Trust Fund)	$10,540,978.00
Appropriated Fund Balance (Sustainability Fund)	$1,941,019.00
Appropriated Fund Balance (Water Resources Fund)	$1,646,361.44
Appropriated Fund Balance (Parking Services Fund)	$970,422.96
Appropriated Fund Balance (Street Cut Utility Fund)	$586,255.07
Appropriated Fund Balance (Stormwater Fund)	$643,298.56
Appropriated Fund Balance (Harrah's Center Fund)	$159,367.42
Appropriated Fund Balance (Transit Fund)	$2,048,522.62
Appropriated Fund Balance (Health Insurance Fund)	$183,215.47
Appropriated Fund Balance (Workers' Compensation Fund)	$1,458.00
Appropriated Fund Balance (Property & Liability Fund)	$26,705.00
Charges for Services (General Fund)	($5,704,761.00)

Appropriations:

Various Accounts (General Fund)	$4,607,185.74
Various Accounts (Housing Trust Fund)	$10,540,978.00
Various Accounts (Sustainability Fund)	$1,941,019.00
Various Accounts (Water Resources Fund)	$1,646,361.44
Various Accounts (Parking Services Fund)	$970,422.96
Various Accounts (Street Cut Utility Fund)	$586,255.07

Various Accounts (Stormwater Fund)	$643,298.56
Various Accounts (Harrah's Center Fund)	$159,367.42
Various Accounts (Transit Fund)	$2,048,522.62
Various Accounts (Health Insurance Fund)	$183,215.47
Various Accounts (Workers' Compensation Fund)	$1,458.00
Various Accounts (Property & Liability Fund)	$26,705.00
Cost Allocation Services (General Fund)	($5,704,761.00)

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this 9th day of December, 2025.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney