

TRANSYLVANIA COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Year Ended June 30, 2010

TRANSYLVANIA COUNTY, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Year Ended June 30, 2010

Prepared by the Finance Department

**TRANSYLVANIA COUNTY
NORTH CAROLINA**

JUNE 30, 2010

BOARD OF COUNTY COMMISSIONERS

JASON CHAPPELL, CHAIRMAN

KELVIN PHILLIPS, VICE CHAIRMAN

DARYLE HOGSED

LYNN BULLOCK

MIKE HAWKINS

PRINCIPAL OFFICIALS

COUNTY MANAGER
Arthur C. Wilson, Jr.

FINANCE DIRECTOR
Gay V. Poor

TRANSYLVANIA COUNTY, NORTH CAROLINA

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**INTRODUCTORY
SECTION**

TRANSYLVANIA COUNTY
BOARD OF COMMISSIONERS:
Jason Chappell, Chairman
Kelvin Phillips, Vice Chairman
Lynn Bullock
Mike Hawkins
Daryle Hogsted



COUNTY MANAGER
Arthur C. Wilson, Jr.
21 East Main Street
Brevard, NC 28712
Phone: 828-884-3107
Fax: 828-884-3119

Transylvania County

November 11, 2010

The Board of Commissioners
Transylvania County
North Carolina

The Comprehensive Annual Financial Report of Transylvania County for the fiscal year ended June 30, 2010 is hereby submitted. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the state publish a complete set of financial statements annually. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America.

The financial statements and supplemental schedules contained herein have been audited by the independent, certified public accounting firm of Martin Starnes & Associates, CPAs, P.A. The firm has rendered an unqualified opinion, which appears at the beginning of the financial section of this report. The responsibility, however, for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Transylvania County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner to present fairly the financial position and results of operation of the various activities and funds of the government. All disclosures necessary to enable the reader to gain an understanding of the government's financial transactions have been included.

The County is also required to undergo an annual single audit in conformity with generally accepted auditing standards; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and the State Single Audit Implementation Act. Single audits focus not only on the fair presentation of financial statements but also on the County's internal controls and compliance with legal requirements, particularly in the administration of federal and State grants. Information related to this single audit, including the schedule of expenditures of federal and State awards, findings and questioned costs, and auditor's reports on internal control and compliance with laws and regulations, is submitted in a separate document.

The Comprehensive Annual Financial Report covers all of the activities and funds of Transylvania County government. None of the other organizations with whom the County is affiliated meet the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides an introduction, overview, and analysis of the basic financial statements. The discussion and analysis complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF TRANSYLVANIA COUNTY

Transylvania County was established in 1861 under North Carolina General Statute 153A-10. Located in the southwestern portion of North Carolina, the county is approximately 35 miles southwest of Asheville, North Carolina; 136 miles southeast of Knoxville, Tennessee; 60 miles north of Greenville, South Carolina; and 170 miles northeast of Atlanta, Georgia. Seventy-five percent of the United States' population lives within a day's drive of Transylvania County. The county has a land mass of 379.7 square miles, 46% of which is held in two state parks and two national forests. Elevations in the county range from 1,265 feet in the Horsepasture River Valley to 6,045 feet near the Blue Ridge Parkway.

Based on projections from the NC Planning Office, the population of Transylvania County as of June 30, 2010, was 31,095. There are two municipalities within the county: the City of Brevard, which lies near the center of the county and serves as its seat, and the Town of Rosman. The county has a commissioner/manager form of government. The five members of the Board of Commissioners are elected from the county at large on a partisan basis for four-year staggered terms. Commissioners hold policy-making and legislative authority and are responsible for adopting the annual budget ordinance. In addition to electing the Chairman each year, the Commissioners appoint the County Manager, Tax Administrator, and Clerk to the Board. The County Manager is responsible for preparing and presenting the annual budget, implementing policies, managing daily operations, and appointing department heads.

Transylvania County government offers its citizens a wide range of services including health and social programs, public safety, environmental protection, economic and physical development, cultural and recreational opportunities, and general administration. While the Transylvania County Schools are a separate entity, the County provides 28% of the annual funding for the school system. Including debt service on school bonds, the amount appropriated for education represents almost one-third of the County's annual budget. Approximately 45% is allocated to public safety and human services. The County also extends financial and administrative support to other boards, agencies, and entities to assist their efforts in serving citizens. Among these are the North Carolina Forest Service, Brevard Rescue Squad, Land-of-Sky Regional Council, Blue Ridge Community College, and Western Highlands Network Mental Health Local Management Entity.

ECONOMIC OUTLOOK

Transylvania County has a diversified economy based primarily on five sectors: (1) travel and tourism, (2) human services including health care, education, and government, (3) retail, (4) construction and real estate development, and (5) industry. The downturn in the national economy has impacted these sectors to varying degrees. As of June 30, 2010, the county's unemployment rate was 8.6%, the same as the prior year-end's rate and less than the statewide average of 10.2%.

Because of the recreational and cultural opportunities available in the area, travel and tourism has long been a significant component of the local economy. Within the county's boundaries lie DuPont State Forest, Gorges State Park, and portions of Pisgah and Nantahala national forests. These areas draw visitors who enjoy sightseeing, hiking, rock-climbing, kayaking, fishing, and other outdoor activities. Transylvania County also has the reputation as an Arts Destination. For lovers of the arts, there are numerous art galleries, craft shows, concerts, plays, and seasonal festivals that reflect both the old traditions and the new diversity of the community. In 2009 travel and tourism contributed \$68.4 million to the local economy including \$13.2 million in payrolls and \$6.2 million in tax revenues. These figures are lower than those for 2008, which showed the first decline since these statistics have been kept. Nevertheless, because of its solid base, the County is confident that when the general economy improves, travel and tourism-related revenues will resume the steady growth demonstrated for so many years. First quarter FY 11 occupancy tax receipts are almost 5% higher than receipts for the same period last year.

As might be expected, the human services component of the county's economy has been more insulated from the recession than other sectors. By the end of 2009 the number of people working for health care providers and related

facilities had risen by 4% to 1,600. With a full-time staff of over 400, Transylvania Regional Hospital is the county's largest private sector employer and has an annual payroll of approximately \$20 million. In September 2009 the Sisters of Mercy Services Corporation opened the first urgent care center of its kind in the county, creating more jobs in this sector. Brevard College, a four-year liberal arts college founded here in 1853, is also a significant contributor to the local economy. According to a study conducted by the Center for Regional Development at Western Carolina University, the College adds over \$9 million to the county's economy through spending, tax revenues, and jobs. Brevard College, Blue Ridge Community College's local campus, and the Transylvania County school system combined employ approximately 800 people. Another 400+ residents work for City and County government. The County anticipates this sector of the economy to remain relatively stable.

Compared to FY 09, Transylvania County's taxable sales fell by 9%, as local retailers suffered from the same recessionary factors that have affected consumer spending nationwide. Sales tax revenues fell accordingly. Particularly hard hit were sales of lumber and building materials, which were down by 20%. All other major business groups also reported decreases in taxable sales, except automotive which rose by 11%. Based on the most recent labor statistics issued by the Employment Security Commission, just under 1,400 people in the county work in this sector - 10% fewer than a year earlier. According to the State's Fiscal Research Division, the two years of significant declines in sales tax collections ended in July, and modest growth of 1.5% is forecast for the year as the economy slowly improves.

In the past decade the construction and real estate development sector has become increasingly important to Transylvania County's economy - and unfortunately is the one most impacted by the economic downturn. Over the past five years \$395 million in new construction has been permitted and added to the tax base. Ninety-one percent of the structures have been residential, with many of them being retirement or second homes. Following a peak in FY 07, building activity dropped sharply in FY 08 and again in FY 09 but began to level off in FY 10. While the number of construction permits issued for new residences fell by 11%, those issued for new commercial projects doubled by year-end. Based on the latest available employment records, 5% of the local work force is involved directly in construction, and an additional 2%-3% participate in the financial, insurance, and real estate activities that support building and land development. These figures reflect a 33% and a 12% decrease, respectively, in employment in these fields between March 2009 and March 2010. The actual number of people in construction-related jobs does, though, vary seasonally and typically picks up during the April through October timeframe. For the first four months of FY 11, statistics for construction activity indicate improvement over the same period in FY 10.

The manufacturing component of the local economy fared better in the first year of the recession. Between the end of calendar year 2008 and the end of fiscal year 2009, employment in this manufacturing sector actually rose 3%. However, since then it has declined by 11%, driven by the closure of two manufacturers, one that made trusses and one that made pool tables. The industrial base now consists of a number of small manufacturers that collectively employ 600 to 700 people. The largest of these, M-B Industries with 140 employees, produces metal stampings, wire forms, and precision tooling. Over the past couple of years, Gaia Herbs, which makes and markets herbal extracts, has expanded its product lines and increased its plant capacity. To free up space at its main facility, Gaia Herbs is matching funds received through a Community Development Block Grant to retrofit an old 17,000 square foot warehouse to store both raw materials and finished products. In compliance with the grant agreement, the company has committed to adding five employees to its current headcount of 126. In 2005 Excelsior Packaging, Inc. purchased a site formerly occupied by Coats American. Since then the company has invested \$20 million in renovations and equipment to manufacture flexible plastic packaging for the medical, food, and consumer packaging industries and has hired almost 100 employees. As the County seeks to bolster the manufacturing component of the economy, attention is being focused on smaller companies, particularly those started by local entrepreneurs and those that may conduct their business via the Internet.

Transylvania County's government leaders have supported the leaders from the different sectors of the local economy and worked tirelessly to advance their growth and success. The County offers incentive grants to provide funding for development and expansion of the industrial base. For a company to qualify, it must meet several criteria. In return, it gets a grant back of taxes on new investment paid up to five or more years. Upon the

recommendation of the Board of Commissioners, the County has also implemented a business recognition program to highlight achievements of local businesses and express appreciation for their contributions to the community. Awards are given for four categories: Retailer of the Year, Entrepreneur of the Year, Manufacturer of the Year, and Chairman's Choice. Funds for promotions such as these are withdrawn from a reserve established for Economic Development. In addition, the County's Economic Development Office actively seeks federal and State grants that offer financial assistance and guidance to business ventures. In FY 10 the North Carolina Department of Commerce awarded a \$0.1 million Economic Development Building Reuse Grant to the County on behalf of Gaia Herbs for their warehouse renovation.

RESPONSE TO ECONOMIC CONDITIONS

The Board of Commissioners has striven to balance citizens' needs and expectations for services with taxpayers' ability to fund them. In October of 2008 in anticipation of revenue shortfalls beyond its control, County management scrutinized expenditures that were within its control and lowered spending appropriations by 2%. Later as the economy further deteriorated, additional cuts were made, resulting in a total budget reduction of over 3%. Faced with a recession projected to extend well into FY 10, the County Manager presented and the Commissioners approved a budget for FY 10 that was 7.4% below the prior year's original budget. With a fragile and minimal recovery forecast for FY 11, County management developed a total General Fund budget that exceeded the prior year's by only 1.6%. This was accomplished in spite of a 5.9% increase in appropriations for the local school system (\$0.6 million) and a 30.5% increase in retirement contributions (\$0.2 million) required by the State. While the FY 11 budget does not include a salary and wage increase for employees and limits capital items to the most essential and immediate needs, the budget funds the County's departments sufficiently to provide basic core services and meet State and federal requirements. The Board of Commissioners did not raise the ad valorem tax, opting instead to compensate for projected decreases in revenues by controlling expenditures and withdrawing monies from undesignated fund balance. The goal of operating County government more efficiently and economically is actively and consistently promoted throughout all levels of the organization.

MAJOR INITIATIVES

For The Year:

Public Safety Facility

On October 5, 2009, Transylvania County received a Certificate of Occupancy for its new Public Safety Facility, marking a milestone in this multi-year, multi-million dollar undertaking. The grand opening and dedication of the facility was held on November 7th and included tours for members of the community.

In addition to a 114-bed detention center that may be expanded to accommodate 300 beds, the Public Safety Facility also houses the Sheriff's Office, the Magistrate's Office, Emergency Communications (E911), and the Emergency Management Center. In total the facility covers 59,000 square feet, with the portion occupied by law enforcement and emergency services one story and the detention area one story plus a mezzanine in the housing units. A new 6,000 square foot workshop and storage area for Maintenance was also been built on the site. The facility is LEED Green Building Certified, meeting the criteria for a Silver LEEDS designation, and is the first Public Safety Facility in the Southeast to qualify for this certification.

Following the groundbreaking in January 2008, construction progressed close to schedule, with the bulk of it occurring in FY 09. Including the cost of the land, the total project budget for the Public Safety Facility was \$22.5 million, with the majority being paid from fund balance. Over the course of several years, the Board of Commissioners had reserved a total of \$19.6 million for this purpose. The remaining \$2.9 million was secured in FY 09 through a 15-year installment financing agreement. The total actual cost of the project came in \$0.5 million under budget.

Emergency Communications System

In October 2009 the Emergency Communications Center completed installation of a new E911 System in the Public Safety Facility. It replaces an obsolete system, dating back to 1992, with a state-of-the-art one that complies with FCC and all other industry and governmental regulations for Emergency Communications Centers. The upgraded system can receive and translate any data language in use now or that may be adopted by NG-9-1-1 in the future and is fully integrated with law enforcement software to expedite the transfer of information.

The \$1.1 million project was paid for almost entirely from NC Wireless 911 Board funds and 911 wireline surcharges collected in prior years and reserved in the General Fund for this project.

Sesquicentennial Celebration

On February 15, 2011, Transylvania County will observe the 150th anniversary of its formation. In September 2009 the Board of Commissioners chartered a 25-member steering committee to develop and coordinate plans for a Sesquicentennial Celebration. The committee consists of interested citizens representing different facets and focuses of the community. According to their mission statement, their goal is to conduct a year-long series of activities and events that “will commemorate Transylvania County’s Sesquicentennial with celebration and education, highlighting our rich history, creating an enhanced sense of place and of community, and looking to the future with hope and optimism.” The committee’s vision includes involving other local agencies and organizations in joint Sesquicentennial-oriented initiatives such as curriculum additions in conjunction with the Transylvania County Board of Education and business recognition programs with the Brevard/Transylvania Chamber of Commerce.

The Board of Commissioners began planning financially for the Sesquicentennial Celebration much earlier, in FY 05, by designating \$30,000 for this purpose. Each year since through FY 10 this amount has been set aside, and \$7,500 was earmarked in FY 11’s budget. The County has a total of \$187,500 available for the celebration.

Recreation

During FY 10 the County moved forward with plans for two separate parks: one at Connetsee Falls and the other near the Town of Rosman.

In December of 2009 the County received a \$325,000 grant from the Parks and Recreation Trust Fund for the acquisition of land and development of a park at Connetsee Falls. In addition to a picnic area and walking trails, the park will provide an ADA accessible observation deck that will allow visitors to view the twin waterfalls from the top. Through a conservation easement and private donations, including a generous contribution from the property owner, the County secured the required match for the grant so that there is no cost to local taxpayers for the park. In October the County awarded a contract for this project.

The County also recently awarded a contract for the first phase of development of a community park near Rosman. Two property owners have leased 22 acres to the County for 30 years for this purpose. The park will fill a gap identified in the FY 08 Comprehensive Recreation Master Plan by extending recreational opportunities to the residents of the western end of the county. Not only will the proposed facility be much closer and more convenient to those in that area, but also it will increase the total number of ball fields available for the many sports programs offered by different organizations in the county. Based on community and County staff input, the plan includes four baseball fields that can also accommodate other athletic events such as soccer and football; basketball and volleyball courts; a playground; a canoe portage; a picnic shelter; a walking trail; and a restroom and concession facility. Phase I of the project covers grading, drainage, and seeding of the site and construction and graveling of a parking area.

The preliminary cost estimate for the entire project is \$1.1 million; the cost for Phase I will be approximately \$205,000, which will be paid from undesignated fund balance. The Recreation Advisory Board is currently finalizing bylaws for a 501(c)(3) Parks and Recreation Foundation that would allow for tax deductible contributions to be made for specific projects. It is the expectation that a significant portion of the funding for the completion of the community park would come from donations and State Parks and Recreation grants.

For The Future:

Animal Shelter

Transylvania County is progressing with plans to replace its Animal Shelter, which is over 50 years old. The drawings for the new shelter incorporate recommendations made by County staff and an advisory committee consisting of veterinarians, leaders of local animal advocacy groups, and other interested citizens. Approximately twice the size of the existing structure, the facility has been designed to meet Animal Welfare Act shelter standards and will be built with separate air handling systems for different zones to prevent the spread of disease and with interior and exterior acoustical features to minimize noise transmission. To improve public access and increase adoptions, the new Animal Shelter will also include reception and viewing areas segregated from animal control areas. In October 2010 the Board of Commissioners approved property already owned by the County as a suitable site. However, since the latest construction estimates for the Animal Shelter exceed the \$0.8 million thus far designated in the General Capital Projects Fund for the project, the Commissioners instructed staff to identify changes that would reduce cost without sacrificing the functionality of the building. Management has submitted suggestions to the architect and will issue requests for proposals for construction after review of the revised specifications.

A little over \$10,000 has been received to date in private donations. Once final plans are approved, a public fundraising campaign will be launched in hopes of receiving contributions to augment County funding.

Space Needs

Over the past several years Transylvania County has been systematically addressing the concerns highlighted in the Space Needs and Utilization Assessment prepared in FY 05. This study evaluated both the long and short-term adequacy of existing facilities County-wide, examined the most efficient use of all County properties, and proposed alternatives to mitigate identified inadequacies. Among the factors taken into consideration were safety and security, costs of renovating versus building, convenience and accessibility to citizens, workspace usage and needs, and availability of parking for employees and visitors. The conclusion was that Emergency Services, the Health Department, and the Courthouse had the most urgent facilities needs. The first two of these have been addressed.

The Board of Commissioners has now turned its attention to Courthouse space, parking, and security issues. The Register of Deeds and Tax Administration offices are located in this building as well facilities for court-related personnel and judicial proceedings. While the Board acknowledges that the County will eventually need to construct a new Courthouse, it also recognizes that such a major undertaking is not prudent under the current budgetary constraints and economic conditions. As an interim solution, the Board has chosen to renovate the existing Courthouse and former Sheriffs' Office, Jail, and Emergency Communications Center and then move the non-court related functions to these other facilities. Funds have been set aside in the General Capital Projects Fund for this purpose. Based on the architect's plans, the renovations are estimated to cost between \$.5 and \$.7 million, and the County is optimistic that, given the favorable bidding climate, the actual cost will be at the lower end of that range.

LONG-TERM PLANNING

In addition to identifying and prioritizing capital projects to resolve space needs, Transylvania County develops a five-year capital plan for significant equipment acquisitions and building and land improvements. This plan is updated each year during the budget process.

In light of the lingering recession and uncertainty about State and federal funding and mandates, the County presented five-year revenue and expenditure projections during the budget process as well. These provided a context in which to assess the impact of FY 11 fiscal alternatives on future cash flows and fund balances.

The County, in conjunction with the Economic Development Advisory Board, also prepares, issues, and implements an Economic Development Strategic Plan on a three-year cycle. As stated in the plan, its purpose is to “actively support a diverse mixture of existing and new businesses in order to retain and create new jobs, increase the tax base, and promote an attractive community that is responsive, caring, and sustainable.” The plan is reviewed annually, quantifiable results measured against goals, and County services and activities adjusted, if needed, to increase effectiveness. A new strategic plan for FY 11-13 will be presented to the Board of Commissioners within the next few months.

OTHER INFORMATION

CERTIFICATE OF ACHIEVEMENT: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Transylvania County for its comprehensive annual financial report for the fiscal year ended June 30, 2009. (This was the 23rd year that the County has achieved this prestigious award.) In order to be awarded a Certificate of Achievement, 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.

ACKNOWLEDGMENTS: The preparation of this report could not have been accomplished without the contributions of the Finance Office staff, whose knowledge, diligence, and dedication lay the reliable and accurate foundation for all the County’s financial records. I also appreciate the cooperation of my fellow department heads in performing the financial transactions in their functions responsibly and in compliance with accounting and regulatory requirements. In addition, I wish to acknowledge Martin Starnes and Associates, CPAs, P.A. for their assistance.

In closing, I would like to express my sincere appreciation to County Manager Artie Wilson and the Board of Commissioners for their interest and support in planning and conducting the financial activities of the County in a fiscally sound and progressive manner.

Respectfully submitted,



Gay V. Poor
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Transylvania County
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



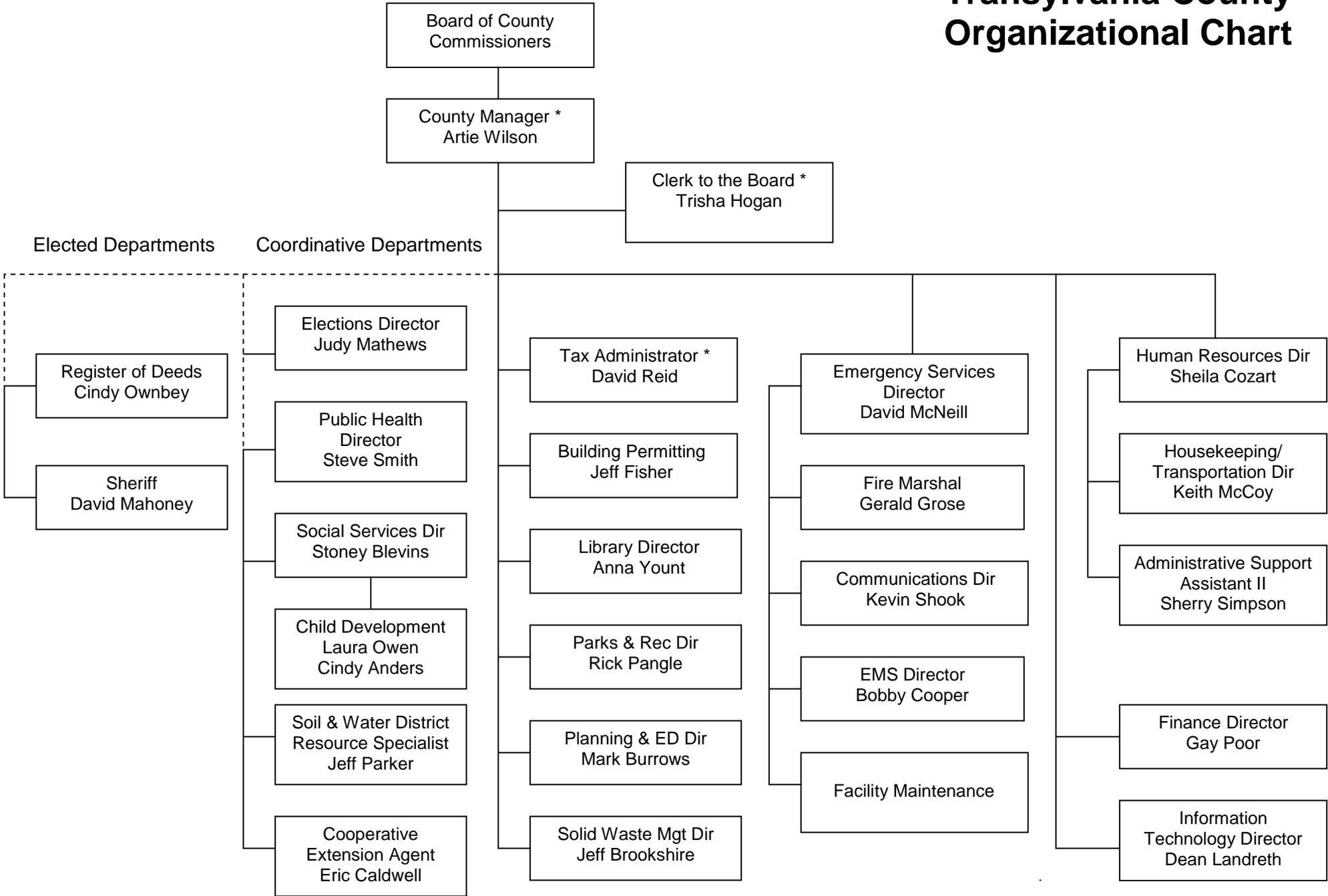
A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

Transylvania County Organizational Chart



* Appointed by County Commissioners

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**FINANCIAL
SECTION**

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Transylvania County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Transylvania County, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Transylvania County's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Transylvania County, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010, on our consideration of Transylvania County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, and the Other Post-Employment Benefits schedules 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 express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Transylvania County, North Carolina. The combining and individual fund financial statements and schedules, the individual nonmajor fund financial statements and schedules, the budget-to-actual schedules, and the other supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, we express no opinion on such data.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 11, 2010

Management's Discussion and Analysis

As management of Transylvania County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Transylvania County for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the information provided in our letter of transmittal and in the financial statements that follow this narrative.

Financial Highlights

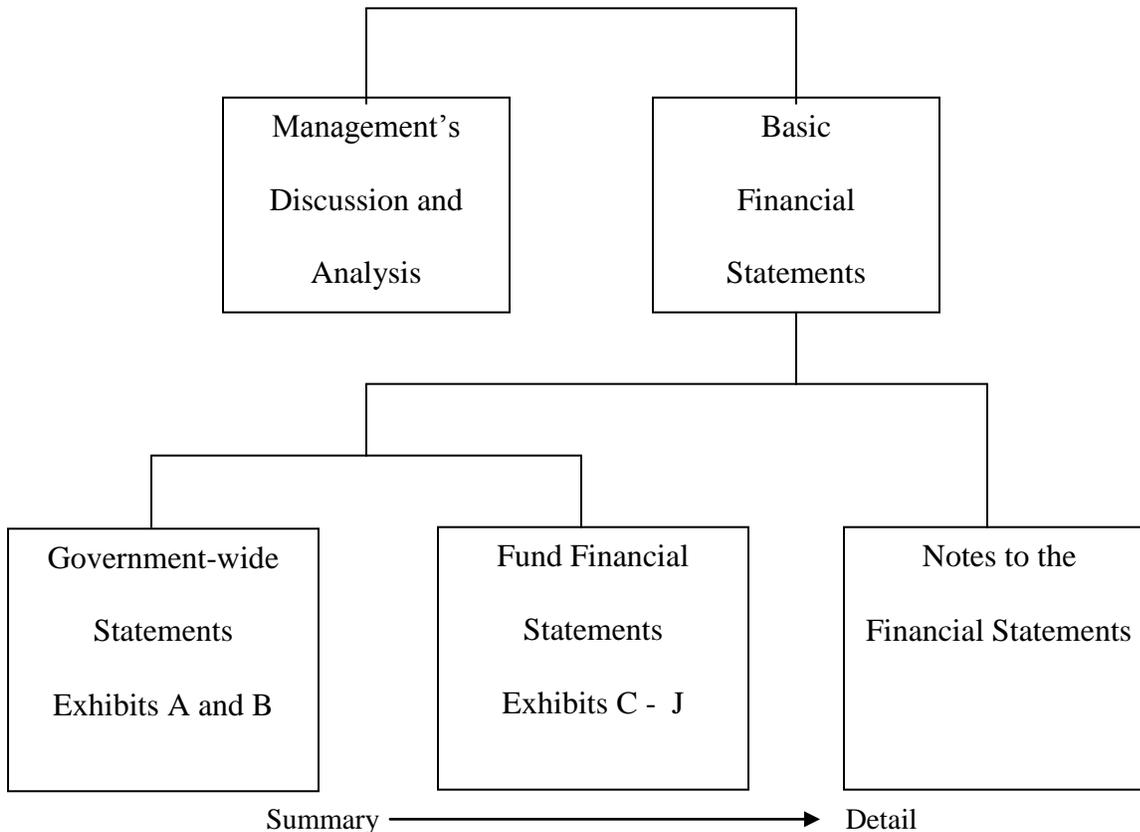
- The assets of the County exceeded its liabilities at the close of the fiscal year by \$53.9 million (*net assets*). Of this amount \$9.8 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. Net assets at the end of the prior year were \$49.3 million, \$8.5 million of which was unrestricted.
- The government's total net assets, excluding a prior period adjustment, increased by \$3.7 million, with \$2.8 million attributable to governmental activities and \$0.9 million generated by business activities.
- As of the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$25.5 million, \$1.0 million less than at the close of the prior year. Approximately 84.0 percent of the total balance, or \$21.5 million, is available for spending at the government's discretion (*unreserved fund balance*). Last year the unreserved fund balance was \$14.0 million, 55.0 percent of the total combined fund balances. The majority of the increase in the unreserved fund balance is due to the reclassification in FY 10 of capital projects funds from "reserved" to "unreserved." Slightly over half of the unreserved balance has been designated or appropriated for ongoing activities or capital projects.
- The County's General Fund balance increased by \$0.4 million to end the year at \$19.3 million. The balance also reflects a prior period adjustment of \$1.2 million to incorporate amounts previously shown in separate funds. The unreserved and undesignated portion of this balance is \$10.3 million, which represents 25.9 percent of total General Fund expenditures and transfers out for the fiscal year. Comparable figures for FY 09 were, respectively, \$9.8 million and 23.7 percent.
- For FY 10 the County's ad valorem tax collection rate reached 99.69 percent. This rate tops the 99.48 percent achieved in the prior year, which was the highest in the State for FY 09.
- As of June 30, 2010, the County had long-term outstanding debt of \$16.9 million, \$0.8 million or 4.8 percent less than the prior year. The only new debt the County assumed during FY 10 was through the Qualified School Construction Bond (QSCB) program established by the American Recovery and Reinvestment Act of 2009 (ARRA). The County issued \$1.3 million in low interest QSCBs and will use the proceeds to construct a Career and Technical Education facility at a local high school.
- In February 2008 in conjunction with the issuance of general obligation refunding bonds, Moody's Investors Services upgraded the County's bond rating to an A1 from the A2 the County had held since 1997, and Standard and Poor's reassigned the A rating the County has maintained since 1989.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: (1) the governmental funds statements, (2) the budgetary comparison statement, (3) the proprietary fund statements, and (4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in the statements. Following the notes is the **required**

supplemental information. This section contains funding information about Transylvania County's other post-employment benefits.

Additional **supplemental information** may be found in the next section. Details about the County's major governmental funds are provided, and a breakdown is given of the non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes is also included in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of Transylvania County's finances and are similar in format to private-sector financial statements. The focus of these statements is the measurement of *economic resources* of the County. Prepared (like their private-sector counterparts) using the full accrual basis of accounting, the government-wide financial statements record the impact of all transactions when the transaction occurs, regardless of when the related cash flow occurs. This approach recognizes that the financial implications of certain transactions initiated in the current period can extend into future periods. Consequently, these statements provide both short and long-term information about the County's financial status as a whole.

The two government-wide statements present the County's net assets and how they have changed. The *Statement of Net Assets* (Exhibit A) shows the County's total assets and total liabilities, with the difference between the two reported as net assets. Net assets are grouped into three categories based on their availability for funding ongoing obligations to citizens and creditors: (1) invested in capital assets net of related debt, (2) restricted, and (3) unrestricted. The *Statement of Activities* (Exhibit B) shows what caused the County's net assets to change during the most recent fiscal year. Since all changes are reported as soon as the underlying event giving rise to them occurs, revenues and expenditures are included in this statement even though they may not impact cash for some time to come. The *Statement of Activities* also compares the costs of the County's various functions with the sources of funding for those activities, highlighting the balance that must be subsidized through property taxes and other general revenues. By examining the government-wide statements, the reader may assess whether Transylvania County's overall financial position has improved or deteriorated as a result of current year transactions and evaluate the adequacy of the County's existing economic resources to support future years' ongoing needs, special projects, and long-term financial obligations.

Transylvania County's government-wide statements are prepared for two categories of activities. The **governmental activities** include the County's basic services such as public safety, human services, culture and recreation, and general administration. These services are financed predominantly through property taxes, sales taxes, and state and federal grant monies. The only **business-type activity** that Transylvania County engages in is the operation of a landfill, which is financed predominantly through user fees, with supplemental revenues from property taxes and other intergovernmental sources. The County has two component units, the Joint Historic Properties Commission and the Transylvania Parks Commission. Neither, however, has financial transactions or account balances; so, there is no financial activity to report for them in the basic financial statements.

The government-wide financial statements appear on pages 15 to 17 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at Transylvania County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Transylvania County, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with federal, state, and local financial and legal requirements. Transylvania County's funds may be divided into three categories: (1) governmental, (2) proprietary, and (3) fiduciary.

Governmental Funds – Most of the County’s basic services are accounted for in the governmental funds. These functions are the same ones that are reported as governmental activities in the government-wide financial statements. There are two governmental fund financial statements, the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balance* (Exhibits C through E). However, unlike the government-wide statements, the fund financial statements report only those transactions that will impact cash in the near-term. The modified accrual basis of accounting is used in their preparation, and the focus is on current *financial resources* – monies remaining at year-end and assets that may readily be converted into cash. Through the detailed, short-term view presented in the governmental fund financial statements, the reader may assess the adequacy of financial resources available to fund the County’s programs in the coming year. The relationship between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is explained in a reconciliation that is a part of the fund financial statements.

As required by North Carolina General Statutes, Transylvania County adopts an annual budget for its governmental funds, with the exception of most of the capital projects funds which are covered by project ordinances. The budget is a legally adopted document that incorporates input from the citizens of the County, requests from the management of County government, and the decisions of the Board of Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* (Exhibit F) for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not it succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement presents four columns: (1) the original budget as adopted by the Board, (2) the final budget as amended by the Board, (3) the actual resources, charges against appropriations, and ending balances in the General Fund, and (4) the variance between the final budget and the actual resources and charges.

Proprietary Fund – Transylvania County has one kind of proprietary fund, an Enterprise Fund that is used to account for the County’s landfill operations. The activity shown in this fund is the same as that shown in the business-type activity in the government-wide financial statements. There are three proprietary fund financial statements: (1) the *Statement of Net Assets*, (2) the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*, and (3) the *Statement of Cash Flows* (Exhibits G, H, and I). Like the business-type activities statements, these statements are prepared using the full accrual accounting method and have an economic resources measurement focus.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Transylvania County has two fiduciary funds, both of which are agency funds: the Social Services Fund and the Fines and Forfeitures Fund (Exhibit J).

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Transylvania County’s designation of funds to cover its obligation to provide other post-employment benefits. Required supplementary information can be found beginning on page 58 of this report.

Government-Wide Financial Analysis

Total net assets, and particularly changes in net assets over time, may serve as an indicator of a government's financial condition. As of June 30, 2010, the government-wide assets of Transylvania County exceeded liabilities by \$53.9 million, reflecting growth of \$4.6 million in net assets over the past fiscal year. Operations generated \$3.7 million of this increment; a prior period adjustment accounted for the remaining \$0.9 million. Investments in capital assets increased by \$2.8 million, while restricted and unrestricted cash balances dropped by \$0.3 million and other assets by \$0.1 million, netting to a \$2.4 million addition to total assets. In spite of the assumption of \$1.3 million for QSCB debt, total liabilities decreased by \$2.2 million as both accounts payable and other long-term debt were reduced.

Transylvania County's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 27.3	\$ 28.6	\$ 4.2	\$ 3.3	\$ 31.5	\$ 31.9
Capital assets	40.9	37.9	4.4	4.6	45.3	42.5
Total assets	\$ 68.2	\$ 66.5	\$ 8.6	\$ 7.9	\$ 76.8	\$ 74.4
Long-term liabilities outstanding	\$ 17.9	\$ 18.5	\$ 3.1	\$ 3.3	\$ 21.0	\$ 21.8
Other liabilities	1.8	3.2	0.1	0.1	1.9	3.3
Total liabilities	\$ 19.7	\$ 21.7	\$ 3.2	\$ 3.4	\$ 22.9	\$ 25.1
Net assets:						
Invested in capital assets, net of related debt	\$ 38.2	\$ 35.1	\$ 4.4	\$ 4.6	\$ 42.6	\$ 39.7
Restricted	1.5	1.1	-	-	1.5	1.1
Unrestricted	8.8	8.6	1.0	(0.1)	9.8	8.5
Total net assets	\$ 48.5	\$ 44.8	\$ 5.4	\$ 4.5	\$ 53.9	\$ 49.3

Of the County's total net assets, net *capital* assets make up the largest category – 79.1 percent – and represent the County's investment in land, buildings, furniture and fixtures, vehicles, and other equipment. Capital assets are reported net of any related outstanding debt because, since they are used to provide services to citizens, they may not be liquidated to retire debt incurred for their acquisition. Nor may they be liquidated to generate funds for other governmental needs. Their use is essentially restricted to the purpose for which they were purchased. For the County as a whole, net capital assets grew by \$2.9 million during FY 10 to \$42.6 million at year-end.

Another portion of the County's net assets, \$1.5 million or 2.8 percent, is subject to external restrictions on how the funds may be used. These restrictions are legally binding and are imposed by general statutes, grants, or contracts. This category of assets grew by \$0.4 during FY 10, primarily due to the inclusion of funds reserved for court facilities.

The remaining government-wide balance for net assets, \$9.8 million (18.1 percent), is unrestricted and therefore available to meet the County's ongoing obligations. Business activities contributed \$1.1 million of the \$1.3 million increase in this balance.

Total net assets related to *governmental* activities finished the year with a balance of \$48.5 million, up \$3.7 million from the prior year. Of this change, \$3.1 million represents FY 10 investments in net capital

assets, mostly for the Public Safety Facility and the upgraded E911 System. As mentioned above, restricted assets increased by \$0.4 million, leaving \$0.2 million available for general purposes.

A transfer of \$0.9 million from governmental activities compensated for a small operational loss in the County's business-type activities and generated a \$0.9 million addition to total net assets. Since depreciation recorded during FY 10 exceeded the value of capital acquired, net capital assets decreased, allowing \$0.2 million to be released to unrestricted net assets. The balance of total net assets for business-type activities at the end of FY 10 was \$5.4 million versus \$4.5 million for FY 09.

Transylvania County's Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 3.0	\$ 3.2	\$ 1.4	\$ 1.4	\$ 4.4	\$ 4.6
Operating grants and contributions	6.7	7.2	-	-	6.7	7.2
Capital grants and contributions	0.5	-	-	-	0.5	-
General revenues:						
Property taxes	26.0	24.4	-	-	26.0	24.4
Other taxes	6.1	7.5	-	-	6.1	7.5
Grants and contributions unrestricted to specific programs	0.5	0.5	-	-	0.5	0.5
Other	0.2	0.7	-	0.1	0.2	0.8
Total revenues	\$ 43.0	\$ 43.5	\$ 1.4	\$ 1.5	\$ 44.4	\$ 45.0
Expenses:						
General government	\$ 4.6	\$ 5.0	\$ -	\$ -	\$ 4.6	\$ 5.0
Public safety	11.8	11.0	-	-	11.8	11.0
Transportation	0.5	0.4	-	-	0.5	0.4
Economic and physical development	1.7	1.5	-	-	1.7	1.5
Human services	8.1	9.4	-	-	8.1	9.4
Cultural and recreation	1.5	2.0	-	-	1.5	2.0
Education	10.4	10.5	-	-	10.4	10.5
Interest on long-term debt	0.7	0.9	-	-	0.7	0.9
Landfill	-	-	1.4	1.7	1.4	1.7
Total expenses	\$ 39.3	\$ 40.7	\$ 1.4	\$ 1.7	\$ 40.7	\$ 42.4
Increase in net assets before transfers	\$ 3.7	\$ 2.8	\$ -	\$ (0.2)	\$ 3.7	\$ 2.6
Transfers	(0.9)	(0.9)	0.9	0.9	-	-
Increase in net assets	\$ 2.8	\$ 1.9	\$ 0.9	\$ 0.7	\$ 3.7	\$ 2.6
Net assets, July 1	\$ 44.8	\$ 42.9	\$ 4.5	\$ 3.8	\$ 49.3	\$ 46.7
Prior period adjustment	\$ 0.9	\$ -	\$ -	\$ -	\$ 0.9	\$ -
Net assets, June 30	\$ 48.5	\$ 44.8	\$ 5.4	\$ 4.5	\$ 53.9	\$ 49.3

Governmental activities – Revenues associated with governmental activities exceeded expenses by \$2.8 million, generating 76.6 percent of the addition to the County’s total net assets. The increase in ad valorem tax revenues and the cost reduction initiatives highlighted on page 10 contributed to this surplus. However, the majority of the growth in net assets was attributable to the budgeting and collection of revenues to cover cash outlays that were not accounted for in the government-wide financial statements as current year expenses, such as the principal portion of debt service and routine capital acquisitions. While the revenues raised to fund these items were recognized in the *Statement of Activities*, the associated cash outlays were not. In effect, these revenues dropped directly to net assets. There were other items such as depreciation and accrued interest that were treated as expenses on the government-wide financial statements but were not included as expenditures on the governmental funds statements. With no revenues budgeted to cover them, they consequently reduced net assets. In FY 10 the net impact from these differences in the basis of accounting was a \$3.7 million addition to net assets. Conversely, the use of reserved funds for capital projects, netted with positive operating results, reduced this addition by \$0.9 million. Please refer to Exhibit E for further explanation.

Compared to the prior year, FY 10’s increase in net assets was \$0.9 million higher. Due to cost control measures and the timing of grant-related projects, expenses were \$1.4 million lower than FY 09’s. Revenues, however, were also less – by \$0.5 million. The \$1.6 million growth in ad valorem taxes only partially offset the decreases in sales taxes and investment earnings of \$1.4 million and \$0.5 million, respectively. Both of these revenue sources were adversely impacted by the ailing economy. However, over half of the drop in sales taxes may be traced to the final phase of the Medicaid Relief Swap. In this plan implemented by the State, counties lost a portion of sales tax revenue in exchange for the State assuming counties’ Medicaid cost, an arrangement which generates a net financial benefit for counties. There was little overall change in program revenues. In FY 10, charges for services, grants, and contributions covered 26.0 percent of the expenses of governmental activities and comprised 23.8 percent of total revenues. In FY 09 these external revenue sources supported governmental activities by 25.5 percent and made up 23.9 percent of total revenues. Transfers from governmental activities remained the same as the prior year’s.

Business-type activities – The financial results of Transylvania County’s business-type activities for FY 10 were similar to those of FY 09. The only significant difference was the \$0.2 million reduction in the accrual for landfill closure and post-closure care costs. This accounted for the greater gain in net assets in FY 10. Through tipping fees, users of the solid waste facility paid 94.1 percent of operating expenses in FY 10 versus 82.4 percent in FY 09 and contributed just under 60.0 percent both years to the landfill’s total revenues. Transfers from governmental activities supplemented these revenues, but the majority of the transferred funds were set aside for future obligations and capital projects. Please refer to the analysis of the proprietary fund on page 11 for more information.

Financial Analysis of the County’s Funds

As noted earlier, Transylvania County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The goal of governmental fund statements is to provide information on near-term inflows, outflows, and balances of useable resources. Such information is helpful in assessing the County’s financing requirements. Specifically, unreserved fund balance can be a meaningful measure of a government’s net resources available for spending during the next fiscal year.

The County’s governmental funds types are divided into two categories, major and non-major. The General Fund is always considered a major fund, and the General Capital Projects Fund met the criteria for this classification in FY 10. The non-major governmental funds consist of other Capital Projects Funds, Special Revenue Funds, and Permanent Funds.

The General Fund is the chief operating fund of Transylvania County. At the end of the current fiscal year, the total fund balance equaled \$19.3 million, with \$3.8 million reserved for specific purposes by statutory requirements, funding stipulations, or local governing board decisions. The remainder, \$15.5 million or 80.0 percent, is unreserved and therefore available for spending at the government's discretion. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers. Unreserved fund balance represents 39.0 percent and total fund balance represents 48.8 percent of General Fund expenditures and transfers in FY 10. The comparable figures for FY 09, respectively, are 31.4 percent and 42.9 percent.

The total General Fund balance grew during FY 10 by \$0.4 million (2.2 percent), versus an increase of \$0.5 million (3.1 percent) in FY 09. Although General Fund revenues overall lagged below budgeted levels, they exceeded actual expenditures by \$1.0 million. Interfund transfers and transactions reported as other financing sources/(uses) netted to a deficit of \$0.6 million. The surplus was achieved primarily by reducing expenditures that were (1) within the control of the County and (2) funded by local sources such as property taxes and sales taxes. In response to Management's emphasis on minimizing costs, departments limited their spending to the essentials, foregoing nearly \$0.5 million budgeted for a myriad of items, such as contract services, operating supplies, copying, and maintenance of buildings, grounds, and equipment. Another \$0.4 million was saved in employee compensation through attrition, hiring delays, and frozen positions, and almost \$0.2 million remained unused in contingency funds. The County also benefited from a reduction of \$0.2 million in health insurance claims.

The fund balance in the General Capital Projects Fund closed the year at \$2.7 million, down by \$0.3 million due mainly to the transfer of funds to the General Fund to purchase a document imaging system for Social Services. Of the remaining balance, \$0.8 million is designated for a new Animal Shelter, and the rest is earmarked for building renovations and Information Technology enhancements.

The combined fund balances of the non-major other governmental funds decreased by \$1.1 million to a total of \$3.4 million, consisting of \$2.0 million in capital projects funds, \$1.0 million in special revenue funds, and \$0.4 million in a permanent fund. In FY 09 the Public Safety Facility Fund was reported as a major governmental fund, but since it no longer met the criteria for this presentation, it was grouped with the non-major capital projects funds in FY 10's audit. During the year the County spent \$2.4 million from this fund on construction of the facility. In addition, a new capital projects fund was established to record the \$1.3 million received from the QSCBs and the \$0.1 million of bond proceeds used by year end. Special revenue funds grew by \$0.2 million as distributions of 911 funds began replenishing the Emergency Telephone System Fund following the drawdown for the E911 System upgrade. Only 5.0 percent of the combined fund balance of the non-major governmental funds is reserved, most of which is held in the permanent fund.

As of June 30, 2010, Transylvania County's total governmental funds reported an ending fund balance of \$25.5 million, compared to \$26.4 million (restated) last year.

General Fund Budgetary Highlights: During the fiscal year, Transylvania County found it necessary to revise the General Fund budget for several reasons, most notably to: (1) recognize new funding from external sources and other funds, (2) withdraw funds from reserves for designated uses, and (3) roll forward appropriations made in FY 09 for projects or purchases not completed until FY 10. FY 10's amendments increased the General Fund's original budget of \$39.5 million by \$2.5 million, or 6.4 percent, and included adjustments made for the following:

- \$1.0 million received in additional funding and grants, including \$0.3 million for various Health Department, Social Services, and Child Development programs, \$0.3 million from the Parks and Recreation Trust Fund for a park, \$0.1 million from the Division of Water Resources for stream bank stabilization projects, \$0.1 million for Sheriff's Office initiatives, and \$0.1 million in ARRA stimulus funds for Human Services functions

- \$0.6 million withdrawn from the General Fund Reserve for the Communications E911 System to complete the upgrade of the E911 System (funds originally transferred from the Emergency Telephone System Fund in FY 09)
- \$0.2 million transferred from the General Capital Projects Fund for the acquisition of a document imaging system for Social Services
- \$0.1 million appropriated from the Reserve for Compensated Absences for vacations cashed out in lieu of leave taken or paid out to terminated employees
- \$0.1 million received in NC Education Lottery proceeds and passed through to the local school system

Compared to the final budget, actual FY 10 operating revenues were down by \$0.4 million. The most significant shortfall, \$0.6 million, occurred in sales taxes, reflecting the impact of the continuing recession. Decreases of \$0.5 million in restricted intergovernmental funds were fortunately more than offset by decreases in corresponding expenditures so that there was no negative net financial impact. As interest rates fell to their lowest level in several years, investment earnings were below budget by \$0.1 million. On a positive note, ad valorem tax revenues exceeded the budget by \$0.8 million, with \$0.5 million attributable to a greater than anticipated increase in the property tax base and \$0.3 million to the unprecedented collection rate of 99.69 percent.

Actual FY 10 expenditures came in \$2.3 million under the final budget, mainly because of reduced spending in the Human Services and General Government functions. Of the \$1.0 million favorable variance in Human Services, \$0.4 million was attributable to lower than expected Foster Care payments, \$0.1 million to a decrease in Medicaid transportation costs, and \$0.1 million to grant-funded Health programs not completed in FY 10. Lapsed salaries following retirements and resignations accounted for another \$0.2 million of the variance. Slightly more than half of the \$0.8 million difference between budgeted and actual General Government expenditures came from reductions in health insurance claims and contingency funds. In the other functions, the unspent portions of budgeted grant funds contributed to positive results, as did miscellaneous savings, which as noted earlier were achieved throughout County departments.

Since actual expenditures were substantially below budgeted levels, more than compensating for the shortfall in revenues, no appropriation from fund balance was required.

Proprietary Fund - Transylvania County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The Enterprise Fund finished the year with \$5.4 million in net assets, \$0.9 million more than at the end of the prior year. As mentioned above, this growth was attributable to the \$0.9 million transfer from the General Fund. Of this total, \$0.8 million was budgeted to be set aside for construction of the next cell and for closure and post-closure care costs. The remaining \$0.1 million was transferred to supplement funding for the capital rebuild of a trash compactor. Following a substantial decrease in construction and demolition materials disposed of in FY 09, scale sales indicated only a 3.0 percent decline in tonnage from the prior year and 2.0 percent from FY 10 projections. The small shortfall in operating revenues was nearly offset by favorable expense variances due to lapsed salaries, lower diesel prices than budgeted, and fewer necessary heavy equipment repairs. In addition, diminished utilization of the landfill has, according to the latest capacity study, extended its life, allowing the County to reduce its accrual for closure and post-closure care costs by \$0.2 million in the current year. Overall, the landfill incurred a loss of less than \$0.1 million in FY 10.

Capital Asset and Debt Administration

Capital assets: Transylvania County's capital assets for its governmental and business – type activities as of June 30, 2010, totaled \$45.3 million (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, furniture and fixtures, park facilities, and vehicles.

During FY 10 the County invested \$4.3 million in capital assets, which included the following major items:

- Continued construction on the Public Safety Facility - \$2.4 million
- Completed installation of an updated E911 System - \$0.6 million
- Acquired land for a park at Connestee Falls - \$.6 million (using PARTF grant, donations, and in-kind match)
- Purchased a document imaging system for Social Services - \$0.2 million
- Rebuilt a trash compactor for the solid waste facility - \$0.2 million

Transylvania County's Capital Assets
(Net of Depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3.4	\$ 2.8	\$ 1.1	\$ 1.1	\$ 4.5	\$ 3.9
Landfill Cells	-	-	2.2	2.5	2.2	2.5
Buildings	13.0	13.4	0.1	0.1	13.1	13.5
Improvements to buildings and land	0.8	0.8	0.3	0.3	1.1	1.1
Machinery and equipment	2.7	2.1	0.5	0.4	3.2	2.5
Vehicles and motor equipment	1.3	1.6	0.1	0.1	1.4	1.7
Construction in progress	19.7	17.2	0.1	0.1	19.8	17.3
Total	\$ 40.9	\$ 37.9	\$ 4.4	\$ 4.6	\$ 45.3	\$ 42.5

Additional information on the County's capital assets can be found in note 3. A. of the Notes to the Financial Statements, beginning on page 40 of this report.

Long-term Debt: As of June 30, 2010, Transylvania County had total bonded debt outstanding of \$14.3 million, all of which is backed by the full faith and credit of the County.

**Transylvania County's Outstanding Debt
General Obligation and Qualified Zone Academy Bonds
Figure 5**

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 12.7	\$ 14.6	\$ -	\$ -	\$ 12.7	\$ 14.6
Qualified Zone Academy bonds	0.3	0.3	-	-	0.3	0.3
Qualified School Construction bonds	1.3	-	-	-	1.3	-
Total	\$ 14.3	\$ 14.9	\$ -	\$ -	\$ 14.3	\$ 14.9

Transylvania County's total long-term liabilities decreased by \$1.0 million, 4.5 percent, from the past fiscal year, mainly due to changes in those related to governmental activities. The County paid \$0.2 million on an installment financing agreement and retired \$1.9 million in debt for general obligation and qualified zone academy bonds, which were issued to finance major school capital projects. However, as noted earlier, in FY 10 the County entered into new debt through the issuance of QSCBs for \$1.3 million. This equaled the full amount allocated by the State in 2009 to the Local Education Agency. Because the QSCB program offers tax credits to bond holders, the County's interest rate is only 2.09% over a term of 12 years. Long-term obligations related to business activities dropped by \$0.2 million due to the reduction in the accrual for landfill closure and post-closure care costs.

As mentioned in the financial highlights section of this document, Transylvania County's bond rating from Moody's has been A1 since 2008 and A from Standard and Poor's since 1989. These bond ratings clearly indicate the sound financial condition of Transylvania County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Transylvania County is \$458,694,104.

Additional information regarding Transylvania County's long-term debt can be found in note 3. B. of the Notes, beginning on page 50 of this report.

Economic Factors and Next Year's Budgets and Rates

- April 2010's unemployment rate for Transylvania County was 9.0 percent, compared to 8.7 percent a year earlier.
- The eight month total of sales taxes received by the County through mid-May 2010 was approximately 12.0 percent lower than for the same period in FY 09, adjusted for the impact of the Medicaid Relief Swap.

- During the first ten months of FY 10 new commercial and residential construction continued the overall decline which had begun in FY 09. While the number of permits issued for commercial buildings rose by 12.5 percent (from eight to nine), the number issued for residential units fell by 21.4 percent, and the average value per structure dropped by 39.3 percent and 18.1 percent, respectively. Revenues from building permits and inspection fees reflected these downward trends.
- Due to the lack of activity in construction and real estate development, FY 11's property tax base was projected to grow by less than half a percent over the latest estimate of the FY 10 base. Business personal property and motor vehicles values are actually expected to decrease as depreciation exceeds new investment.

These factors, along with uncertainty about State and federal cuts, conflicting needs of different members of the community, and predictions of a slow economic recovery, were taken into consideration in the development and approval of Transylvania County's FY 11 budget. Of particular concern was the impending loss in FY 12 of stimulus funds for education that might shift significantly greater financial responsibility for school funding to the County. The budget proposed for FY 11 was reviewed and discussed in the context of projections for fiscal years 2012 through 2015.

Governmental Activities: The Board of Commissioners adopted a \$40.1 million General Fund budget for FY 11 - \$0.6 million, or 1.5 percent, more than FY 10's original budget.

Revenues – Excluding other financing sources, operating revenues for FY 11 were projected to be 2.7 percent less than FY 10's original budget. After the real property revaluation in 2009, the Commissioners set the ad valorem tax rate for FY 10 at the revenue-neutral level of \$.3949 per \$100 of property value. In recognition of the financial hardships many of the county's citizens continue to face, the Commissioners did not raise the tax rate for FY 11. The small growth estimated for the tax base coupled with an anticipated higher collection rate is budgeted to generate an additional \$0.8 million. All other major sources of revenues were budgeted to shrink, based on forecasts of a sluggish economic rebound and concerns about State and federal funding. Compared to actual figures for FY 10, operating revenues projected for FY 11 show a decline of 5.6 percent, with sales taxes showing the most substantial drop.

Expenditures – Budgeted expenditures approved for FY 11, excluding transfers, were in total 1.7 percent more than FY 10's original budget. Appropriations were reduced for all functions except Education, which saw an increase of 4.9 percent. For the third consecutive year, no funds were appropriated for salary and wage increases, and all but the most urgently needed capital items were postponed. Operating expenditures budgeted for FY 11 are 1.1% higher than FY 10's actual results.

To balance the budget for FY 11, it was necessary to appropriate \$1.6 million from undesignated fund balance and \$0.2 million from reserves and designated funds.

Business – type Activities. The FY 11 budget for the Solid Waste Fund is \$2.2 million, \$0.2 million or 7.0% less than FY 10's original budget. Included is a \$0.9 million transfer from the General Fund that will supplement current operating revenues by \$0.2 million and add \$0.7 million to reserves. Based on the tonnage trends available at the time, scale sales were projected to decrease 7.0 percent from FY 10's level. Budgeted expenses were reduced accordingly.

Requests for Information

This report is designed to provide an overview of the County'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 submitted to the Director of Finance, Transylvania County, 21 East Main Street, Brevard, NC 28712.

**BASIC
FINANCIAL
STATEMENTS**

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TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 24,108,015	\$ 768,896	\$ 24,876,911
Taxes receivable, net	185,155	-	185,155
Accounts receivable, net	2,881,684	102,998	2,984,682
Inventories	19,646	-	19,646
Prepaid items	625	-	625
Cash and investments, restricted	108,367	3,305,260	3,413,627
Deferred charge-issuance cost	68,968	-	68,968
Total current assets	<u>27,372,460</u>	<u>4,177,154</u>	<u>31,549,614</u>
Capital assets:			
Land and other non-depreciable assets	23,057,126	1,135,655	24,192,781
Depreciable assets, net	<u>17,833,610</u>	<u>3,231,078</u>	<u>21,064,688</u>
Capital assets, net	<u>40,890,736</u>	<u>4,366,733</u>	<u>45,257,469</u>
Total assets	<u>68,263,196</u>	<u>8,543,887</u>	<u>76,807,083</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,365,426	42,137	1,407,563
Unearned revenues	261,888	-	261,888
Accrued interest payable	230,737	-	230,737
Non-current liabilities:			
Due within one year	2,966,559	21,388	2,987,947
Due in more than one year	<u>14,906,562</u>	<u>3,096,975</u>	<u>18,003,537</u>
Total liabilities	<u>19,731,172</u>	<u>3,160,500</u>	<u>22,891,672</u>
Net Assets:			
Invested in capital assets, net of related debt	38,280,736	4,366,733	42,647,469
Restricted for:			
General Government	491,072	-	491,072
Public safety	538,328	-	538,328
Economic development	303,565	-	303,565
Cultural and recreational:			
Expendable	50,314	-	50,314
Non-expendable	108,367	-	108,367
Unrestricted (deficit)	<u>8,759,642</u>	<u>1,016,654</u>	<u>9,776,296</u>
Total net assets	<u>\$ 48,532,024</u>	<u>\$ 5,383,387</u>	<u>\$ 53,915,411</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 4,617,015	\$ 269,938	\$ 56,527	\$ -
Public safety	11,777,713	2,099,928	416,927	-
Transportation	380,295	-	234,881	-
Economic and physical development	1,663,553	6,712	169,696	475,799
Human services	8,223,721	526,525	5,293,382	-
Cultural and recreational	1,560,709	95,713	438,486	-
Education	10,400,587	-	137,842	-
Interest and fees	668,751	-	-	-
Total governmental activities	<u>39,292,344</u>	<u>2,998,816</u>	<u>6,747,741</u>	<u>475,799</u>
Business-Type Activities:				
Landfill	<u>1,418,346</u>	<u>1,334,337</u>	<u>19,469</u>	<u>-</u>
Total primary government	<u>\$ 40,710,690</u>	<u>\$ 4,333,153</u>	<u>\$ 6,767,210</u>	<u>\$ 475,799</u>

General Revenues:

Taxes:

- Ad valorem taxes
- Local option sales taxes
- Other taxes and licenses

Unrestricted intergovernmental revenues

Investment earnings, unrestricted

Miscellaneous, unrestricted

Transfers:

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

Prior period adjustment

Beginning of year - July 1, restated

End of year - June 30

The accompanying notes are an integral part of the financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,290,550)	\$ -	\$ (4,290,550)
(9,260,858)	-	(9,260,858)
(145,414)	-	(145,414)
(1,011,346)	-	(1,011,346)
(2,403,814)	-	(2,403,814)
(1,026,510)	-	(1,026,510)
(10,262,745)	-	(10,262,745)
<u>(668,751)</u>	<u>-</u>	<u>(668,751)</u>
<u>(29,069,988)</u>	<u>-</u>	<u>(29,069,988)</u>
<u>-</u>	<u>(64,540)</u>	<u>(64,540)</u>
<u>(29,069,988)</u>	<u>(64,540)</u>	<u>(29,134,528)</u>
25,974,123	-	25,974,123
5,239,883	-	5,239,883
811,378	-	811,378
506,354	-	506,354
138,015	5,471	143,486
99,025	2,287	101,312
<u>(908,570)</u>	<u>908,570</u>	<u>-</u>
<u>31,860,208</u>	<u>916,328</u>	<u>32,776,536</u>
<u>2,790,220</u>	<u>851,788</u>	<u>3,642,008</u>
44,844,009	4,531,599	49,375,608
<u>897,795</u>	<u>-</u>	<u>897,795</u>
<u>45,741,804</u>	<u>4,531,599</u>	<u>50,273,403</u>
<u>\$ 48,532,024</u>	<u>\$ 5,383,387</u>	<u>\$ 53,915,411</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	Major		Nonmajor	Total Governmental Funds
	General Fund	General Capital Projects Fund	Other Governmental Funds	
Assets:				
Cash and investments	\$ 18,082,091	\$ 2,745,332	\$ 3,280,592	\$ 24,108,015
Taxes receivable, net	166,775	-	18,380	185,155
Accounts receivable, net	2,618,889	-	262,795	2,881,684
Due from other funds	198,676	-	-	198,676
Inventories	19,646	-	-	19,646
Prepaid items	625	-	-	625
Cash and investments, restricted	-	-	108,367	108,367
Total assets	<u>\$ 21,086,702</u>	<u>\$ 2,745,332</u>	<u>\$ 3,670,134</u>	<u>\$ 27,502,168</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,326,753	\$ -	\$ 38,673	\$ 1,365,426
Due to other funds	-	-	198,676	198,676
Deferred revenues	166,775	-	18,788	185,563
Unearned revenues	256,120	-	5,768	261,888
Total liabilities	<u>1,749,648</u>	<u>-</u>	<u>261,905</u>	<u>2,011,553</u>
Fund Balances:				
Reserved for:				
State statute	2,817,565	-	61,799	2,879,364
Inventories	19,646	-	-	19,646
Prepaid items	625	-	-	625
Enhancement Fund	142,233	-	-	142,233
Court facilities	348,839	-	-	348,839
Law enforcement	33,455	-	-	33,455
PARTF Grant	50,314	-	-	50,314
Animal Shelter donations	8,532	-	-	8,532
Economic development	225,928	-	-	225,928
DWR projects	50,115	-	-	50,115
Health Department grants	46,643	-	-	46,643
Senior games	8,193	-	-	8,193
JHPC - MJM Book/CD sales	6,775	-	-	6,775
SRS - Title III projects	37,318	-	-	37,318
Grants/donations for special purposes	55,632	-	-	55,632
Silvermont	-	-	108,367	108,367
Unreserved:				
Designated for LEO Special Separation Allowance	491,787	-	-	491,787
Designated for Retiree medical plan	822,178	-	-	822,178
Designated for 150th County Anniversary	175,018	-	-	175,018
Designated for subsequent year's expenditures	1,610,229	-	90,700	1,700,929
Designated for self insurance	1,183,028	-	-	1,183,028
Designated for compensated absences	917,010	-	-	917,010
Designated for projects budgeted in prior years	24,245	-	-	24,245
Designated for Animal Shelter	-	803,710	-	803,710
Undesignated	10,261,746	1,941,622	-	12,203,368
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	852,935	852,935
Capital projects funds	-	-	2,014,826	2,014,826
Permanent Fund	-	-	279,602	279,602
Total fund balances	<u>19,337,054</u>	<u>2,745,332</u>	<u>3,408,229</u>	<u>25,490,615</u>
Total liabilities and fund balances	<u>\$ 21,086,702</u>	<u>\$ 2,745,332</u>	<u>\$ 3,670,134</u>	<u>\$ 27,502,168</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Total Governmental Funds</u>
Total fund balances	
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) are different because:	\$ 25,490,615
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,890,736
Deferred charges related to refunding bond issued included on the government-wide Statement of Net Assets, but are not current financial resources	68,968
Liabilities for earned, but deferred, revenues in fund statements	185,563
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and installment financing	(16,888,249)
Compensated absences	(795,236)
Other post-employment benefits	(189,636)
Interest payable	<u>(230,737)</u>
Net assets of governmental activities	<u>\$ 48,532,024</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Major		Nonmajor	Total Governmental Funds
	General Fund	General Capital Projects Fund	Other Governmental Funds	
Revenues:				
Ad valorem taxes	\$ 23,792,678	\$ -	\$ 2,150,675	\$ 25,943,353
Local option sales taxes	5,239,883	-	-	5,239,883
Other taxes and licenses	490,680	-	320,698	811,378
Unrestricted intergovernmental revenues	506,354	-	-	506,354
Restricted intergovernmental revenues	6,364,063	-	731,668	7,095,731
Permits and fees	372,047	-	-	372,047
Sales and services	2,613,934	-	-	2,613,934
Donations and grants	-	50	-	50
Interest earned on investments	142,936	20,716	9,298	172,950
Miscellaneous	220,499	-	-	220,499
Total revenues	<u>39,743,074</u>	<u>20,766</u>	<u>3,212,339</u>	<u>42,976,179</u>
Expenditures:				
Current:				
General government	4,396,937	-	67,915	4,464,852
Public safety	9,863,033	-	2,054,223	11,917,256
Transportation	353,884	-	-	353,884
Economic and physical development	861,374	-	799,084	1,660,458
Human services	8,299,882	-	-	8,299,882
Cultural and recreational	1,833,047	-	6,030	1,839,077
Intergovernmental:				
Education	10,284,972	-	115,615	10,400,587
Capital outlay	-	110,435	2,442,868	2,553,303
Debt service:				
Principal repayments	2,144,348	-	-	2,144,348
Interest	702,038	-	-	702,038
Total expenditures	<u>38,739,515</u>	<u>110,435</u>	<u>5,485,735</u>	<u>44,335,685</u>
Revenues over (under) expenditures	<u>1,003,559</u>	<u>(89,669)</u>	<u>(2,273,396)</u>	<u>(1,359,506)</u>
Other Financing Sources (Uses):				
Transfers in	324,947	-	15,475	340,422
Transfers out	(924,045)	(243,807)	(81,140)	(1,248,992)
Long-term debt issued	-	-	1,297,778	1,297,778
Sale of surplus assets	19,120	-	-	19,120
Total other financing sources (uses)	<u>(579,978)</u>	<u>(243,807)</u>	<u>1,232,113</u>	<u>408,328</u>
Net change in fund balances	<u>423,581</u>	<u>(333,476)</u>	<u>(1,041,283)</u>	<u>(951,178)</u>
Fund Balances:				
Beginning of year - July 1	17,710,160	3,078,808	4,449,512	25,238,480
Prior period adjustment	1,203,313	-	-	1,203,313
Beginning of year - restated	<u>18,913,473</u>	<u>3,078,808</u>	<u>4,449,512</u>	<u>26,441,793</u>
End of year - June 30	<u>\$ 19,337,054</u>	<u>\$ 2,745,332</u>	<u>\$ 3,408,229</u>	<u>\$ 25,490,615</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ (951,178)
Property tax revenues in the Statement of Activities earned in prior periods are reported as revenues in the governmental funds statement.	30,770
Expenses for amortization of bond refunding that do not require the use of current financial resources are not reported as expenditures in the governmental funds statement.	(5,573)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	33,287
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	23,150
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	4,146,581
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,175,886)
The sale of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold.	(22,050)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	2,144,348
Net pension obligation and other post-employment benefit expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds statement.	(100,516)
Proceeds from issuance of debt are reported as revenues in the governmental funds funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,297,778)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statement:	
Bond Premium	(38,046)
Accrued interest	3,111
	<hr/>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 2,790,220</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 22,968,386	\$ 22,968,386	\$ 23,792,678	\$ 824,292
Local option sales taxes	5,802,475	5,802,475	5,239,883	(562,592)
Other taxes and licenses	448,598	515,598	490,680	(24,918)
Unrestricted intergovernmental revenues	435,620	515,980	506,354	(9,626)
Restricted intergovernmental revenues	5,619,609	6,832,255	6,364,063	(468,192)
Permits and fees	410,573	419,150	372,047	(47,103)
Sales and services	2,522,719	2,545,548	2,613,934	68,386
Investment earnings	277,750	277,750	142,936	(134,814)
Miscellaneous	69,921	224,561	220,499	(4,062)
Total revenues	<u>38,555,651</u>	<u>40,101,703</u>	<u>39,743,074</u>	<u>(358,629)</u>
Expenditures:				
Current:				
General government	5,109,203	5,188,531	4,396,937	791,594
Public safety	9,180,110	10,065,901	9,863,033	202,868
Transportation	455,192	460,966	353,884	107,082
Economic and physical development	689,440	888,093	861,374	26,719
Human services	8,477,808	9,257,961	8,299,882	958,079
Cultural and recreational	1,603,232	2,026,772	1,833,047	193,725
Intergovernmental:				
Education	10,147,130	10,284,972	10,284,972	-
Debt service:				
Principal retirement	2,144,348	2,144,348	2,144,348	-
Interest and fees	702,061	702,061	702,038	23
Total expenditures	<u>38,508,524</u>	<u>41,019,605</u>	<u>38,739,515</u>	<u>2,280,090</u>
Revenues over (under) expenditures	<u>47,127</u>	<u>(917,902)</u>	<u>1,003,559</u>	<u>1,921,461</u>
Other Financing Sources (Uses):				
Transfers in	34,240	324,947	324,947	-
Transfers out	(1,025,519)	(1,034,053)	(924,045)	110,008
Sale of capital assets	15,000	30,000	19,120	(10,880)
Appropriated fund balance	929,152	1,597,008	-	(1,597,008)
Total other financing sources (uses)	<u>(47,127)</u>	<u>917,902</u>	<u>(579,978)</u>	<u>(1,497,880)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	423,581	<u>\$ 423,581</u>
Fund Balance:				
Beginning of year - July 1			17,710,160	
Prior period adjustment			<u>1,203,313</u>	
Beginning of year - restated			<u>18,913,473</u>	
End of year - June 30			<u>\$ 19,337,054</u>	

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 768,896
Accounts receivable, net	102,998
Total current assets	<u>871,894</u>
Non-current assets:	
Restricted cash and investments	3,305,260
Land and other non-depreciable assets	1,135,655
Depreciable assets, net of depreciation	3,231,078
Total non-current assets	<u>7,671,993</u>
Total assets	<u>8,543,887</u>
Liabilities and Net Assets:	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	42,137
Current portion of compensated absences	21,388
Total current liabilities	<u>63,525</u>
Non-current liabilities:	
Accrued landfill post-closure care costs	3,090,301
OPEB	2,900
Compensated absences	3,774
Total non-current liabilities	<u>3,096,975</u>
Total liabilities	<u>3,160,500</u>
Net Assets:	
Invested in capital assets	4,366,733
Unrestricted	1,016,654
Total net assets	<u>\$ 5,383,387</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 1,334,337
Operating Expenses:	
Landfill operations:	
Salaries and employee benefits	792,280
Other operating expenses	423,280
Landfill closure and post-closure care costs	(216,339)
Depreciation	419,125
Total operating expenses	<u>1,418,346</u>
Operating income (loss)	<u>(84,009)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	5,471
Other non-operating revenues	<u>21,756</u>
Total non-operating revenues (expenses)	<u>27,227</u>
Income (loss) before transfers	<u>(56,782)</u>
Transfers In (Out):	
Transfers in (out)	<u>908,570</u>
Change in net assets	851,788
Net Assets:	
Beginning of year - July 1	<u>4,531,599</u>
End of year - June 30	<u>\$ 5,383,387</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,336,136
Cash paid for goods and services	(436,879)
Cash paid to employees for services	(777,831)
Net cash provided (used) by operating activities	<u>121,426</u>
Cash Flows from Non-Capital Financing Activities:	
Solid waste disposal tax	19,469
Proceeds from insurance claims	2,287
Interfund transfer in (out)	908,570
Net cash provided (used) by non-capital financing activities	<u>930,326</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(161,340)</u>
Net cash provided (used) by capital and related financing activities	<u>(161,340)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>5,471</u>
Net increase (decrease) in cash and cash equivalents	895,883
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>3,178,273</u>
End of year - June 30	<u>\$ 4,074,156</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (84,009)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	419,125
Landfill closure and post-closure care costs	(216,339)
(Increase) decrease in accounts receivable	1,799
Increase (decrease) in accounts payable and accrued liabilities	(4,660)
Increase (decrease) in OPEB	2,900
Increase (decrease) in accrued compensated absences	<u>2,610</u>
Net cash provided (used) by operating activities	<u>\$ 121,426</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 14,245
Accounts receivable and accrued revenues	<u>9,629</u>
Total assets	<u>\$ 23,874</u>
Liabilities:	
Intergovernmental payables	10,727
Miscellaneous liabilities	<u>13,147</u>
Total liabilities	<u>\$ 23,874</u>

The accompanying notes are an integral part of the financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

The accounting policies of Transylvania County (the "County") conform to generally accepted accounting principles as they apply to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County. The County has two component units: Joint Historic Properties Commission and Transylvania Parks Commission, but neither has financial transactions or account balances; therefore, they are not presented in the basic financial statements.

Component Units

Blended Component Units

Both the Joint Historic Properties Commission and the Transylvania Parks Commission are advisory organizations appointed by the Transylvania County Board of Commissioners. The Historic Properties Commission is charged with the preservation of some of the County's historic landmarks. The Transylvania Parks Commission works closely with the County's development of parks and the Recreation Department.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Governmental Funds - are used to account for the County's general governmental activities.

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in another fund. The County maintains a separate Self Insurance Fund for accounting purposes. This Fund has been consolidated into the General Fund for reporting purposes. The General Fund also accounts for funds designated for the Law Enforcement Officers Separation Allowance, the post-employment health benefits, and the 457 deferred compensation plan.

General Capital Projects Fund - for funds set aside to be utilized in various capital projects of the County.

Proprietary Funds

Enterprise Funds. The enterprise funds are used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the 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, or other purposes. The County has the following major Enterprise Fund: Solid Waste Fund – for the operation, maintenance, and development of various landfills and disposal sites.

The County reports the following additional fund types:

Fiduciary Funds - account for the assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; and Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Transylvania County Board of Education and the three percent interest collected on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Occupancy Tax, Revaluation, Fire Districts, Emergency Telephone, the Schools Qualified Zone Academy Bond, the Schools Qualified School Construction Bond, the Silvermont Reserve Permanent Fund, the Solid Waste Enterprise Fund, and the Pension Trust Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Public Safety Facility, the General Capital Projects Fund, and the Community Development Block Grant Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

F. Assets, Liabilities, and Fund Equity

Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County 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 County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The County pools money from several funds, except the Social Services Agency Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Business-Type Activities reports amounts set aside for the future estimated costs of closure of the County's two landfills are classified as restricted assets in the Enterprise Fund. As of June 30, 2010 \$3,305,260 was restricted.

Governmental Activities reports amounts restricted for Silvermont Reserve. As of June 30, 2010 \$108,367 was restricted.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out) which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as inventory when purchased and expensed as consumed, as well as real property that has been acquired through foreclosure and is in the process of being re-sold.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are listed at the estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for all land, buildings, improvements, furniture, equipment, and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Transylvania County Board of Education properties which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Transylvania County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements	10-50 years
Furniture and equipment	5-15 years
Vehicles	6 years
Computer equipment	5 years

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

Reserved for Inventories and Prepaid Items - portion of fund balance, which is not available for appropriation because it represents the year-end balance of ending inventories and prepaid items, which are not expendable, available resources.

Reserved for Enhancement Fund - portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10.0 percent of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds' office.

Reserved for Court Facilities - portion of fund balance, which is not available for appropriation as it represents fund balance committed to pay court facility expenses.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Reserved for Law Enforcement - portion of fund balance, which is not available for appropriation as it represents fund balance committed to pay for concealed weapons permits.

Reserved for PARTF Funds - portion of fund balance, which is not available for appropriation as it represents grant funds received for acquiring land and building an observation deck at Connestee Falls.

Other amounts have been reserved for Animal Shelter donations, economic development, DWR projects, health department grants, senior games, JHPC-MJM book and CD sales, SRS Title III projects, grants/donations for special services, and Silvermont.

Unreserved

Designated for Subsequent Year's Expenditures-- portion of total fund balance available for appropriation which has been designated for the adopted 2010-2011 budget ordinance.

Designated for Self Insurance – portion of fund balance not available for appropriation as it represents fund balance committed to pay self insurance expenses.

Designated for Compensated Absences - portion of fund balance not available for appropriation as it represents fund balance committed for payment of compensated absences.

Designated for Projects Budgeted in Prior Years - portion of fund balance not available for appropriation as it represents fund balance committed for payment of expenses associated with projects budgeted in prior year.

Designated for Animal Shelter - portion of fund balance not available for appropriation as it represents fund balance committed to the Animal Shelter.

Other amounts have been designated for LEO Special Separation Allowance, retiree medical plan, 457 contribution, and 150th County Anniversary.

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

G. Stewardship, Compliance and Accountability

Non-Compliance with North Carolina General Statutes

The DSS Director is not duly authorized as a Deputy Finance Officer to execute checks for the DSS Trust Fund as required by North Carolina General Statute 159-25(b).

The DSS Director and DSS Administrative Officer will be appointed as deputy finance officers by the Board of Commissioners with authority limited to the DSS trust funds.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

H. Revenues, Expenditures, and Expenses

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but an 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 County does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Claims

The County is Self insured for health coverage for its employees. These claims are paid weekly by the County through its agent. The County's policy is to record claims incurred, but not yet reported, if material.

3. Detail Notes On All Funds

A. Assets

Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County'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 County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2010, the County's deposits had a carrying amount of \$15,045,978 and a bank balance of \$15,429,198. Of the bank balance, \$978,655 was covered by federal depository insurance and \$14,450,543 by collateral held under the Pooling Method. Cash on hand was \$4,735 at June 30, 2010.

Investments.

At June 30, 2010, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-3 Years</u>
NC Capital Management			
Trust Cash Portfolio	<u>\$ 13,254,070</u>	N/A	N/A

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The County has no formal policy on managing credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Property Tax – Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. Interest accrues at the rate of 8% per year. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Ended</u> <u>June 30</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 516,675	\$ 134,187	\$ 650,862
2008	509,535	84,787	594,322
2009	891,395	71,312	962,707
2010	961,427	-	961,427
Total	<u>\$ 2,879,032</u>	<u>\$ 290,286</u>	<u>\$ 3,169,318</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Receivables.

Receivables at Exhibit A at June 30, 2010 were as follows:

	Accounts Receivable	Taxes Receivable	Due from Other Governments	Total
Governmental Activities:				
General	\$ 82,059	\$ 217,226	\$ 2,536,830	\$ 2,836,115
Other governmental	40,885	22,238	221,910	285,033
Total receivables	122,944	239,464	2,758,740	3,121,148
Allowance for doubtful accounts	-	(54,309)	-	(54,309)
Total governmental activities	\$ 122,944	\$ 185,155	\$ 2,758,740	\$ 3,066,839
Business-Type Activities:				
Solid Waste	\$ 89,781	-	\$ 13,217	\$ 102,998
Total business-type activities	\$ 89,781	\$ -	\$ 13,217	\$ 102,998

Due from other governments consisted of the following:

Governmental Activities:	
Local option sales tax	\$ 1,340,122
Sales taxes receivable	223,810
State and federal funding	806,154
Other	166,744
CDBG reimbursements	200,588
NC 911 PSAP funds	21,322
Total governmental activities	\$ 2,758,740
Business-Type Activities:	
Tire recycling	8,914
Solid Waste disposal tax	4,303
Total business-type activities	\$ 13,217

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Capital Assets

A summary of changes in the County's governmental capital assets are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2010</u>
Non-Depreciable Assets:					
Land	\$ 2,816,229	\$ 553,356	\$ -	\$ -	\$ 3,369,585
Construction in progress	<u>17,212,603</u>	<u>2,474,938</u>	<u>-</u>	<u>-</u>	<u>19,687,541</u>
Total non-depreciable assets	<u>20,028,832</u>	<u>3,028,294</u>	<u>-</u>	<u>-</u>	<u>23,057,126</u>
Depreciable Assets:					
Buildings	18,213,041	74,687	-	-	18,287,728
Improvements	1,050,982	10,585	-	-	1,061,567
Equipment	4,553,045	949,893	-	-	5,502,938
Vehicles	<u>3,850,738</u>	<u>65,397</u>	<u>(92,377)</u>	<u>-</u>	<u>3,823,758</u>
Total depreciable assets	<u>27,667,806</u>	<u>1,100,562</u>	<u>(92,377)</u>	<u>-</u>	<u>28,675,991</u>
Less Accumulated Depreciation:					
Buildings	4,757,911	404,649	-	265	5,162,825
Improvements	290,035	49,577	-	(3)	339,609
Equipment	2,421,838	394,907	-	2,897	2,819,642
Vehicles	<u>2,284,763</u>	<u>326,753</u>	<u>(70,327)</u>	<u>(20,884)</u>	<u>2,520,305</u>
Total accumulated depreciation	<u>9,754,547</u>	<u>1,175,886</u>	<u>(70,327)</u>	<u>(17,725)</u>	<u>10,842,381</u>
Depreciable assets, net	<u>17,913,259</u>	<u>(75,324)</u>	<u>(22,050)</u>	<u>17,725</u>	<u>17,833,610</u>
Capital assets, net	<u>\$ 37,942,091</u>	<u>\$ 2,952,970</u>	<u>\$ (22,050)</u>	<u>\$ 17,725</u>	<u>\$ 40,890,736</u>

Depreciation expense was charged to functions/programs of the County as follows:

General government	\$ 215,778
Public safety	513,086
Transportation	24,090
Human services	153,360
Cultural and recreational	<u>269,572</u>
 Total depreciation expense	 <u>\$ 1,175,886</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

A summary of changes in the County's business-type capital assets are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2010</u>
Solid Waste:					
Non-Depreciable Assets:					
Land	\$ 1,069,096	\$ -	\$ -	\$ -	\$ 1,069,096
Construction in progress	66,559	-	-	-	66,559
Total non-depreciable assets	<u>1,135,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,135,655</u>
Depreciable Assets:					
Buildings	277,497	-	-	-	277,497
Land improvements	621,731	-	-	-	621,731
Equipment	1,720,638	161,340	-	-	1,881,978
Vehicles	798,345	-	-	-	798,345
Landfill cells - Woodruff	8,167,775	-	-	-	8,167,775
Total depreciable assets	<u>11,585,986</u>	<u>161,340</u>	<u>-</u>	<u>-</u>	<u>11,747,326</u>
Less Accumulated Depreciation:					
Buildings	197,917	11,100	-	-	209,017
Land improvements	290,071	24,318	-	844	315,233
Equipment	1,315,731	99,783	-	1,330	1,416,844
Vehicles	654,074	36,577	-	2	690,653
Landfill cells - Woodruff	5,639,330	244,642	-	529	5,884,501
Total accumulated depreciation	<u>8,097,123</u>	<u>416,420</u>	<u>-</u>	<u>2,705</u>	<u>8,516,248</u>
Total depreciable assets, net	<u>3,488,863</u>				<u>3,231,078</u>
Capital assets, net	<u>\$ 4,624,518</u>				<u>\$ 4,366,733</u>

Construction Comments

The government has one active construction project as of June 30, 2010. The construction project in progress is for the construction of a new public safety facility. Through June 30, 2010, \$21,699,813 has been spent to-date.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2010 were as follows:

	Vendors	Benefits	Insurance Claims Incurred, But Not Reported	Total
Governmental Activities:				
General	\$ 693,329	\$ 378,424	\$ 255,000	\$ 1,326,753
Other governmental	37,768	905	-	38,673
Total governmental activities	\$ 731,097	\$ 379,329	\$ 255,000	\$ 1,365,426
Business-Type Activities:				
Solid Waste	\$ 24,969	\$ 17,168	-	\$ 42,137

Pension Plan Obligation

Local Governmental Employees' Retirement System

Plan Description. The County contributes to the State-wide 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 LGERS 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 County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.90% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$1,315,572, \$1,288,947, and \$1,206,927, respectively. The contributions made by the County equaled the required contributions for each year.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Law Enforcement Officers' Special Separation Allowance

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>55</u>
Total	<u><u>56</u></u>

A separate report was not issued for the plan.

Contributions

The law enforcement separation allowance is a defined benefit pension plan. Due to immateriality, no asset or liability is reflected in Exhibit A. The County has chosen to fund the amount necessary to cover benefits when the benefits are due and record these payments as General Fund expenditures. For the current year, the County made \$30,227 in benefit payments.

An actuarial study was performed in the current year based on the fact that the plan was being funded in an irrevocable trust when in fact it was not and cannot be relied upon. Actuarial studies in the prior years were also performed under those same assumptions and amounts were recorded in Exhibit A. A prior period adjustment of \$161,313 (a reduction of Governmental Activities net assets) was made to remove amounts recorded as advance funding of pension plans. The County will obtain an actuarial study in fiscal year 2011 using revised assumptions.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a board of trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010 were \$121,255, which was paid entirely by the County. As of June 30, 2010 the county has designated \$491,787 for the payment of future law enforcement officers retirement expenses.

Registers of Deeds' Supplemental Pension Fund

Plan Description. The County contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any County register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93.0%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7.0%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$3,522.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Other Post-Employment Benefits

Healthcare Benefits

According to a County resolution, at retirement, all employees have the option to purchase COBRA basic medical/dental insurance at the County's group rate. The entire cost of this insurance is borne by the employees. They are eligible for COBRA for the lesser of 18 months or until they reach age 65.

Also, under the terms of a County resolution, the County provides employees with ten years of service to the County, at the time the Plan was implemented, the option of retiree health insurance or County funded contributions to the deferred compensation plan. This was a one-time irrevocable election. All other employees are only eligible for the County funded contributions to the deferred compensation plan. A separate audited GAAP-basis post-employment benefit plan report is not available for the Retiree Health Benefit Plan.

Membership of the Retiree Health Benefit Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	11	-
Active plan members	<u>45</u>	<u>18</u>
Total	<u><u>56</u></u>	<u><u>18</u></u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that may be amended by the Board of Commissioners. The County's members pay a monthly fee for dependent coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis. As of June 30, 2010 the County has designated \$822,178 for the payment of future retiree health benefits.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The current ARC rate is 6.30% of annual covered payroll. For the current year, the County contributed \$83,409, or 2.82% of annual covered payroll. The County purchases insurance from a private carrier for healthcare coverage. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 6.33% and 6.26% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage. The County's obligation to contribute to the Retiree Health Benefit Plan is established and may be amended by the Board of County Commissioners.

The plan is a single-employer defined benefit plan.

Summary of Significant Accounting Policies

Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation

The County'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 County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 186,824
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost (expense)	186,824
Contributions made	<u>(83,409)</u>
Increase (decrease) in net OPEB obligation	103,415
Net OPEB obligation:	
Beginning of year - July 1, as restated	<u>89,121</u>
End of year - June 30	<u>\$ 192,536</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010, were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 186,824	52.30%	\$ 97,703
2010	186,824	44.65%	192,536

Funding Status and Funding Progress

As of December 31, 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 \$2,732,561. The covered payroll (annual payroll of active employees covered by the plan) was \$2,961,340, and the ratio of the UAAL to the covered payroll was 92.3 percent. 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 multi-year 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 % 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 10.5 to 5.0 % annually. Both rates included a 3.75 % inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

A prior period restatement was made to the beginning OPEB liability due an actuary study being performed based on the fact that the plan was being funded in an irrevocable trust when in fact it was not. A prior period adjustment of \$144,205 was made to reduce Governmental Activities net assets accordingly.

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but no less than \$25,000 and no more than \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

Closure and Post-Closure Care Costs – Woodruff Road Landfill Facility

Federal and State laws and regulations require the County to place a final cover on its Woodruff Road Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,090,301 reported as landfill closure and post-closure care liability at June 30, 2010 represents a cumulative amount reported to date based on the use of 75.9893% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$976,456 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2010. The County is scheduled to close the portion of the

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Woodruff Road Landfill Facility that is currently being utilized by August 31, 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under federal and State laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. However, the County has elected to establish a reserve fund to accumulate resources for the payment of closure and post-closure care costs. As of June 30, 2010, the County had funds in the North Carolina Capital Management Trust of \$2,924,260. The County expects that future inflation costs will be paid from the interest earnings in this account. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

Deferred/Unearned Revenues

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at June 30, 2010 is composed of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 54,906
Prepaid taxes not yet earned (Special Revenue Fund)	-	5,768
Taxes receivable, net (General Fund)	166,775	-
Taxes receivable, net (Special Revenue Fund)	18,788	-
Prepaid revenue not yet earned	<u>-</u>	<u>201,214</u>
Total	<u>\$ 185,563</u>	<u>\$ 261,888</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools, administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The two pools are reinsured through a multi-State public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the County provides coverage through Blue

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Cross and Blue Shield of North Carolina and is reinsured for individual losses in excess of \$50,000 and aggregate annual losses in excess of 125.0% of expected claims.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR's).

Changes in the balances of claims liabilities for health insurance during the past fiscal year are as follows:

	<u>2010</u>	<u>2009</u>
Unpaid claims, beginning	\$ 285,000	\$ 285,000
Incurred claims	2,149,458	2,012,438
Claim payments	<u>(2,179,458)</u>	<u>(2,012,438)</u>
Unpaid claims, ending	<u>\$ 255,000</u>	<u>\$ 285,000</u>

The County has not obtained separate flood insurance due to the limited likelihood of County property sustaining flood damage. The County's property insurance provides what is deemed to be adequate coverage for the County's exposure.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Director, County Manager, and Tax Collector are individually bonded for \$200,000 each. The Deputy Tax Collector, Tax Clerk, and the Register of Deeds are bonded for \$50,000 each. The Sheriff is bonded for \$25,000. The remaining employees that have access to funds are covered by employee theft insurance.

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

Long-Term Obligations

General Obligation Indebtedness

The general obligation bond serviced by the County's General Fund is collateralized by the full faith, credit, and taxing power of the County. This general obligation bond was used to finance various school construction and capital improvement projects for the Transylvania County Board of Education. Principal and interest payments are appropriated when due.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County's general obligation bond payable at June 30, 2010 is comprised of the following individual issues:

Serviced by the County's General Fund:

\$15,810,000 Refunding Series 2008 Serial Bonds, due on February 1 in installments beginning with \$1,250,000 on February 1, 2009 and varying each year, with a final installment of \$520,000 due on February 1, 2018.

Interest ranges from 3.0% to 5.0% varying throughout the life of the bonds. \$ 12,645,000

Annual debt service requirements to maturity for the County's general obligation bond are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 1,950,000	\$ 509,400	\$ 2,459,400
2012	1,925,000	441,150	2,366,150
2013	1,885,000	383,400	2,268,400
2014	1,885,000	289,150	2,174,150
2015	1,860,000	213,750	2,073,750
2016-2018	3,140,000	216,800	3,356,800
Total	<u>\$ 12,645,000</u>	<u>\$ 2,053,650</u>	<u>\$ 14,698,650</u>

Qualified Zone Academy Bonds

In June 2002, the County issued \$600,000 of Qualified Zone Academy Bonds to finance various school improvements for the Transylvania County Board of Education. Principal is due in installments beginning June 5, 2003 and will mature in June 2014. The principal is deposited into an escrow account that is interest bearing. The interest will be used to pay the lump-sum difference between the annual principal payments and the balloon payment due in December 2014. There is no interest on these bonds. The balance outstanding at June 30, 2010 totaled \$311,881.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Annual debt service requirements to maturity for the County’s Qualified Zone Academy Bonds are as follows:

Year Ending June 30	Principal
2011	\$ 36,015
2012	36,015
2013	36,015
2014	36,015
2015	167,821
Total	<u>\$ 311,881</u>

Qualified School Construction Bonds

In March 2010, the County issued \$1,297,778 of Qualified School Construction Bonds to finance the construction of a Career and Technical Education Building at a local high school for the Transylvania County Board of Education. The balance outstanding at June 30, 2010 totaled \$1,297,778.

The debt service requirements to maturity for the County’s Installment Financing Contract are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 108,148	\$ 21,699
2012	108,148	24,863
2013	108,148	22,603
2014	108,148	20,343
2015	108,148	18,082
2016-2020	540,742	56,507
2021-2022	216,296	6,781
Total	<u>\$ 1,297,778</u>	<u>\$ 170,878</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Public Safety Facility Installment Financing Contract

The County entered into an installment financing contract on November 6, 2008 with RBC Bank in the amount of \$2,900,000. The proceeds from this installment financing contract are to be used to complete the Public Safety Facility currently under construction by the County. The contract requires 60 quarterly payments of \$48,333 by the County and concurrent interest payments at an interest rate of 4.25%. The balance outstanding at June 20, 2010 totaled \$2,610,000.

The debt service requirements to maturity for the County's Installment Financing Contract are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 193,333	\$ 107,844	\$ 301,177
2012	193,333	99,627	292,960
2013	193,333	91,410	284,743
2014	193,333	83,194	276,527
2015	193,333	74,977	268,310
2016-2020	966,667	251,635	1,218,302
2021-2024	676,668	53,922	730,590
Total	<u>\$ 2,610,000</u>	<u>\$ 762,609</u>	<u>\$ 3,372,609</u>

At June 30, 2010, the County had a legal debt margin of \$458,694,104.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation debt	\$ 14,560,000	\$ -	\$ 1,915,000	\$ 12,645,000	\$ 1,950,000
Premium - general obligation debt	26,702	-	3,112	23,590	3,112
Qualified Zone Academy debt	347,896	-	36,015	311,881	36,015
Qualified School Construction debt	-	1,297,778	-	1,297,778	108,148
Installment financing	2,803,332	-	193,332	2,610,000	193,333
OPEB	89,121	183,924	83,409	189,636	-
Compensated absences	818,386	692,364	715,514	795,236	675,951
Total	<u>\$ 18,645,437</u>	<u>\$ 2,174,066</u>	<u>\$ 2,946,382</u>	<u>\$ 17,873,121</u>	<u>\$ 2,966,559</u>
Business-Type Activities:					
OPEB	\$ -	\$ 2,900	\$ -	\$ 2,900	\$ -
Accrued landfill closure and post-closure care costs	3,306,640	-	216,339	3,090,301	-
Compensated absences	22,552	27,709	25,099	25,162	21,388
Total	<u>\$ 3,329,192</u>	<u>\$ 30,609</u>	<u>\$ 241,438</u>	<u>\$ 3,118,363</u>	<u>\$ 21,388</u>

Compensated absences and Other Post-Employment Benefits have typically been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

Governmental Activities total long-term obligations were restated by \$89,121 due to a prior period adjustment relating to the liability for Other Post-Employment Benefits and Law Enforcement Officers' Special Separation Allowance.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

C. Interfund Balances and Activity

Transfers From/To Other Funds at June 30, 2010 consists of the following:

From the General Fund to the Permanent Fund for maintenance of Silvermont mansion and grounds bequeathed to County for recreational purposes	\$ 15,475
From the General Fund to the Solid Waste Fund to supplement other funding sources	<u>908,570</u>
Total transfers from General Fund to other funds	<u>\$ 924,045</u>
From the General Capital Projects Fund to the General Fund for the purchase and installation of Document Imaging system for DSS and initial fee and first year monthly charges for internet connection between new Public Safety Facility and IT Center	\$ 243,807
From the Emergency Telephone System Fund to the General Fund to supplement other funding sources	<u>81,140</u>
Total transfers from other funds to General Fund	<u>\$ 324,947</u>

Balances due to/from other funds at June 30, 2010, attributable to short-term interfund borrowing of cash between the General Fund and other funds, consist of the following:

	Due To	Due From
Major governmental funds - General Fund	\$ 198,676	\$ -
Nonmajor funds - other governmental funds	<u>-</u>	<u>198,676</u>
Total	<u>\$ 198,676</u>	<u>\$ 198,676</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

4. Related Organization

The Chairman of the County’s governing board is also responsible for appointing the members of the Board of the Transylvania County Industrial Facility and Pollution Control Authority, but the County’s accountability for this organization does not extend beyond making these appointments. The Authority was established in past years, and appointments were made by previous chairmen of the County’s governing board. The Authority was formed so that the organization would be in place if it were ever needed, but has not been active since its inception.

5. Joint Ventures

Transylvania County and the Transylvania County Board of Education entered into an agreement dated June 5, 2002. Under this agreement, the Board of Education transferred title to the Davidson River School to the County for the purpose of renovating and modernizing the school under the provisions of the Qualified Zone Academy Bond within the meaning of Section 1397E of the Internal Revenue Code of 1986. The County, in turn, has agreed to lease the school property to the Board of Education for \$1 per year and obtained funding in the form of Qualified Zone Academy bonds to finance the school improvement.

Transylvania County and the Transylvania County Board of Education entered into an agreement dated March 1, 2010. Under this agreement, the Board of Education transferred title to a portion of the Rosman High School property to the County to use as collateral for the Qualified School Construction Bond obtained for the construction of a Career and Technical Education Building. The County will lease the property back to the school until the loan is paid, at which time the property will revert to the school.

6. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which do not appear in the financial statements because they are not revenues and expenditures of the County.

	Federal	State
Temporary Assistance to Needy Families	\$ 184,470	\$ (23)
Medicaid	23,602,196	8,062,612
WIC	456,838	-
Adoption Assistance	288,120	58,185
Low-income Home Energy Assistance Block Grant	232,799	-
Foster Care	55,727	13,157
Totals	\$ 24,820,150	\$ 8,133,931

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

7. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

8. Restatement of Beginning Fund Balance, Net Assets

During the fiscal year ending June 30, 2010, the County determined that the amounts reported as pension trust funds should have been reported in the General Fund. Therefore, an adjustment to beginning fund balance (increase) was made for \$1,203,313. This also required a net adjustment to beginning net assets in the government-wide statements of \$897,795 (an increase of Governmental Activities net assets).

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REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- **Other Post-Employment Benefits – Schedule of Funding Progress**
- **Other Post-Employment Benefits – Schedule of Employer Contributions**
- **Other Post-Employment Benefits – Notes to the Required Schedules**

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TRANSYLVANIA COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 2,732,561	\$ 2,732,561	0.00%	\$ 2,961,340	92.3%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 186,824	52.30%
2010	186,824	44.65%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	5.00% - 10.50%
Year of Ultimate trend rate	2016

* Includes inflation at 3.75%

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MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund accounts for resources traditionally associated with the government that are not required legally or by sound fiscal management to be accounted for in other funds.

GENERAL CAPITAL PROJECTS FUND

The General Capital Projects Fund accounts for funds set aside to be utilized in various capital projects of the County.

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TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 22,823,021	\$ 23,675,232	\$ 852,211
Penalties and interest	145,365	117,446	(27,919)
Total	<u>22,968,386</u>	<u>23,792,678</u>	<u>824,292</u>
Local Option Sales Taxes:			
Article 39 and 44	2,687,950	2,399,734	(288,216)
Article 40, one-half of one percent	1,668,275	1,578,582	(89,693)
Article 42, one-half of one percent	1,446,250	1,261,567	(184,683)
Total	<u>5,802,475</u>	<u>5,239,883</u>	<u>(562,592)</u>
Other Taxes and Licenses:			
Deed stamp excise tax	144,577	141,732	(2,845)
Real estate transfer tax	371,021	348,948	(22,073)
Total	<u>515,598</u>	<u>490,680</u>	<u>(24,918)</u>
Unrestricted Intergovernmental Revenues:			
Payments in lieu of taxes - outside sources	327,647	324,308	(3,339)
ABC profit distribution	70,000	60,053	(9,947)
Video programming services tax	118,333	121,993	3,660
Total	<u>515,980</u>	<u>506,354</u>	<u>(9,626)</u>
Restricted Intergovernmental Revenues:			
State grants	2,068,599	1,944,807	(123,792)
Federal grants	4,707,826	4,373,399	(334,427)
Court facility fees	55,830	45,857	(9,973)
Total	<u>6,832,255</u>	<u>6,364,063</u>	<u>(468,192)</u>
Permits and Fees:			
Register of Deeds	85,925	82,836	(3,089)
Other	3,000	3,415	415
Building permits	330,225	285,796	(44,429)
Total	<u>419,150</u>	<u>372,047</u>	<u>(47,103)</u>
Sales and Services:			
Rents, concessions, and fees	1,419,086	1,401,760	(17,326)
Ambulance fees	952,755	1,029,185	76,430
Recreation department	52,907	47,813	(5,094)
Town of Rosman	5,800	6,774	974
City of Brevard	115,000	128,402	13,402
Total	<u>2,545,548</u>	<u>2,613,934</u>	<u>68,386</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Investment Earnings	277,750	142,936	(134,814)
Miscellaneous:			
Joint Historical Preservation	500	1,119	619
County Recovery Fund	250	188	(62)
Other	223,811	219,192	(4,619)
Total	<u>224,561</u>	<u>220,499</u>	<u>(4,062)</u>
Total revenues	<u>40,101,703</u>	<u>39,743,074</u>	<u>(358,629)</u>
Expenditures:			
General Government:			
Governing Board:			
Salaries and employee benefits	80,365	80,136	229
Other operating expenditures	36,599	20,999	15,600
Total	<u>116,964</u>	<u>101,135</u>	<u>15,829</u>
Administration:			
Salaries and employee benefits	301,445	301,306	139
Other operating expenditures	879,050	669,608	209,442
Total	<u>1,180,495</u>	<u>970,914</u>	<u>209,581</u>
Elections:			
Salaries and employee benefits	239,044	228,226	10,818
Other operating expenditures	154,633	120,790	33,843
Total	<u>393,677</u>	<u>349,016</u>	<u>44,661</u>
150th Celebration:			
Other operating expenditures	<u>8,563</u>	<u>4,982</u>	<u>3,581</u>
Finance:			
Salaries and employee benefits	335,298	299,201	36,097
Other operating expenditures	69,865	67,790	2,075
Total	<u>405,163</u>	<u>366,991</u>	<u>38,172</u>
Taxes:			
Salaries and employee benefits	604,079	600,133	3,946
Other operating expenditures	177,110	153,317	23,793
Total	<u>781,189</u>	<u>753,450</u>	<u>27,739</u>
Legal:			
Contracted services	<u>106,000</u>	<u>40,974</u>	<u>65,026</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Register of Deeds:			
Salaries and employee benefits	246,731	246,209	522
Other operating expenditures	261,718	243,465	18,253
Total	<u>508,449</u>	<u>489,674</u>	<u>18,775</u>
Public Buildings:			
Salaries and employee benefits	514,740	510,171	4,569
Other operating expenditures	374,242	330,971	43,271
Capital outlay	122,485	106,711	15,774
Total	<u>1,011,467</u>	<u>947,853</u>	<u>63,614</u>
Court Facilities:			
Other operating expenditures	32,448	29,439	3,009
Information Technology:			
Salaries and employee benefits	271,621	270,808	813
Other operating expenditures	69,097	62,598	6,499
Total	<u>340,718</u>	<u>333,406</u>	<u>7,312</u>
Project Management:			
Salaries and employee benefits	84,102	83,530	572
Other operating expenditures	2,300	1,913	387
Total	<u>86,402</u>	<u>85,443</u>	<u>959</u>
Self Insurance:			
Other operating expenditures	209,996	56,799	153,197
Retiree Health Insurance:			
Other operating expenditures	7,000	(115,436)	122,436
457 Contributions:			
Other operating expenditures	-	(17,703)	17,703
Total general government	<u>5,188,531</u>	<u>4,396,937</u>	<u>791,594</u>
Public Safety:			
Sheriff and Jail:			
Salaries and employee benefits	4,736,903	4,731,425	5,478
Other operating expenditures	1,113,271	1,080,853	32,418
Capital outlay	60,902	65,397	(4,495)
Total	<u>5,911,076</u>	<u>5,877,675</u>	<u>33,401</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Emergency Management:			
Salaries and employee benefits	225,526	219,104	6,422
Other operating expenditures	63,264	45,699	17,565
Total	<u>288,790</u>	<u>264,803</u>	<u>23,987</u>
Fire:			
Contracted services	<u>95,885</u>	<u>80,254</u>	<u>15,631</u>
Rescue Units:			
Contracted services	<u>131,400</u>	<u>131,400</u>	<u>-</u>
Emergency Medical Services:			
Salaries and employee benefits	1,395,758	1,386,848	8,910
Other operating expenditures	219,905	216,730	3,175
Total	<u>1,615,663</u>	<u>1,603,578</u>	<u>12,085</u>
Medical Examiner:			
Contracted services	<u>26,000</u>	<u>26,000</u>	<u>-</u>
Emergency Communications:			
Salaries and employee benefits	557,255	545,682	11,573
Other operating expenditures	230,865	139,940	90,925
Capital outlay	579,726	582,134	(2,408)
Total	<u>1,367,846</u>	<u>1,267,756</u>	<u>100,090</u>
Animal Control:			
Salaries and employee benefits	181,785	180,892	893
Other operating expenditures	25,571	21,531	4,040
Total	<u>207,356</u>	<u>202,423</u>	<u>4,933</u>
Inspections:			
Salaries and employee benefits	391,343	385,215	6,128
Other operating expenditures	30,542	23,929	6,613
Total	<u>421,885</u>	<u>409,144</u>	<u>12,741</u>
Total public safety	<u>10,065,901</u>	<u>9,863,033</u>	<u>202,868</u>
Transportation:			
Salaries and employee benefits	351,570	302,290	49,280
Other operating expenditures	53,896	51,594	2,302
Capital outlay	55,500	-	55,500
Total transportation	<u>460,966</u>	<u>353,884</u>	<u>107,082</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits	228,245	227,619	626
Other operating expenditures	4,112	3,393	719
Total	<u>232,357</u>	<u>231,012</u>	<u>1,345</u>
Economic Development:			
Other operating expenditures	218,689	214,440	4,249
Total	<u>218,689</u>	<u>214,440</u>	<u>4,249</u>
Cooperative Extension:			
Salaries and employee benefits	123,870	114,410	9,460
Other operating expenditures	44,605	35,618	8,987
Total	<u>168,475</u>	<u>150,028</u>	<u>18,447</u>
Soil and Water Conservation:			
Salaries and employee benefits	109,344	107,279	2,065
Other operating expenditures	159,228	158,615	613
Total	<u>268,572</u>	<u>265,894</u>	<u>2,678</u>
Total economic and physical development	<u>888,093</u>	<u>861,374</u>	<u>26,719</u>
Human Services:			
Health:			
Administration:			
Salaries and employee benefits	1,654,339	1,547,873	106,466
Other operating expenditures	508,503	302,012	206,491
Capital outlay	6,000	5,578	422
Total	<u>2,168,842</u>	<u>1,855,463</u>	<u>313,379</u>
Mental Health:			
Contracted services:			
Community Mental Health Services	99,261	99,261	-
Total	<u>99,261</u>	<u>99,261</u>	<u>-</u>
Social Services:			
Administration:			
Salaries and employee benefits	2,297,778	2,196,943	100,835
Other operating expenditures	250,585	260,424	(9,839)
Capital outlay	238,521	238,519	2
Total	<u>2,786,884</u>	<u>2,695,886</u>	<u>90,998</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Assistance:			
Special assistance to adults:			
County participation only	211,279	249,549	(38,270)
Medicaid program:			
County participation only	29,432	(12,316)	41,748
Medicaid transportation	218,000	143,311	74,689
Title III programs:			
Other operating expenditures	18,700	16,844	1,856
Other assistance:			
Other program expenditures	1,211,659	808,427	403,232
Total	<u>1,689,070</u>	<u>1,205,815</u>	<u>483,255</u>
Child Development:			
Salaries and employee benefits	846,971	797,448	49,523
Other operating expenditures	203,446	205,993	(2,547)
Contracted services	895,209	892,805	2,404
Capital outlay	8,192	7,860	332
Total	<u>1,953,818</u>	<u>1,904,106</u>	<u>49,712</u>
Total social services	<u>6,429,772</u>	<u>5,805,807</u>	<u>623,965</u>
Veteran's Service Officer:			
Salaries and employee benefits	15,094	15,260	(166)
Other operating expenditures	1,781	1,569	212
Total	<u>16,875</u>	<u>16,829</u>	<u>46</u>
Other Services:			
Transylvania vocational services	28,125	28,125	-
Juvenile crime prevention	104,326	104,326	-
Western Carolina Community Action	3,600	3,600	-
Criminal Justice Partnership Program	55,854	45,731	10,123
Children's Center	30,000	30,000	-
HCCBG	263,606	253,040	10,566
Other services	57,700	57,700	-
Total	<u>543,211</u>	<u>522,522</u>	<u>20,689</u>
Total human services	<u>9,257,961</u>	<u>8,299,882</u>	<u>958,079</u>
Cultural and Recreational:			
Parks and Recreation:			
Salaries and employee benefits	374,408	366,002	8,406
Other operating expenditures	164,935	115,548	49,387
Capital outlay	372,950	277,531	95,419
Total	<u>912,293</u>	<u>759,081</u>	<u>153,212</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Library:			
Salaries and employee benefits	847,216	831,940	15,276
Other operating expenditures	252,538	230,434	22,104
Total	<u>1,099,754</u>	<u>1,062,374</u>	<u>37,380</u>
Other:			
Brevard College	7,200	7,200	-
Transylvania Parks Commission	3,555	3,023	532
Transylvania Heritage Coalition	1,000	1,000	-
Other	2,970	369	2,601
Total	<u>14,725</u>	<u>11,592</u>	<u>3,133</u>
Total cultural and recreational	<u>2,026,772</u>	<u>1,833,047</u>	<u>193,725</u>
Education:			
Public schools - current	8,748,239	8,748,239	-
Public schools - daycare	10,500	10,500	-
Public schools - distribution of lottery proceeds	137,842	137,842	-
Public schools - capital outlay	1,046,963	1,046,963	-
Blue Ridge Community College	341,428	341,428	-
Total education	<u>10,284,972</u>	<u>10,284,972</u>	<u>-</u>
Debt Service:			
Principal retirement	2,144,348	2,144,348	-
Interest and fees	702,061	702,038	23
Total	<u>2,846,409</u>	<u>2,846,386</u>	<u>23</u>
Total expenditures	<u>41,019,605</u>	<u>38,739,515</u>	<u>2,280,090</u>
Revenues over (under) expenditures	<u>(917,902)</u>	<u>1,003,559</u>	<u>1,921,461</u>
Other Financing Sources (Uses):			
Transfers in:			
Capital project funds	243,807	243,807	-
Special revenue funds	81,140	81,140	-
Transfers out:			
Enterprise funds	(908,570)	(908,570)	-
Designated and reserved funds	(68,796)	-	68,796
Permanent Fund	(15,475)	(15,475)	-
Fiduciary funds	(41,212)	-	41,212
Sale of capital assets	30,000	19,120	(10,880)
Appropriated fund balance	<u>1,597,008</u>	<u>-</u>	<u>(1,597,008)</u>
Total	<u>917,902</u>	<u>(579,978)</u>	<u>(1,497,880)</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	423,581	\$ 423,581
Fund Balance:			
Beginning of year - July 1		17,710,160	
Prior period adjustment		<u>1,203,313</u>	
Beginning of year - restated		<u>18,913,473</u>	
End of year - June 30		<u>\$ 19,337,054</u>	

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Donations and grants	\$ 300,000	\$ 55,480	\$ 50	\$ 55,530	\$ (244,470)
Investment earnings	145,000	501,095	20,716	521,811	376,811
Total revenues	<u>445,000</u>	<u>556,575</u>	<u>20,766</u>	<u>577,341</u>	<u>132,341</u>
Expenditures:					
Capital outlay	<u>4,877,091</u>	<u>2,054,832</u>	<u>110,435</u>	<u>2,165,267</u>	<u>(2,711,824)</u>
Revenues over (under) expenditures	<u>(4,432,091)</u>	<u>(1,498,257)</u>	<u>(89,669)</u>	<u>(1,587,926)</u>	<u>2,844,165</u>
Other Financing Sources (Uses):					
Transfers in from General Fund	4,877,091	3,377,091	-	3,377,091	(1,500,000)
Transfers to General Fund	<u>(750,000)</u>	<u>(1,580,788)</u>	<u>(243,807)</u>	<u>(1,824,595)</u>	<u>(1,074,595)</u>
Total other financing sources (uses)	<u>4,127,091</u>	<u>1,796,303</u>	<u>(243,807)</u>	<u>1,552,496</u>	<u>(2,574,595)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(305,000)	298,046	(333,476)	(35,430)	269,570
Appropriated fund balance	<u>305,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(305,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 298,046</u>	<u>(333,476)</u>	<u>\$ (35,430)</u>	<u>\$ (35,430)</u>
Fund Balance:					
Beginning of year - July 1			<u>3,078,808</u>		
End of year - June 30			<u>\$ 2,745,332</u>		

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purpose.

Occupancy Tax Fund - This fund accounts for funds designated for travel and tourism development in the County.

Revaluation Fund – This fund accounts for the accumulation of resources to be used for the revaluation of real property.

Fire Districts Fund – This fund accounts for the ad valorem tax levies of the eight fire districts in Transylvania County.

Emergency Telephone System Fund – This fund accounts for the 911 revenues collected by the North Carolina 911 Board to fund the 911 emergency system.

Community Development Block Grant Fund – This fund accounts for funds received and disbursed through Community Development Block Grants for a Scattered Site Housing Project, and Small Business And Entrepreneurial Assistance.

CAPITAL PROJECTS FUND

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The Public Safety Facility Fund accounts for the construction of the new County public safety facility; including jail, sheriff's offices, emergency management offices, E911 communications center, and maintenance facility. This fund was established during the 2004-2005 fiscal year.

Schools Qualified School Construction Bond Fund – This fund accounts for funds from Qualified School Construction bonds to be used for the construction of a Career and Technical Education facility for the Transylvania County Public Schools. This fund was established during the 2009-2010 fiscal year.

Schools Qualified Zone Academy Bond Fund – This fund accounts for funds from the Qualified Zone Academy Bond to be used for specific construction and renovation in the Transylvania County Public Schools. This fund was started during the June 30, 2002 fiscal year.

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TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
Assets:				
Cash and investments	\$ 982,325	\$ 2,018,503	\$ 279,764	\$ 3,280,592
Accounts receivable, net	262,795	-	-	262,795
Taxes receivable, net	18,380	-	-	18,380
Cash and investments, restricted	-	-	108,367	108,367
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,263,500</u>	<u>\$ 2,018,503</u>	<u>\$ 388,131</u>	<u>\$ 3,670,134</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 34,834	\$ 3,677	\$ 162	\$ 38,673
Due to other funds	198,676	-	-	198,676
Deferred revenue	18,788	-	-	18,788
Unearned revenue	5,768	-	-	5,768
Total liabilities	<u>258,066</u>	<u>3,677</u>	<u>162</u>	<u>261,905</u>
Fund Balances:				
Reserved by State statute	61,799	-	-	61,799
Reserved by Silvermont	-	-	108,367	108,367
Unreserved, designated	90,700	-	-	90,700
Unreserved, undesignated	852,935	2,014,826	279,602	3,147,363
Total fund balances	<u>1,005,434</u>	<u>2,014,826</u>	<u>387,969</u>	<u>3,408,229</u>
Total liabilities and fund balances	<u>\$ 1,263,500</u>	<u>\$ 2,018,503</u>	<u>\$ 388,131</u>	<u>\$ 3,670,134</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
Revenues:				
Ad valorem taxes	\$ 2,150,675	\$ -	\$ -	\$ 2,150,675
Other taxes and licenses	320,698	-	-	320,698
Restricted intergovernmental revenues	731,668	-	-	731,668
Interest earned on investments	6,069	-	3,229	9,298
Total revenues	<u>3,209,110</u>	<u>-</u>	<u>3,229</u>	<u>3,212,339</u>
Expenditures:				
Current:				
General government	67,915	-	-	67,915
Public safety	2,054,223	-	-	2,054,223
Economic and physical development	799,084	-	-	799,084
Education	-	115,615	-	115,615
Cultural and recreational	-	-	6,030	6,030
Capital outlay	-	2,442,868	-	2,442,868
Total expenditures	<u>2,921,222</u>	<u>2,558,483</u>	<u>6,030</u>	<u>5,485,735</u>
Revenues over (under) expenditures	<u>287,888</u>	<u>(2,558,483)</u>	<u>(2,801)</u>	<u>(2,273,396)</u>
Other Financing Sources (Uses):				
Debt issued	-	1,297,778	-	1,297,778
Transfers in	-	-	15,475	15,475
Transfers out	(81,140)	-	-	(81,140)
Total other financing sources (uses)	<u>(81,140)</u>	<u>1,297,778</u>	<u>15,475</u>	<u>1,232,113</u>
Net change in fund balances	206,748	(1,260,705)	12,674	(1,041,283)
Fund Balances:				
Beginning of year - July 1	<u>798,686</u>	<u>3,275,531</u>	<u>375,295</u>	<u>4,449,512</u>
End of year - June 30	<u>\$ 1,005,434</u>	<u>\$ 2,014,826</u>	<u>\$ 387,969</u>	<u>\$ 3,408,229</u>

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TRANSYLVANIA COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010**

	<u>Occupancy Tax Fund</u>	<u>Revaluation Fund</u>	<u>Fire Districts Fund</u>
Assets:			
Cash and investments	\$ 263,167	\$ 201,764	\$ 220,997
Accounts receivable	40,885	-	-
Taxes receivable, net	<u>-</u>	<u>-</u>	<u>18,380</u>
 Total assets	 <u>\$ 304,052</u>	 <u>\$ 201,764</u>	 <u>\$ 239,377</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 1,991	\$ 905	\$ -
Due to other funds	-	-	-
Deferred revenue	408	-	18,380
Unearned revenue	<u>-</u>	<u>-</u>	<u>5,768</u>
Total liabilities	<u>2,399</u>	<u>905</u>	<u>24,148</u>
Fund Balances:			
Reserved by State statute	40,477	-	-
Designated for subsequent years' expenditures	-	-	90,700
Undesignated	<u>261,176</u>	<u>200,859</u>	<u>124,529</u>
Total fund balances	<u>301,653</u>	<u>200,859</u>	<u>215,229</u>
 Total liabilities and fund balances	 <u>\$ 304,052</u>	 <u>\$ 201,764</u>	 <u>\$ 239,377</u>

Schedule 5

Emergency Telephone System Fund	Community Development Block Grant Fund	Total Nonmajor Special Revenue Funds
\$ 264,459 21,322 <hr style="width: 100%;"/> -	\$ 31,938 200,588 <hr style="width: 100%;"/> -	\$ 982,325 262,795 <hr style="width: 100%;"/> 18,380
\$ 285,781	\$ 232,526	\$ 1,263,500
\$ - - - - <hr style="width: 100%;"/> -	\$ 31,938 198,676 - - <hr style="width: 100%;"/> 230,614	\$ 34,834 198,676 18,788 5,768 <hr style="width: 100%;"/> 258,066
21,322 - <hr style="width: 100%;"/> 264,459 <hr style="width: 100%;"/> 285,781	- - 1,912 <hr style="width: 100%;"/> 1,912	61,799 90,700 <hr style="width: 100%;"/> 852,935 <hr style="width: 100%;"/> 1,005,434
\$ 285,781	\$ 232,526	\$ 1,263,500

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Occupancy Tax Fund</u>	<u>Revaluation Fund</u>	<u>Fire Districts Fund</u>
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ 2,150,675
Other taxes and licenses	320,698	-	-
Restricted intergovernmental	-	-	-
Investment earnings	2,026	1,607	1,107
Total revenues	<u>322,724</u>	<u>1,607</u>	<u>2,151,782</u>
Expenditures:			
General government	-	67,915	-
Public safety	-	-	2,054,223
Economic and physical development	323,285	-	-
Total expenditures	<u>323,285</u>	<u>67,915</u>	<u>2,054,223</u>
Revenues over (under) expenditures	<u>(561)</u>	<u>(66,308)</u>	<u>97,559</u>
Other Financing Sources (Uses):			
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(561)	(66,308)	97,559
Fund Balances:			
Beginning of year - July 1	<u>302,214</u>	<u>267,167</u>	<u>117,670</u>
End of year - June 30	<u>\$ 301,653</u>	<u>\$ 200,859</u>	<u>\$ 215,229</u>

Schedule 6

<u>Emergency Telephone System Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Nonmajor Special Revenue Fund</u>
\$ -	\$ -	\$ 2,150,675
-	-	320,698
255,869	475,799	731,668
1,329	-	6,069
<u>257,198</u>	<u>475,799</u>	<u>3,209,110</u>
-	-	67,915
-	-	2,054,223
-	<u>475,799</u>	<u>799,084</u>
-	<u>475,799</u>	<u>2,921,222</u>
<u>257,198</u>	-	<u>287,888</u>
<u>(81,140)</u>	-	<u>(81,140)</u>
<u>(81,140)</u>	-	<u>(81,140)</u>
176,058	-	206,748
<u>109,723</u>	<u>1,912</u>	<u>798,686</u>
<u>\$ 285,781</u>	<u>\$ 1,912</u>	<u>\$ 1,005,434</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

**OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ 305,500	\$ 320,698	\$ 15,198
Investment earnings	6,000	2,026	(3,974)
Total revenues	<u>311,500</u>	<u>322,724</u>	<u>11,224</u>
Expenditures:			
Economic and physical development	<u>366,065</u>	<u>323,285</u>	<u>42,780</u>
Total expenditures	<u>366,065</u>	<u>323,285</u>	<u>42,780</u>
Revenues over (under) expenditures	<u>(54,565)</u>	<u>(561)</u>	<u>(54,004)</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>54,565</u>	-	<u>(54,565)</u>
Total other financing sources (uses)	<u>54,565</u>	-	<u>(54,565)</u>
Net change in fund balance	<u>\$ -</u>	<u>(561)</u>	<u>\$ (561)</u>
Fund Balance:			
Beginning of year - July 1		<u>302,214</u>	
End of year - June 30		<u>\$ 301,653</u>	

TRANSYLVANIA COUNTY, NORTH CAROLINA

**REVALUATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 2,500	\$ 1,607	\$ (893)
Total revenues	<u>2,500</u>	<u>1,607</u>	<u>(893)</u>
Expenditures:			
General government	103,344	67,915	35,429
Total expenditures	<u>103,344</u>	<u>67,915</u>	<u>35,429</u>
Revenues over (under) expenditures	<u>(100,844)</u>	<u>(66,308)</u>	<u>34,536</u>
Other Financing Sources (Uses):			
Appropriated fund balance	100,844	-	100,844
Total other financing sources (uses)	<u>100,844</u>	<u>-</u>	<u>100,844</u>
Net change in fund balance	<u>\$ -</u>	<u>(66,308)</u>	<u>\$ (66,308)</u>
Fund Balance:			
Beginning of year - July 1		<u>267,167</u>	
End of year - June 30		<u>\$ 200,859</u>	

TRANSYLVANIA COUNTY, NORTH CAROLINA

FIRE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,032,723	\$ 2,124,513	\$ 91,790
Prior year	-	14,141	14,141
Penalties and interest	-	12,021	12,021
Investment earnings	-	1,107	1,107
Total revenues	<u>2,032,723</u>	<u>2,151,782</u>	<u>119,059</u>
Expenditures:			
Public safety:			
Brevard Fire District	223,650	223,650	-
Rosman Fire District	286,058	286,058	-
Little River Fire District	283,750	283,750	-
Connestee Falls Fire District	458,753	458,753	-
Cedar Mountain Fire District	121,809	121,809	-
Lake Toxaway Fire District	492,585	492,585	-
Balsam Grove Fire District	84,638	84,638	-
North Transylvania Fire District	102,980	102,980	-
Total expenditures	<u>2,054,223</u>	<u>2,054,223</u>	<u>-</u>
Revenues over (under) expenditures	<u>(21,500)</u>	<u>97,559</u>	<u>119,059</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>21,500</u>	<u>-</u>	<u>(21,500)</u>
Total other financing sources (uses)	<u>21,500</u>	<u>-</u>	<u>(21,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>97,559</u>	<u>\$ 97,559</u>
Fund Balance:			
Beginning of year - July 1		<u>117,670</u>	
End of year - June 30		<u>\$ 215,229</u>	

TRANSYLVANIA COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 255,000	\$ 255,869	\$ 869
Investment earnings	1,800	1,329	(471)
Total revenues	<u>256,800</u>	<u>257,198</u>	<u>398</u>
Other Financing Sources (Uses):			
Transfers out	(303,700)	(81,140)	222,560
Appropriated fund balance	46,900	-	(46,900)
Total other financing sources (uses)	<u>(256,800)</u>	<u>(81,140)</u>	<u>175,660</u>
Net change in fund balance	<u>\$ -</u>	176,058	<u>\$ 176,058</u>
Fund Balance:			
Beginning of year - July 1		<u>109,723</u>	
End of year - June 30		<u>\$ 285,781</u>	

TRANSYLVANIA COUNTY, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental revenues	\$ 730,000	\$ 32,508	\$ 475,799	\$ 508,307	\$ (221,693)
Expenditures:					
Economic and physical development:	730,000	32,349	475,799	508,148	221,852
Net change in fund balance	<u>\$ -</u>	<u>\$ 159</u>	-	<u>\$ 159</u>	<u>\$ 159</u>
Fund Balance:					
Beginning of year - July 1			<u>1,912</u>		
End of year - June 30			<u>\$ 1,912</u>		

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	<u>Public Safety Facility Fund</u>	<u>Schools QSCB Fund</u>	<u>Schools QZAB Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 807,498	\$ 1,183,241	\$ 27,764	\$ 2,018,503
Total assets	<u>\$ 807,498</u>	<u>\$ 1,183,241</u>	<u>\$ 27,764</u>	<u>\$ 2,018,503</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,600	\$ -	\$ 1,077	\$ 3,677
Total liabilities	<u>2,600</u>	<u>-</u>	<u>1,077</u>	<u>3,677</u>
Fund Balances:				
Unreserved	804,898	1,183,241	26,687	2,014,826
Total fund balances	<u>804,898</u>	<u>1,183,241</u>	<u>26,687</u>	<u>2,014,826</u>
Total liabilities and fund balances	<u>\$ 807,498</u>	<u>\$ 1,183,241</u>	<u>\$ 27,764</u>	<u>\$ 2,018,503</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Public Safety Facility Fund</u>	<u>Schools QSCB Fund</u>	<u>Schools QZAB Fund</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
Capital outlay	\$ 2,442,868	\$ -	\$ -	\$ 2,442,868
Education	-	114,537	-	114,537
Bond expense	-	-	1,078	1,078
Total expenditures	<u>2,442,868</u>	<u>114,537</u>	<u>1,078</u>	<u>2,558,483</u>
Revenues over (under) expenditures	<u>(2,442,868)</u>	<u>(114,537)</u>	<u>(1,078)</u>	<u>(2,558,483)</u>
Other Financing Sources (Uses):				
Long-term debt issued	-	1,297,778	-	1,297,778
Total other financing sources (uses)	<u>-</u>	<u>1,297,778</u>	<u>-</u>	<u>1,297,778</u>
Net change in fund balances	(2,442,868)	1,183,241	(1,078)	(1,260,705)
Fund Balances:				
Beginning of year - July 1	<u>3,247,766</u>	<u>-</u>	<u>27,765</u>	<u>3,275,531</u>
End of year - June 30	<u>\$ 804,898</u>	<u>\$ 1,183,241</u>	<u>\$ 26,687</u>	<u>\$ 2,014,826</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

PUBLIC SAFETY FACILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Investment earnings	\$ -	\$ 4,711	\$ -	\$ 4,711	\$ -
Expenditures:					
Capital outlay	22,500,000	19,256,945	2,442,868	21,699,813	800,187
Revenues over (under) expenditures	(22,500,000)	(19,252,234)	(2,442,868)	(21,695,102)	(800,187)
Other Financing Sources (Uses):					
Transfers in from General Fund	19,600,000	19,600,000	-	19,600,000	-
Long-term debt issued	2,900,000	2,900,000	-	2,900,000	-
Total other financing sources (uses)	22,500,000	22,500,000	-	22,500,000	-
Net change in fund balance	\$ -	\$ 3,247,766	(2,442,868)	\$ 804,898	\$ 804,898
Fund Balance:					
Beginning of year - July 1			3,247,766		
End of year - June 30			\$ 804,898		

TRANSYLVANIA COUNTY, NORTH CAROLINA

SCHOOLS QSCB FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/Under</u>
			<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Project Costs	\$ 1,297,778	\$ -	\$ 114,537	\$ 114,537	\$ (1,183,241)
Revenues over (under) expenditures	(1,297,778)	-	(114,537)	(114,537)	1,183,241
Other Financing Sources (Uses):					
Debt issued	1,297,778	-	1,297,778	1,297,778	-
Total other financing sources (uses)	1,297,778	-	1,297,778	1,297,778	-
Net change in fund balance	\$ -	\$ -	1,183,241	\$ 1,183,241	\$ 1,183,241
Fund Balance:					
Beginning of year - July 1				-	
End of year - June 30			\$ 1,183,241		

TRANSYLVANIA COUNTY, NORTH CAROLINA

**SCHOOLS QZAB FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Bond expenditures	\$ 1,200	\$ 1,078	\$ 122
Other Financing Sources (Uses):			
Appropriated fund balance	1,200	-	(1,200)
Net change in fund balance	<u>\$ -</u>	(1,078)	<u>\$ (1,078)</u>
Fund Balance:			
Beginning of year - July 1		<u>27,765</u>	
End of year - June 30		<u>\$ 26,687</u>	

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PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earning, not principal, may be used for purposes that support the reporting government's programs.

Silvermont Reserve Fund - This fund accounts for the investment earning on the restricted principal of a bequest to the County for maintenance of a County recreation building.

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TRANSYLVANIA COUNTY, NORTH CAROLINA

**PERMANENT FUND - SILVERMONT RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 4,525	\$ 3,229	\$ (1,296)
Expenditures:			
Silvermont maintenance	20,000	6,030	13,970
Revenues over (under) expenditures	(15,475)	(2,801)	12,674
Other Financing Sources (Uses):			
Transfer in	15,475	15,475	-
Net change in fund balance	<u>\$ -</u>	12,674	<u>\$ 12,674</u>
Fund Balance:			
Beginning of year - July 1		<u>375,295</u>	
End of year - June 30		<u>\$ 387,969</u>	

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ENTERPRISE FUND

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Solid Waste Fund – This fund is used to account for the operations of the county’s solid waste collection and disposal operations. This fund is financed primarily through solid waste fees and is supplemented by operating transfers from the General Fund.

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TRANSYLVANIA COUNTY, NORTH CAROLINA

MAJOR ENTERPRISE FUND
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services			
Solid waste charges	\$ 1,270,000	\$ 1,246,293	\$ (23,707)
Recycling	94,000	85,763	(8,237)
Other operating revenues	<u>2,350</u>	<u>2,281</u>	<u>(69)</u>
Total operating revenues	<u>1,366,350</u>	<u>1,334,337</u>	<u>(32,013)</u>
Non-operating revenues:			
Investment earnings	43,000	5,471	(37,529)
Miscellaneous revenue	<u>17,787</u>	<u>21,756</u>	<u>3,969</u>
Total non-operating revenues	<u>60,787</u>	<u>27,227</u>	<u>(33,560)</u>
Total revenues	<u>1,427,137</u>	<u>1,361,564</u>	<u>(65,573)</u>
Expenditures:			
Landfill administration and operations:			
Salaries and employee benefits	855,310	786,770	68,540
Other operating expenditures	503,845	423,280	80,565
Capital outlay	<u>195,000</u>	<u>161,340</u>	<u>33,660</u>
Total expenditures	<u>1,554,155</u>	<u>1,371,390</u>	<u>182,765</u>
Revenues over (under) expenditures	<u>(127,018)</u>	<u>(9,826)</u>	<u>117,192</u>
Other Financing Sources (Uses):			
Transfers - General Fund	908,570	908,570	-
Appropriated fund balance	<u>(781,552)</u>	<u>-</u>	<u>781,552</u>
Total other financing sources (uses)	<u>127,018</u>	<u>908,570</u>	<u>781,552</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 898,744</u>	<u>\$ 898,744</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

**MAJOR ENTERPRISE FUND
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 898,744	
Reconciling items:			
Capital outlay capitalized		161,340	
Increase in OPEB		(2,900)	
Increase in compensated absences payable		(2,610)	
Decrease in closure and post-closure care costs		216,339	
Depreciation		<u>(419,125)</u>	
Change in net assets		<u>\$ 851,788</u>	

AGENCY FUNDS

Agency Funds are used to account for assets held by the County as agent for individuals, private organizations, other governments, and/or other funds.

Agency Funds

Social Services Fund – This fund accounts for moneys held by the Social Services Department for the benefit of certain individuals in the county.

Fines and Forfeitures Fund – This fund accounts for fines and forfeitures collected by the county that are required to be remitted to the Transylvania County Board of Education and for interest collected on delinquent motor vehicle taxes that are required to be remitted to North Carolina Department of Motor Vehicles.

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TRANSYLVANIA COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 18,479	\$ 89,584	\$ 94,916	\$ 13,147
Liabilities:				
Miscellaneous liabilities	\$ 18,479	\$ 89,584	\$ 94,916	\$ 13,147
Fines and Forfeitures Fund:				
Assets:				
Cash and investments	\$ 2,232	\$ 158,592	\$ 159,726	\$ 1,098
Accounts receivable and accrued revenues	11,043	135,887	137,301	9,629
Total assets	<u>\$ 13,275</u>	<u>\$ 294,479</u>	<u>\$ 297,027</u>	<u>\$ 10,727</u>
Liabilities:				
Intergovernmental payables-				
Transylvania County Board of Education	\$ 11,043	\$ 135,887	\$ 137,301	\$ 9,629
State of North Carolina	2,232	158,592	159,726	1,098
Total liabilities	<u>\$ 13,275</u>	<u>\$ 294,479</u>	<u>\$ 297,027</u>	<u>\$ 10,727</u>
Total-All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 20,711	\$ 248,176	\$ 254,642	\$ 14,245
Accounts receivable and accrued revenues	11,043	135,887	137,301	9,629
Total assets	<u>\$ 31,754</u>	<u>\$ 384,063</u>	<u>\$ 391,943</u>	<u>\$ 23,874</u>
Liabilities:				
Intergovernmental payables	\$ 13,275	\$ 294,479	\$ 297,027	\$ 10,727
Miscellaneous liabilities	18,479	89,584	94,916	13,147
Total liabilities	<u>\$ 31,754</u>	<u>\$ 384,063</u>	<u>\$ 391,943</u>	<u>\$ 23,874</u>

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OTHER SCHEDULES

This section contains additional information on property taxes and transfers.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

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TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2010

Year Ended June 30	Uncollected Balance July 1, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2010	\$ -	\$ 23,646,198	\$ 23,572,169	\$ 74,029
2009	116,405	-	99,660	16,745
2008	25,424	-	8,382	17,042
2007	24,199	-	5,249	18,950
2006	26,252	-	5,257	20,995
2005	11,351	-	3,161	8,190
2004	12,314	-	2,904	9,410
2003	17,254	-	3,031	14,223
2002	28,860	-	3,999	24,861
2001	16,880	-	4,099	12,781
2000	7,794	-	7,794	-
Total	<u>\$ 286,733</u>	<u>\$ 23,646,198</u>	<u>\$ 23,715,705</u>	217,226

Less allowance for uncollectible ad valorem taxes receivable:

General Fund 50,451

Ad Valorem Taxes Receivable, Net:

General Fund \$ 166,775

Reconciliation of Collections and Credits with Revenues:

Ad valorem taxes - General Fund \$ 23,792,678

Reconciling Items:

Interest (96,474)

Tax refunds 3,477

Abatements - prior years 17,679

Advertising and miscellaneous adjustments (4,364)

Taxes written off 2,709

Total collections and credits \$ 23,715,705

TRANSYLVANIA COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2010

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax	\$ 5,851,958,217	\$ 0.395	\$ 23,109,383	\$ 22,495,237	\$ 614,146
Motor vehicles taxed at prior year's rate	98,091,295	0.540	529,693	-	529,693
Late list penalties	-		16,440	16,440	-
Total original levy	<u>5,950,049,512</u>		<u>23,655,516</u>	<u>22,511,677</u>	<u>1,143,839</u>
Discoveries:					
Current year taxes	2,726,130		10,766	10,766	-
Prior year taxes	<u>8,779,612</u>		<u>47,328</u>	<u>47,328</u>	-
Total discoveries	<u>11,505,742</u>		<u>58,094</u>	<u>58,094</u>	-
Abatements and Discounts	<u>(17,070,712)</u>		<u>(67,412)</u>	<u>(49,418)</u>	<u>(17,994)</u>
Total property valuation	<u>\$ 5,944,484,542</u>				
Net Levy			23,646,198	22,520,353	1,125,845
Uncollected taxes at June 30, 2010			<u>74,029</u>	<u>22,567</u>	<u>51,462</u>
Current Year's Taxes Collected			<u>\$ 23,572,169</u>	<u>\$ 22,497,786</u>	<u>\$ 1,074,383</u>
Current Levy Collection Percentage			<u>99.69%</u>	<u>99.90%</u>	<u>95.43%</u>

STATISTICAL SECTION

The Statistical Section includes data extracted from prior years' financial reports and various other sources.

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

**TRANSYLVANIA COUNTY, NORTH CAROLINA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 10,072,375	\$ 9,988,250	\$ 13,773,087
Restricted	1,085,594	877,435	1,256,692
Unrestricted	3,343,347	8,043,490	8,560,294
Total Governmental Activities Net Assets	<u>\$ 14,501,316</u>	<u>\$ 18,909,175</u>	<u>\$ 23,590,073</u>
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 3,440,486	\$ 4,357,971	\$ 3,945,072
Restricted			
Unrestricted	(1,328,514)	(1,244,471)	(1,215,349)
Total Business-Type Activities Net Assets	<u>\$ 2,111,972</u>	<u>\$ 3,113,500</u>	<u>\$ 2,729,723</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 13,512,861	\$ 14,346,221	\$ 17,718,159
Restricted	1,085,594	877,435	1,256,692
Unrestricted	2,014,833	6,799,019	7,344,945
Total Primary Government Net Assets	<u>\$ 16,613,288</u>	<u>\$ 22,022,675</u>	<u>\$ 26,319,796</u>

Note: GASB 34 was not implemented until the 2003 fiscal year; net asset information is not available prior to that fiscal year.

TABLE 1

2006	2007	2008	2009	2010
\$ 19,969,409	\$ 20,369,159	\$ 24,185,021	\$ 35,138,758	\$ 38,280,736
1,257,831	1,697,216	1,794,717	1,091,782	1,491,646
11,723,898	16,158,930	16,912,463	8,613,469	8,759,642
<u>\$ 32,951,138</u>	<u>\$ 38,225,305</u>	<u>\$ 42,892,201</u>	<u>\$ 44,844,009</u>	<u>\$ 48,532,024</u>
\$ 3,378,918	\$ 2,792,276	\$ 4,939,310	\$ 4,624,518	\$ 4,366,733
(795,452)	194,584	(1,090,548)	(92,919)	1,016,654
<u>\$ 2,583,466</u>	<u>\$ 2,986,860</u>	<u>\$ 3,848,762</u>	<u>\$ 4,531,599</u>	<u>\$ 5,383,387</u>
\$ 23,348,327	\$ 23,161,435	\$ 29,124,331	\$ 39,763,276	\$ 42,647,469
1,257,831	1,697,216	1,794,717	1,091,782	1,491,646
10,928,446	16,353,514	15,821,915	8,520,550	9,776,296
<u>\$ 35,534,604</u>	<u>\$ 41,212,165</u>	<u>\$ 46,740,963</u>	<u>\$ 49,375,608</u>	<u>\$ 53,915,411</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses			
Governmental Activities:			
General Government	\$ 3,762,987	\$ 3,753,997	\$ 4,356,272
Public Safety	6,882,825	7,549,974	7,972,158
Transportation	105,250	97,957	103,255
Economic and Physical Development	666,510	950,117	1,411,719
Human Services	8,354,877	8,741,038	9,045,258
Cultural and Recreational	1,052,587	1,215,723	1,149,713
Education	6,933,582	7,248,509	7,618,423
Interest on Long-Term Obligations	1,247,439	1,180,734	1,106,923
Total Governmental Activities Expenses	<u>\$ 29,006,057</u>	<u>\$ 30,738,049</u>	<u>\$ 32,763,721</u>
Business-Type Activities:			
Landfill	\$ 1,561,728	\$ 1,514,363	\$ 1,939,662
Total Governmental Activities Expenses	<u>\$ 1,561,728</u>	<u>\$ 1,514,363</u>	<u>\$ 1,939,662</u>
Total Primary Government Expenses	<u>\$ 30,567,785</u>	<u>\$ 32,252,412</u>	<u>\$ 34,703,383</u>
Program Revenues			
Governmental Activities:			
Charges for Services:			
General Government	\$ 730,307	\$ 913,288	\$ 679,241
Public Safety	1,427,925	1,620,895	1,618,968
Transportation	-	-	-
Economic and Physical Development	-	107,213	-
Human Services	384,414	505,408	395,941
Cultural and Recreational	39,541	58,858	61,783
Education	-	-	198,733
Operating Grants and Contributions:			
General Government	120,473	12,467	9,366
Public Safety	362,339	411,849	630,181
Transportation	163,384	201,891	71,184
Economic and Physical Development	12,506	123,673	840,253
Human Services	4,380,750	4,370,408	4,771,482
Cultural and Recreational	1,938	169,348	115,575
Education	-	174,007	12,611
Capital Grants and Contributions:			
General Government	51,768	-	57,921
Economic and Physical Development	32,953	101,946	-
Cultural and Recreational	120,954	-	434,460
Education	7,910	-	-
Total Governmental Activities Program Revenues	<u>\$ 7,837,162</u>	<u>\$ 8,771,251</u>	<u>\$ 9,897,699</u>

TABLE 2
Continued

	2006	2007	2008	2009	2010
\$	4,566,521	\$ 5,472,674	\$ 4,985,239	\$ 5,042,645	\$ 4,617,015
	8,306,170	9,051,987	10,399,235	11,042,467	11,777,713
	356,525	378,991	364,740	358,399	509,565
	3,696,917	1,502,285	1,594,400	1,531,068	1,663,553
	8,858,593	9,308,209	9,522,922	9,448,473	8,094,451
	1,322,900	1,699,971	1,814,530	1,968,016	1,560,709
	8,702,160	9,564,457	10,900,358	10,449,456	10,400,587
	1,034,391	959,451	636,426	907,694	668,751
<u>\$</u>	<u>36,844,177</u>	<u>\$ 37,938,025</u>	<u>\$ 40,217,850</u>	<u>\$ 40,748,218</u>	<u>\$ 39,292,344</u>
\$	2,524,570	\$ 2,372,572	\$ 1,458,440	\$ 1,678,773	\$ 1,418,346
<u>\$</u>	<u>2,524,570</u>	<u>\$ 2,372,572</u>	<u>\$ 1,458,440</u>	<u>\$ 1,678,773</u>	<u>\$ 1,418,346</u>
<u>\$</u>	<u>39,368,747</u>	<u>\$ 40,310,597</u>	<u>\$ 41,676,290</u>	<u>\$ 42,426,991</u>	<u>\$ 40,710,690</u>
\$	730,655	\$ 547,176	\$ 1,403,077	\$ 1,055,880	\$ 269,938
	1,894,494	1,452,371	1,405,633	1,444,322	2,099,928
	-	-	-	-	-
	-	-	-	11,467	6,712
	638,343	798,598	376,346	548,544	526,525
	74,981	42,173	40,176	98,220	95,713
	-	-	-	-	-
	17,033	217,053	361,235	39,379	56,527
	248,510	890,735	629,245	1,089,375	416,927
	80,412	-	219,801	341,357	234,881
	2,992,009	1,401,118	686,949	459,808	169,696
	4,414,362	3,666,631	4,833,149	5,063,846	5,293,382
	12,429	247,177	146,458	120,228	438,486
	322,070	546,646	124,754	137,268	137,842
	-	-	-	-	-
	80,857	4,760	50,695	-	-
	-	-	-	-	475,799
	3,019,745	141,404	-	-	-
	6,094	-	-	-	-
<u>\$</u>	<u>14,531,994</u>	<u>\$ 9,955,842</u>	<u>\$ 10,277,518</u>	<u>\$ 10,409,694</u>	<u>\$ 10,222,356</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Business-Type Activities:			
Charge for Services - Landfill	\$ 1,167,114	\$ 1,275,719	\$ 1,466,228
Operating Grants and Contributions - Landfill	11,151	-	-
Capital Grants and Contributions - Landfill	-	-	-
Total Business-Type Activities Program Revenues	<u>\$ 1,178,265</u>	<u>\$ 1,275,719</u>	<u>\$ 1,466,228</u>
Total Primary Government Program Revenues	<u>\$ 9,015,427</u>	<u>\$ 10,046,970</u>	<u>\$ 11,363,927</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (21,168,895)	\$ (21,966,798)	\$ (22,866,022)
Business-Type Activities	<u>(383,463)</u>	<u>(238,644)</u>	<u>(473,434)</u>
Total Primary Government Net (Expense)/Revenue	<u>\$ (21,552,358)</u>	<u>\$ (22,205,442)</u>	<u>\$ (23,339,456)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Property Taxes	\$ 17,839,194	\$ 19,160,255	\$ 18,577,018
Local Option Sales Tax	5,657,367	6,847,773	6,973,895
Other Taxes and Licenses	963,169	1,089,108	1,222,898
Grants and Contributions Not Restricted	165,853	214,673	218,655
Investment Earnings	287,620	261,103	524,310
Miscellaneous	57,753	10,425	30,142
Transfers	(650,760)	(1,208,678)	-
Total Governmental Activities:	<u>\$ 24,320,196</u>	<u>\$ 26,374,659</u>	<u>\$ 27,546,918</u>
Business-Type Activities:			
Investment Earnings	\$ 38,404	\$ 31,494	\$ 49,143
Miscellaneous	-	-	40,514
Transfers	650,760	1,208,678	-
Total Business-Type Activities	<u>\$ 689,164</u>	<u>\$ 1,240,172</u>	<u>\$ 89,657</u>
Total Primary Government	<u>\$ 25,009,360</u>	<u>\$ 27,614,831</u>	<u>\$ 27,636,575</u>
Change in Net Assets			
Governmental Activities	\$ 3,151,301	\$ 4,407,861	\$ 4,680,896
Business-Type Activities	<u>305,701</u>	<u>1,001,528</u>	<u>(383,777)</u>
Total Primary Government	<u>\$ 3,457,002</u>	<u>\$ 5,409,389</u>	<u>\$ 4,297,119</u>

Note: GASB 34 was not implemented until the 2003 fiscal year; change in net asset information is not available prior to that fiscal year.

TABLE 2
Continued

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,394,442	\$ 1,504,980	\$ 1,593,221	\$ 1,383,173	\$ 1,334,337
-	-	-	12,728	19,469
-	-	107,343	-	-
<u>\$ 1,394,442</u>	<u>\$ 1,504,980</u>	<u>\$ 1,700,564</u>	<u>\$ 1,395,901</u>	<u>\$ 1,353,806</u>
<u>\$ 15,926,436</u>	<u>\$ 11,460,822</u>	<u>\$ 11,978,082</u>	<u>\$ 11,805,595</u>	<u>\$ 11,576,162</u>
\$ (22,312,183)	\$ (27,982,183)	\$ (29,940,332)	\$ (30,338,524)	\$ (29,069,988)
(1,130,128)	(867,592)	242,124	(282,872)	(64,540)
<u>\$ (23,442,311)</u>	<u>\$ (28,849,775)</u>	<u>\$ (29,698,208)</u>	<u>\$ (30,621,396)</u>	<u>\$ (29,134,528)</u>
\$ 21,714,091	\$ 22,672,983	\$ 23,582,218	\$ 24,437,262	\$ 25,974,123
7,603,939	8,145,834	8,234,107	6,720,265	5,239,883
1,675,570	1,694,466	1,440,731	763,293	811,378
233,423	241,239	260,889	520,299	506,354
1,000,240	1,605,838	1,544,020	672,317	138,015
326,985	26,532	45,263	74,920	99,025
(881,000)	(1,130,492)	(500,000)	(902,556)	(908,570)
<u>\$ 31,673,248</u>	<u>\$ 33,256,400</u>	<u>\$ 34,607,228</u>	<u>\$ 32,285,800</u>	<u>\$ 31,860,208</u>
\$ 89,958	\$ 140,494	\$ 119,778	\$ 49,630	\$ 5,471
12,913	-	-	13,523	2,287
881,000	1,130,492	500,000	902,556	908,570
<u>\$ 983,871</u>	<u>\$ 1,270,986</u>	<u>\$ 619,778</u>	<u>\$ 965,709</u>	<u>\$ 916,328</u>
<u>\$ 32,657,119</u>	<u>\$ 34,527,386</u>	<u>\$ 35,227,006</u>	<u>\$ 33,251,509</u>	<u>\$ 32,776,536</u>
\$ 9,361,065	\$ 5,274,217	\$ 4,666,896	\$ 1,947,276	\$ 2,790,220
(146,257)	403,394	861,902	682,837	851,788
<u>\$ 9,214,808</u>	<u>\$ 5,677,611</u>	<u>\$ 5,528,798</u>	<u>\$ 2,630,113</u>	<u>\$ 3,642,008</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
 GOVERNMENTAL ACTIVITIES, TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)**

UNAUDITED

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Property Tax	\$ 17,839,194	\$ 19,160,255	\$ 18,577,018	\$ 21,714,091
Local Option Sales Tax	5,657,367	6,847,773	6,973,895	7,603,939
Other Taxes and Licenses	<u>963,169</u>	<u>1,089,108</u>	<u>1,222,898</u>	<u>1,675,570</u>
Total	<u>\$ 24,459,730</u>	<u>\$ 27,097,136</u>	<u>\$ 26,773,811</u>	<u>\$ 30,993,600</u>

Note: GASB 34 was not implemented until the 2003 fiscal year; governmental activities tax revenue by source information is not available prior to that fiscal year.

TABLE 3

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 22,672,983	\$ 23,582,218	\$ 24,437,262	\$ 25,974,123
8,145,834	8,234,107	6,720,265	5,239,883
<u>1,694,466</u>	<u>1,440,731</u>	<u>763,293</u>	<u>811,378</u>
<u>\$ 32,513,283</u>	<u>\$ 33,257,056</u>	<u>\$ 31,920,820</u>	<u>\$ 32,025,384</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

UNAUDITED

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved for:				
Court Facilities	\$ 107,045	\$ 133,285	\$ 156,168	\$ 187,062
Enhancement Fund	-	14,096	47,500	70,689
Law Enforcement	6,885	8,365	9,550	10,735
Inventories	10,703	5,113	4,361	5,991
Prepaid Expense	3,529	420	410	11,755
Animal Shelter	1,667	1,992	2,042	2,146
Senior Games	2,767	2,934	1,747	2,869
Museum	152,431	178,958	178,840	50,840
JHPC-MJM Book	-	-	-	-
JHPC-Donations	-	-	-	-
Soil and Water Conservation				
Health Department	321,468	87,313	87,313	87,313
Soil Study	7,730	15,460	23,190	30,920
Public Safety Facility	4,500,000	4,500,000	4,500,000	8,500,000
Economic Development	75,000	111,000	220,000	370,000
E911 System	-	-	-	150,533
New Library	-	-	-	100,000
Library - NC Room	-	-	-	25,000
150th County Anniversary	-	-	-	-
Voting Machines	-	-	-	-
Sports Complex	-	-	-	-
PARTF Grant	-	-	-	-
SRS - Title III Project	-	-	-	-
Restricted Grants & Donations	-	-	-	-
State Statute	2,264,985	2,030,255	2,237,703	3,843,718
Encumbrances	331,317	158,250	177,256	189,598
Total Reserved	<u>\$ 7,785,527</u>	<u>\$ 7,247,441</u>	<u>\$ 7,646,080</u>	<u>\$ 13,639,169</u>
Unreserved				
Designated for:				
Subsequent Year's Expenditures	\$ -	\$ 2,591,970	\$ -	\$ 3,911,584
Self Insurance	272,895	231,850	577,659	1,140,521
Compensated Absences	487,901	487,673	525,414	569,984
150th County Anniversary	-	-	-	-
LEO Separation Allowance	-	-	-	-
Retiree Medical Plan	-	-	-	-
Projects Initiated in Prior year	-	-	-	-
Undesignated	11,498,478	10,995,397	15,136,515	7,926,117
Total Unreserved	<u>\$ 12,259,274</u>	<u>\$ 14,306,890</u>	<u>\$ 16,239,588</u>	<u>\$ 13,548,206</u>
Total General Fund	<u>\$ 20,044,801</u>	<u>\$ 21,554,331</u>	<u>\$ 23,885,668</u>	<u>\$ 27,187,375</u>
All Other Governmental Funds				
Reserved for:				
Animal Shelter	\$ -	\$ -	\$ -	\$ -
Other General Capital Projects	-	-	-	-
Public Safety Facility	-	-	-	-
Silvermont	-	-	108,367	108,367
Compensated Absences	-	-	-	185
State Statute	66,843	37,920	44,834	54,639
Encumbrances	127,685	-	8,500	4,917
Total Reserved	<u>\$ 194,528</u>	<u>\$ 37,920</u>	<u>\$ 161,701</u>	<u>\$ 168,108</u>
Unreserved, Reported in Non-Major Funds				
Designated for Subsequent Year's Expenditures	\$ 93,843	\$ 1,403,915	\$ 790,630	\$ 1,788,497
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Fund	-	-	-	-
Undesignated/(Deficit)			3,431,589	
Special Revenue Funds	549,574	532,051	472,169	604,352
Capital Projects Funds	4,573,220	3,958,230	356,424	1,854,273
Permanent Fund	-	-	182,472	158,200
Total Unreserved	<u>\$ 5,216,637</u>	<u>\$ 5,894,196</u>	<u>\$ 5,233,284</u>	<u>\$ 4,405,322</u>
Total All Other Governmental Funds	<u>\$ 5,411,165</u>	<u>\$ 5,932,116</u>	<u>\$ 5,394,985</u>	<u>\$ 4,573,430</u>

TABLE 4

2005	2006	2007	2008	2009	2010
\$ 214,799	\$ 244,517	\$ 277,890	\$ 314,694	\$ 330,033	\$ 348,839
20,751	46,399	78,537	100,870	121,710	142,233
13,995	13,730	15,855	13,430	37,405	33,455
10,355	25,969	26,797	40,635	33,663	19,646
10,928	16,839	2,138	14,874	8,936	625
302,496	2,671	7,477	8,399	8,467	8,532
2,827	4,843	6,014	6,864	6,772	8,193
50,490	50,140	50,140	30,140	15,140	-
2,300	3,643	4,090	4,537	5,656	6,319
-	513	456	456	456	456
87,313	87,313	87,313	87,313	86,820	46,643
-	-	-	-	-	-
14,135,000	11,931,653	11,300,003	-	-	-
400,000	390,000	322,796	368,994	225,928	225,928
272,758	-	-	238,029	579,726	-
-	-	-	-	-	-
25,000	25,000	25,000	-	-	-
30,000	60,000	90,000	120,000	150,000	-
500,000	250,000	6,333	-	-	-
-	-	-	-	8,346	-
-	-	-	-	-	50,314
-	-	-	-	20,075	37,318
-	-	-	16,831	99,392	55,632
4,382,520	8,317,081	4,766,353	3,950,194	2,775,567	2,817,565
48,957	21,438	-	151,815	175,769	-
<u>\$ 20,510,489</u>	<u>\$ 21,491,749</u>	<u>\$ 17,116,364</u>	<u>\$ 5,529,966</u>	<u>\$ 4,771,176</u>	<u>\$ 3,851,813</u>
\$ 5,000	\$ -	\$ 1,094,463	\$ 759,613	\$ 929,152	\$ 1,610,229
1,558,428	1,448,481	1,223,022	1,491,907	1,432,718	1,183,028
621,341	657,393	725,009	812,540	818,385	917,010
-	-	-	-	-	175,018
-	-	-	-	-	491,787
-	-	-	-	-	822,178
-	-	-	-	-	24,245
4,377,022	6,145,790	10,524,826	8,575,637	9,758,729	10,261,746
<u>\$ 6,561,791</u>	<u>\$ 8,251,664</u>	<u>\$ 13,567,320</u>	<u>\$ 11,639,697</u>	<u>\$ 12,938,984</u>	<u>\$ 15,485,241</u>
<u>\$ 27,072,280</u>	<u>\$ 29,743,413</u>	<u>\$ 30,683,684</u>	<u>\$ 17,169,663</u>	<u>\$ 17,710,160</u>	<u>\$ 19,337,054</u>
\$ -	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 803,710
-	-	-	-	2,328,808	1,941,622
-	-	290,454	13,293,949	3,247,766	-
108,367	108,367	108,367	108,367	108,367	108,367
266	-	-	-	-	-
765,410	2,226,001	106,877	105,953	80,426	61,799
22,902	4,370	-	-	-	-
<u>\$ 896,945</u>	<u>\$ 3,088,738</u>	<u>\$ 1,255,698</u>	<u>\$ 14,258,269</u>	<u>\$ 6,515,367</u>	<u>\$ 2,915,498</u>
\$ 473,350	\$ -	\$ -	\$ -	\$ -	\$ 90,700
-	60,895	224,052	249,086	160,744	-
-	2,711,370	-	1,200	1,200	-
-	-	-	30,000	-	-
(111,471)	-	-	-	-	-
492,127	870,888	1,193,880	1,205,703	557,518	852,935
2,448,913	(3,128,502)	3,280,163	2,796,275	26,564	2,014,826
199,706	231,235	273,870	252,424	266,928	279,602
<u>\$ 3,502,625</u>	<u>\$ 745,886</u>	<u>\$ 4,971,965</u>	<u>\$ 4,534,688</u>	<u>\$ 1,012,954</u>	<u>\$ 3,238,063</u>
<u>\$ 4,399,570</u>	<u>\$ 3,834,624</u>	<u>\$ 6,227,663</u>	<u>\$ 18,792,957</u>	<u>\$ 7,528,321</u>	<u>\$ 6,153,561</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues				
Taxes:				
Property	\$ 16,668,483	\$ 16,882,008	\$ 17,796,669	\$ 18,930,038
Sales	5,193,189	5,104,541	5,657,367	6,847,773
Other	843,489	884,493	1,052,198	1,177,514
Intergovernmental	7,360,071	7,254,339	6,101,296	6,995,503
Permits and Fees	354,670	394,110	450,611	520,916
Sales and Services	2,249,745	2,515,314	1,185,191	1,255,516
Donations and Grants	-	-	-	-
Investment Earnings	1,455,244	608,142	355,470	261,103
Miscellaneous	334,899	52,149	166,029	125,583
Total Revenues	<u>\$ 34,459,790</u>	<u>\$ 33,695,096</u>	<u>\$ 32,764,831</u>	<u>\$ 36,113,946</u>
Expenditures				
General Government	\$ 5,371,143	\$ 5,598,610	\$ 3,673,868	\$ 3,664,853
Public Safety	6,432,166	6,630,716	6,917,023	7,491,625
Economic Development	484,628	632,546	665,363	946,704
Human Services	8,382,008	8,584,303	8,266,669	8,722,587
Culture and Recreation	948,709	1,074,803	1,013,909	1,060,833
Education	6,042,051	6,165,722	6,933,582	7,248,509
Capital Outlay	3,293,872	288,752	420,099	583,822
Debt Service:				
Principal	1,315,000	1,375,000	1,471,015	1,506,015
Interest	1,382,185	1,322,935	1,260,673	1,194,893
Bond Issuance Cost	-	-	-	-
Total Expenditures	<u>\$ 33,651,762</u>	<u>\$ 31,673,387</u>	<u>\$ 30,622,201</u>	<u>\$ 32,419,841</u>
Excess of Revenues Over (Under) Expenditures	\$ 808,028	\$ 2,021,709	\$ 2,142,630	\$ 3,694,105
Other Financing Sources (Uses)				
Transfers In	\$ 3,666,376	\$ 226,867	\$ 808,735	\$ 701,854
Transfers Out	(5,204,584)	(541,927)	(1,459,495)	(1,943,339)
Bond Proceeds	-	600,000	-	-
Proceed from Financing	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Proceeds from Sale of Assets	31,674	-	-	27,532
Proceeds from Law Suit	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (1,506,534)</u>	<u>\$ 284,940</u>	<u>\$ (650,760)</u>	<u>\$ (1,213,953)</u>
Net Change in Fund Balances	<u>\$ (698,506)</u>	<u>\$ 2,306,649</u>	<u>\$ 1,491,870</u>	<u>\$ 2,480,152</u>
Capital Asset Expenditures	<u>\$ 3,293,872</u>	<u>\$ 288,752</u>	<u>\$ 420,099</u>	<u>\$ 583,822</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>8.9%</u>	<u>8.6%</u>	<u>9.0%</u>	<u>8.5%</u>

TABLE 5

	2005	2006	2007	2008	2009	2010
\$	18,899,554	\$ 21,747,101	\$ 22,785,337	\$ 23,639,386	\$ 24,448,844	\$ 25,943,353
	6,973,895	7,603,939	8,145,834	8,234,107	6,720,265	5,239,883
	1,318,894	1,675,570	1,694,466	1,440,731	763,293	811,378
	7,825,317	9,759,300	7,091,932	7,299,455	7,727,445	7,602,085
	475,629	560,452	681,158	588,976	382,955	372,047
	1,148,395	1,296,000	2,007,284	2,772,465	2,620,231	2,613,934
				50,695	22,443	50
	608,142	1,136,247	1,688,093	1,632,630	714,057	172,950
	487,187	2,943,137	334,452	121,115	191,117	220,499
\$	<u>37,737,013</u>	<u>\$ 46,721,746</u>	<u>\$ 44,428,556</u>	<u>\$ 45,779,560</u>	<u>\$ 43,590,650</u>	<u>\$ 42,976,179</u>
\$	4,457,415	\$ 4,644,586	\$ 5,555,278	\$ 5,265,368	\$ 4,981,840	\$ 4,464,852
	7,889,570	8,142,194	9,196,175	10,294,586	11,621,984	11,917,256
	1,410,642	1,563,634	1,499,832	1,599,827	1,523,660	1,660,458
	8,976,222	9,120,233	9,556,843	9,760,521	9,728,524	8,653,766
	1,106,312	1,270,693	1,494,744	1,598,213	1,858,012	1,839,077
	7,618,423	8,702,160	9,564,457	10,900,358	10,449,456	10,400,587
	3,876,297	8,050,961	719,161	4,236,863	13,490,731	2,553,303
	1,561,015	1,601,015	1,666,015	1,706,015	2,032,681	2,144,348
	1,127,408	1,055,820	982,313	905,710	646,781	702,038
	-	-	-	86,843	-	-
\$	<u>38,023,304</u>	<u>\$ 44,151,296</u>	<u>\$ 40,234,818</u>	<u>\$ 46,354,304</u>	<u>\$ 56,333,669</u>	<u>\$ 44,335,685</u>
\$	(286,291)	\$ 2,570,450	\$ 4,193,738	\$ (574,744)	\$ (12,743,019)	\$ (1,359,506)
\$	4,381,595	\$ 7,987,805	\$ 3,897,037	\$ 16,881,080	\$ 921,127	\$ 340,422
	(4,414,402)	(8,907,205)	(5,086,937)	(17,441,441)	(1,881,699)	(1,248,992)
	-	-	-	15,810,000	-	-
	-	-	-	-	2,900,000	1,297,778
	-	-	-	(15,668,890)	-	-
	30,142	117,637	51,157	45,263	74,920	19,120
	-	337,500	-	-	-	-
\$	<u>(2,665)</u>	<u>\$ (464,263)</u>	<u>\$ (1,138,743)</u>	<u>\$ (373,988)</u>	<u>\$ 2,014,348</u>	<u>\$ 408,328</u>
\$	<u>(288,956)</u>	<u>\$ 2,106,187</u>	<u>\$ 3,054,995</u>	<u>\$ (948,732)</u>	<u>\$ (10,728,671)</u>	<u>\$ (951,178)</u>
\$	<u>3,876,297</u>	<u>\$ 6,508,430</u>	<u>\$ 1,713,907</u>	<u>\$ 5,171,929</u>	<u>\$ 14,891,453</u>	<u>\$ 4,146,581</u>
	<u>7.9%</u>	<u>7.1%</u>	<u>6.9%</u>	<u>6.6%</u>	<u>6.5%</u>	<u>7.1%</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

UNAUDITED

Fiscal Year	Assessed Real Property				Business & Personal Property
	Residential Property	Commercial Property	Industrial Property	Present-Use Value Property	
2001	\$ 1,534,404,946	\$ 143,033,380	\$ 89,395,862	\$ 13,735,488	\$ 333,652,848
2002	1,561,041,297	145,995,973	67,875,236	11,784,690	314,999,105
2003	2,655,527,362	293,037,994	70,894,610	16,323,630	226,477,288
2004	2,710,445,622	313,750,505	57,692,210	17,325,820	178,857,273
2005	2,779,580,888	353,370,419	27,543,370	16,744,590	114,173,333
2006	2,862,453,961	366,696,222	25,575,362	17,098,010	101,061,658
2007	2,948,509,951	380,509,285	23,576,270	17,886,590	104,335,156
2008	3,076,368,614	399,253,678	22,203,760	17,664,820	120,695,865
2009	3,170,849,787	411,709,931	22,868,640	18,362,840	134,460,424
2010	4,764,318,694	629,514,046	23,918,710	28,502,210	146,576,514

Source: Annual County Report of Valuation and Property Tax Levies

Note: Property in the County was last reassessed for fiscal year 2010.
 The rates are per \$100 of assessed value.

TABLE 6

	<u>Motor Vehicles</u>	<u>Public Service Companies</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$	225,031,188	\$ 76,114,292	\$ 2,415,368,004	\$0.6410	\$ 1,862,731,805	77.12%
	231,722,384	78,168,787	2,411,587,472	\$0.6410	2,403,388,075	99.66%
	236,319,223	87,322,500	3,585,902,607	\$0.4600	3,319,470,043	92.57%
	241,741,806	90,801,903	3,610,615,139	\$0.4800	3,291,797,822	91.17%
	243,046,468	91,674,837	3,626,133,905	\$0.4800	3,347,284,208	92.31%
	256,279,819	94,873,485	3,724,038,517	\$0.5400	3,053,711,584	82.00%
	281,028,678	102,736,690	3,858,582,620	\$0.5400	2,959,918,728	76.71%
	290,866,014	103,348,541	4,030,401,292	\$0.5400	3,212,632,870	79.71%
	284,380,776	104,032,339	4,146,664,737	\$0.5400	4,130,078,078	99.60%
	263,874,984	108,960,742	5,965,665,900	\$0.3949	5,931,661,604	99.43%

**TRANSYLVANIA COUNTY, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

UNAUDITED

	<u>2001</u>	<u>2002</u>	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>
Transylvania County	\$ 0.6410	\$ 0.6410	\$ 0.4600	\$ 0.4800	\$ 0.4800
<u>Municipality Rates:</u>					
City of Brevard	0.5200	0.5200	0.4950	0.4950	0.4950
Town of Rosman	0.5200	0.5200	0.4600	0.4600	0.4600
<u>Fire Districts:</u>					
Etowah-Horseshoe	0.0552	0.0552	0.0409	0.0380	0.0322
Brevard	0.0250	0.0250	0.0255	0.0255	0.0250
Rosman	0.0698	0.0687	0.0486	0.0486	0.0690
Little River	0.0812	0.0812	0.0620	0.0600	0.0776
Connestee Falls	0.0625	0.0625	0.0477	0.0440	0.0562
Cedar Mountain	0.0704	0.0704	0.0793	0.0793	0.0928
Lake Toxaway	0.0405	0.0376	0.0219	0.0228	0.0299
Balsam Grove	0.1218	0.1218	0.1012	0.1012	0.1391
North Transylvania	0.1022	0.1022	0.0843	0.0843	0.1268

Source: Transylvania County Tax Department

Note: (1) Real property was revalued on January 1, 2002 and again on January 1, 2009.

TABLE 7

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (1)</u>
\$	0.5400	\$ 0.5400	\$ 0.5400	\$ 0.5400	\$ 0.3949
	0.4950	0.4950	0.4950	0.4950	0.3875
	0.4600	0.4600	0.4600	0.4600	0.4100
	0.0316	0.0305	0.0291		
	0.0248	0.0257	0.0301	0.0331	0.0269
	0.0740	0.0758	0.0756	0.0877	0.0626
	0.0797	0.0797	0.0797	0.0797	0.0577
	0.0604	0.0604	0.0649	0.0697	0.0494
	0.1015	0.1059	0.1059	0.1150	0.0802
	0.0305	0.0305	0.0323	0.0359	0.0275
	0.1391	0.1391	0.1391	0.1391	0.0968
	0.1242	0.1242	0.1242	0.1242	0.0911

**TRANSYLVANIA COUNTY, NORTH CAROLINA
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO**

UNAUDITED

Taxpayer	Type of Business	Fiscal Year 2010		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Corp	Electric Utility	\$ 49,360,371	1	0.83%
Citizens/Comporium Telephone	Telephone Utility	35,984,472	2	0.61%
Excelsior Packing Group	Packaging Manufacturing	23,440,303	3	0.39%
Ingles Markets, Inc	Retail Grocery Sales	19,980,907	4	0.34%
Brevard Retirement Investors	Retirement Home Facilities	19,256,370	5	0.32%
159 Babcock Company LLC	Real Estate	17,870,570	6	0.30%
Sapphire Lakes Inc	Real Estate	17,519,480	7	0.29%
Haywood Electric Memb Corp	Electric Utility	17,509,618	8	0.29%
Davidson River Village LLC	Real Estate	15,184,980	9	0.26%
Lake Toxaway Company	Real Estate	14,824,860	10	0.25%
AGFA Corporation	X-Ray Film Manufacturing			
Ecusta Division-P.H. Glatfelter Co	Paper Manufacturing			
Sterling Diagnostic Imaging, Inc	X-Ray Film Manufacturing			
Straus Park Development Company	Real Estate			
Coats American, Inc	Textiles Manufacturing			
Totals		\$ 230,931,931		3.88%

Source: Transylvania County Tax Department

TABLE 8

Fiscal Year 2001			
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$	31,461,747	3	1.31%
	31,169,356	4	1.30%
	9,142,907	9	0.38%
	7,937,239	10	0.33%
	13,697,275	7	0.57%
	152,035,242	1	6.33%
	118,657,638	2	4.94%
	26,660,950	5	1.11%
	16,053,707	6	0.67%
	12,228,087	8	0.51%
	<u>\$ 419,044,148</u>		<u>17.45%</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

UNAUDITED

Fiscal Year Ended June 30	Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy	
				Amount	Percentage of Levy
2001	\$ 15,421,522	\$ 36,139	\$ 15,457,661	\$ 15,115,332	97.79%
2002	15,952,236	111,668	16,063,904	15,351,301	95.56%
2003	16,585,498	(7,618)	16,577,880	15,949,830	96.21%
2004	17,208,376	68,264	17,276,640	16,812,337	97.31%
2005	17,311,662	11,737	17,323,399	17,014,243	98.22%
2006	20,079,449	13,366	20,092,815	19,707,116	98.08%
2007	20,713,127	14,771	20,727,898	20,575,914	99.27%
2008	21,631,776	19,473	21,651,249	21,543,523	99.50%
2009	22,346,453	18,914	22,365,367	22,248,962	99.48%
2010	23,630,058	16,440	23,646,498	23,572,169	99.69%

Source: Transylvania County Tax Department

TABLE 9

	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy
\$	329,555	\$ 15,444,887	99.92%
	687,748	16,039,049	99.85%
	613,827	16,563,657	99.91%
	454,893	17,267,230	99.95%
	300,966	17,315,209	99.95%
	364,704	20,071,820	99.90%
	133,034	20,708,948	99.91%
	90,684	21,634,207	99.92%
	99,660	22,348,622	99.93%
		23,572,169	99.69%

**TRANSYLVANIA COUNTY, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

TABLE 10

UNAUDITED

Fiscal Year	Governmental Activities			Business-type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Other Bonds	Installment Financing Contract	Other Bonds			
2001	\$ 27,020,000		-	\$ -	\$ 27,020,000	3.51%	\$ 921
2002	26,245,000	\$ 600,000	-	-	26,845,000	3.54%	904
2003	24,210,000	563,985	-	-	24,773,985	3.28%	824
2004	22,740,000	527,970	-	-	23,267,970	3.24%	790
2005	21,215,000	491,956	-	-	21,706,956	2.89%	731
2006	19,650,000	455,941	-	-	20,105,941	2.38%	673
2007	18,020,000	419,926	-	-	18,439,926	2.10%	607
2008	16,460,000	383,911	-	-	16,843,911	1.77%	548
2009	14,560,000	347,897	\$ 2,803,332	-	17,711,229	1.74%	571
2010	12,645,000	1,609,659	2,610,000	-	16,864,659		542

* Information not yet available

**TRANSYLVANIA COUNTY, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

TABLE 11

UNAUDITED

Fiscal Year Ended June 30	General Bonded Debt Outstanding			Percentage of Personal Income	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total			
2001	\$ 27,020,000	-	27,020,000	3.51%	1.12%	\$ 921
2002	26,245,000	-	26,245,000	3.46%	1.09%	884
2003	24,210,000	-	24,210,000	3.20%	0.68%	806
2004	22,740,000	-	22,740,000	3.17%	0.63%	772
2005	21,215,000	-	21,215,000	2.82%	0.59%	714
2006	19,650,000	-	19,650,000	2.33%	0.53%	658
2007	18,020,000	-	18,020,000	2.05%	0.47%	594
2008	16,460,000	-	16,460,000	1.73%	0.41%	535
2009	14,560,000	-	14,560,000	1.43%	0.35%	470
2010	12,645,000	-	12,645,000	-	0.21%	407

Notes: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.
See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
Calendar 2009 personal income not available to calculate fiscal year 2010.

**TRANSYLVANIA COUNTY, NORTH CAROLINA
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS**

UNAUDITED

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 192,206	\$ 198,857	\$ 284,088	\$ 287,026	\$ 287,748
Total Net Debt Applicable to Debt Limit	27,316	26,221	24,773	23,257	21,720
Legal Debt Margin	<u>\$ 164,890</u>	<u>\$ 172,636</u>	<u>\$ 259,315</u>	<u>\$ 263,769</u>	<u>\$ 266,028</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>14.2%</u>	<u>13.2%</u>	<u>8.7%</u>	<u>8.1%</u>	<u>7.5%</u>

Note: NC Statute GS159-55 limits the county's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit and represents the County's legal borrowing authority. and funding and refunding bonds not yet issued.

TABLE 12

2006	2007	2008	2009	2010
\$ 297,598	\$ 306,056	\$ 319,586	\$ 331,061	\$ 475,559
20,112	18,446	16,849	17,711	16,865
<u>\$ 277,486</u>	<u>\$ 287,610</u>	<u>\$ 302,737</u>	<u>\$ 313,350</u>	<u>\$ 458,694</u>
<u>6.8%</u>	<u>6.0%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>3.5%</u>

Legal Debt Margin Calculation for Fiscal Year 2010

Total Assessed Value	<u>\$ 5,944,485</u>
Debt Limit (8% of Total Assessed Value)	<u>\$ 475,559</u>
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 14,255
Installment Contracts	2,610
Total Amount of Debt Applicable to Debt Limit	<u>\$ 16,865</u>
Legal Debt Margin	<u>\$ 458,694</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

TABLE 13

UNAUDITED

Fiscal Year Ended June 30	Population(1)	Personal Income (2)	Per Capita Personal Income (2)	Public School Enrollment(3)	Unemployment Rate(4)	Number of Building Permits Issued(5)
2001	29,334	\$ 770,741	\$ 26,234	3,812	3.40%	266
2002	29,699	759,283	25,830	3,792	4.80%	266
2003	30,049	755,985	25,620	3,770	8.70%	266
2004	29,468	718,012	24,435	3,770	7.80%	281
2005	29,714	751,853	25,530	3,787	5.80%	271
2006	29,880	844,129	28,487	3,808	4.00%	311
2007	30,360	880,111	29,642	3,799	4.30%	268
2008	30,760	953,613	31,837	3,775	4.80%	184
2009	30,991	1,018,379	33,771	3,759	8.60%	113
2010	31,095			3,633	8.60%	111

Data Sources:

- (1) Population projections from the N.C. Planning Office.
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year.
- (3) N.C. Department of Public Instruction, First Month Average Daily Membership.
- (4) Unemployment rates as of the end of the fiscal year from the N. C. Employment Security Commission.
- (5) Number of permits issued from the Transylvania County Building Permitting and Enforcement Department.

**Transylvania County
Principal Employers
Current Year and Nine Years Ago**

TABLE 14

UNAUDITED

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Transylvania County Board of Education	500	1	4.1%	475	3	3.6%
Transylvania Community Hospital	421	2	3.5%	530	2	4.1%
Transylvania County Government	335	3	2.7%	307	6	2.4%
Brevard College	174	4	1.4%	228	7	1.7%
Ingles Markets, Inc	149	5	1.2%	208	8	1.6%
M-B Industries	140	6	1.1%			0.0%
Ivy Hill Retirement Home	138	7	1.1%			
Gaia Herbs	126	8	1.0%			
Transylvania Vocational Services	125	9	1.0%	190	9	1.5%
Wal-Mart Associates Inc.	111	10	0.9%	140	10	1.1%
P.H. Glatfelter - Ecusta Division				694	1	5.3%
Sterling Diagnostic Imaging				456	4	3.5%
Coats North America				343	5	2.6%
	2,219		18.2%	3,571		27.4%

Source: Transylvania County Economic Development Department and Employment Security Commission and information provided directly by employers.

**TRANSYLVANIA COUNTY, NORTH CAROLINA
 FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS**

UNAUDITED

Function	2001	2002	2003	2004	2005
Governmental Activities					
General Government	44	44	44	45	46
Public Safety	106	108	108	110	111
Transportation	9	9	9	9	9
Economic and Physical Development	2	2	3	4	4
Environmental Protection	2	2	2	2	2
Human Services	104	95	96	92	94
Cultural and Recreation	21	21	21	21	28
Total Governmental Activities	288	281	283	283	294
Business-Type Activities					
Solid Waste	18	18	18	18	19
Total Business-Type Activities	18	18	18	18	19
Total All	306	299	301	301	313

Source: County Human Resources Department

Note: This schedule represents the number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers. Full time personnel work 2,088 hours per year (less vacation and sick leave). For purposes of this schedule the number of part time employees has been divided by 2.5 to arrive at the full time equivalents.

TABLE 15

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
47	45	46	48	50
113	116	126	131	130
9	9	9	9	9
3	3	3	3	3
2	2	2	2	2
92	92	93	94	95
<u>30</u>	<u>32</u>	<u>32</u>	<u>27</u>	<u>27</u>
296	299	311	314	316
<u>18</u>	<u>18</u>	<u>18</u>	<u>19</u>	<u>19</u>
18	18	18	19	19
<u>314</u>	<u>317</u>	<u>329</u>	<u>333</u>	<u>335</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

UNAUDITED

Function/Program	2001	2002	2003	2004
General government				
Registered Voters	21,927	22,359	22,371	22,235
Number of Tax Bills (excl motor vehicles)	30,227	30,918	28,979	29,556
Public Safety				
Crime Rate/1000 Citizens (calendar year)	14.37	13.20	16.14	17.12
911 Calls	22,090	22,386	23,581	24,506
Building Permits Issued	1,495	1,278	1,293	1,309
Planning				
Subdivisions approved	4	3	3	3
Culture and Recreation				
Library Material Circulation	237,488	235,058	242,653	241,340
Solid Waste				
Tons disposed	22,495	24,034	26,365	28,928

TABLE 16

2005	2006	2007	2008	2009	2010
21,406	22,336	21,880	22,203	22,926	23,516
29,666	30,017	30,139	30,856	30,650	30,615
13.35	13.71	17.04	18.11	18.20	N/A
27,085	28,896	30,629	32,585	35,142	44,361
1,238	1,297	1,238	1,215	1,036	1,133
6	14	12	12	24	18
243,966	259,873	303,650	314,667	329,208	340,378
28,302	26,732	28,090	28,912	23,828	22,328

**TRANSYLVANIA COUNTY, NORTH CAROLINA
 CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS**

UNAUDITED

Function/Program	2001	2002	2003	2004	2005
Public Safety:					
Sheriff Department					
Stations	1	1	1	1	1
Patrol vehicles	N/A	50	54	51	49
Culture and Recreation:					
Libraries	1	1	1	1	1
Parks	4	4	4	4	4
Acreage	55	55	55	55	55
Athletic fields	6	6	6	6	6
Recreation centers	1	1	1	1	1

TABLE 17

2006	2007	2008	2009	2010
1	1	1	1	1
54	61	64	64	66
1	1	1	1	1
4	4	4	4	4
55	55	55	55	55
6	7	7	7	7
1	1	1	1	1

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