

**TRANSYLVANIA COUNTY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**TRANSYLVANIA COUNTY, NORTH CAROLINA**

**Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2011**

**Prepared by the Finance Department**

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**TRANSYLVANIA COUNTY  
NORTH CAROLINA**

**JUNE 30, 2011**

**BOARD OF COUNTY COMMISSIONERS**

MIKE HAWKINS, CHAIR

KELVIN PHILLIPS, VICE CHAIR

LARRY CHAPMAN

JASON CHAPPELL

DARYLE HOGSED

**PRINCIPAL OFFICIALS**

COUNTY MANAGER  
Arthur C. Wilson, Jr.

FINANCE DIRECTOR  
Gay V. Poor

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# TRANSYLVANIA COUNTY, NORTH CAROLINA

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**INTRODUCTORY  
SECTION**

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BOARD OF COMMISSIONERS  
Mike Hawkins, Chair  
Kelvin Phillips, Vice-Chair  
Larry Chapman  
Jason Chappell  
Daryle Hogsed



COUNTY MANAGER  
Arthur C. Wilson, Jr.  
828-884-3100  
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21 East Main Street  
Brevard, NC 28712

November 28, 2011

The Board of Commissioners  
Transylvania County  
North Carolina

The Comprehensive Annual Financial Report of Transylvania County for the fiscal year ended June 30, 2011 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 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, 2011, was 33,090. 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 hiring 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 just over one-third of the County's annual budget. Another 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, 2011, the county's unemployment rate was 8.8%, slightly more than the prior year-end's rate of 8.6% but less than the statewide average of 10.4%.

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, mountain biking, kayaking, fishing, and other outdoor activities. Transylvania County also has earned the reputation as an Arts Destination. For lovers of the arts, there are numerous galleries, craft shows, concerts, plays, and seasonal festivals that reflect both the old traditions and the new diversity of the community. In addition, Transylvania County is home to 14 summer camps. In 2010 travel and tourism contributed \$71.75 million to the local economy, including \$13.0 million in payrolls and \$6.8 million in tax revenues. These figures are 4.9% higher than those reported for 2009. Local occupancy tax receipts indicate even greater improvement - 6.0% for FY 11 over FY 10 and 8.0% for the first quarter of FY 12, versus the same period in FY 11. A creative new website and multi-media advertising campaign launched two years ago to promote the area appear to have paid off. Revenues generated by travel and tourism are projected to continue this upward trend.

As might be expected, the human services component of the county's economy has been more insulated from the national recession than other sectors. After increasing in 2009, the number of people working for health care providers and related facilities settled at around 1,600 for 2010. With a full-time staff of over 400, Transylvania Regional Hospital (TRH) is the county's largest private sector employer and has an annual payroll of approximately \$21 million. In January 2011 TRH strengthened its long-term financial position and potential for growth by becoming an affiliate of Mission Health System, the sixth largest health system in North Carolina. Brevard College, a four-year liberal arts college founded here in 1853, is also a significant economic driver for the area, boosting it through local purchases as well as through jobs. Brevard College, Blue Ridge Community College's local campus, and the Transylvania County school system combined employ approximately 700 people. Another 400+ individuals work for City and County government. The County anticipates this sector of the economy to remain relatively constant.

Compared to FY 10, Transylvania County's taxable sales grew by 3.4%, creating some optimism that the recession is easing. Led by a 17.6 % increase for apparel, each major business group reported higher taxable sales in FY 11, except for general merchandise and food, which were lower by 5.6% and 5.1%, respectively. Based on the most recent labor statistics issued by the Employment Security Commission, 16.3% of the local labor force works in this sector – 1.4% fewer than a year earlier. Retail activity has continued to strengthen in the current fiscal year, with taxable sales for July through October 3.6% better than for the same period in FY 10.

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 that has been the most impacted by the economic downturn. Over the last five years \$304 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 06, building activity dropped sharply in FY's 08 and 09, leveled off in FY 10, but then fell again in FY 11. In contrast, the number of residential renovations and alterations has steadily grown in recent years, rising by 8% in FY 11. Based on 2010 employment records (the latest available), 5.1% of the local work force is involved directly in construction, versus 6.7% in 2009. An additional 2%-3% participate in the financial, insurance, and real estate activities that support building and land development. This percent has not changed over the past couple of years. Through October, the number of permits issued for new construction is right at half the volume for the first four months of FY 11. However, the average value per house has increased by 72% and the average value of renovations and alterations, by 15%.

After declining early in FY 11, the manufacturing component of the local economy appears to have stabilized. The industrial base now consists of a number of small manufacturers that collectively employ approximately 600 people. The largest of these, Gaia Herbs with 134 employees, is a vertically integrated grower and producer of organic herbal products. Over the past few years, the company has expanded its product lines and increased its plant capacity. Two other manufacturers also have headcounts in excess of 100: M-B Industries, which makes metal stampings, wire forms, and precision tooling for a wide array of customers, and Transylvania Vocational Services, which specializes in blending and packaging dry powder food products for government and commercial outlets. 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 receives 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 recognition program to highlight achievements of local businesses and express appreciation for their contributions to the community. 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. Remediation of a 540-acre Brownfields site in the County has recently been completed, and the former industrial site has been approved for redevelopment by the North Carolina

Department of Environment and Natural Resources and the U.S. Environmental Protection Agency. The County is working with the current owner of the property to evaluate proposed uses for it, which include manufacturing, retail, hospitality, and residential, and to obtain necessary infrastructure to support its redevelopment.

## **RESPONSE TO ECONOMIC CONDITIONS**

The Board of Commissioners has striven to balance citizens' needs and expectations for services with taxpayers' ability to fund them. Since FY 08 when the recession began, the budget for the General Fund has been reduced by 5.2%. During FY 09, in anticipation of revenue shortfalls beyond its control, County management scrutinized expenditures that were within its control and cut spending by 3%. As the recession lingered, Commissioners passed a budget for FY 10 that was 7.4% below the prior year's original budget and a budget for FY 11 that was only 1.6% more than the previous year's. For FY 12, with only a gradual recovery forecast and growing concerns about State and federal funding, the Board approved a General Fund budget that is 1.7% less than FY 11's. This was accomplished in spite of a 3.5% increase in appropriations for the local school system and an 8.2% increase in retirement contributions required by the State. While the FY 12 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 a projected deficit by controlling expenditures and withdrawing monies from 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:**

#### Recreation

During FY 11 the County moved forward with the development of two separate parks: one at Connestee Falls and the other near the Town of Rosman.

In April of 2011 the County officially opened the new park at Connestee Falls. In addition to a picnic area and walking trails, the park provides an ADA accessible observation deck that allows visitors to view the twin waterfalls from the top. Late in 2009 the County received a \$325,000 grant from the Parks and Recreation Trust Fund (PARTF) for the acquisition of land and development of the park. 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 was no cost to local taxpayers for the park.

Also in the spring of 2011, the County began the first phase of development of a community park near Rosman. Phase I of the project consisted of site grading, drainage, and seeding to assure erosion control and the construction and graveling of a parking area. The site has 22 acres, leased 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. In addition, the proposed facility 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. The Board of Commissioners recently appropriated monies from unassigned fund balance to proceed with a portion of Phase II so that two baseball fields will be ready for use by next spring.

The cost estimate for the entire project is \$1.1 million. So far, the County has spent just under \$205,000 for Phase I. As authorized by the Commissioners, County staff is preparing an application for a PARTF grant that would provide matching funds for the approximately \$345,000 required for Phases II through IV.

### Sesquicentennial Celebration

On February 15, 2011, Transylvania County observed the 150<sup>th</sup> anniversary of its founding with a ceremony that commemorated the date and kicked off a nearly year-long Sesquicentennial Celebration. In 2009 the Board of Commissioners chartered a steering committee of interested citizens representing different facets of the community to develop and coordinate plans for the celebration. According to their mission statement, their goal was to conduct a series of activities and events that would “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.” Over the past several months this mission has been achieved with great success! Among the most popular events have been the individual community center gatherings and exhibits that have showcased the unique characteristics of each community and its contributions to the County’s heritage as a whole. There have also been a number of historical presentations, musical performances, church programs, and school projects honoring the Sesquicentennial. On September 3<sup>rd</sup> the County, in conjunction with the local municipalities and other civic, business, and community groups, hosted an all day “birthday party,” complete with cake and ice cream. In addition, the festivities included demonstrations that allowed a glimpse of how our ancestors lived, other interactive exhibits tracing the history of the County, music, square dancing, and traditional children’s games. The day culminated with a free concert and multi-media fireworks extravaganza held on the campus of Brevard College. The Sesquicentennial Celebration’s closing ceremony is scheduled for December 3, 2011.

The Board of Commissioners began planning financially for the Sesquicentennial Celebration in FY 05 by designating \$30,000 for this purpose. Each year through FY 10 this amount was set aside, and \$7,500 was earmarked in FY 11’s budget so that the County had a total of \$187,500 available for the celebration. Local corporate sponsors and municipalities also contributed generously to the Sesquicentennial observance, as did numerous volunteers who donated hundreds of hours of their time.

### **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. Last fall the Board of Commissioners approved property already owned by the County as a suitable site, and this past February the County issued Invitations for Bids for construction of the shelter. However, all of the bids exceeded the \$750,000 designated in the General Capital Projects Fund for the project. In June, in response to tremendous public support for the new shelter, the Board of Commissioners passed Resolution 21-11, committing to build the shelter as currently designed provided that the remaining funds needed could be raised through private donations.

With this assurance, a group formed a non-profit organization named the Friends of the Animal Shelter and launched a fundraising campaign in August. To date, the Friends of the Animal Shelter has received over a \$100,000 in contributions towards its goal of \$250,000. In addition, the City of Brevard has pledged \$100,000 for the new facility. The groundbreaking will be held next spring.

## 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 opted to renovate the former Sheriffs' Office and then move the non-court related functions to this building. Funds have been set aside in the General Capital Projects Fund for this purpose. The County recently received bids for the project and is optimistic that the cost of the renovations will be significantly less than the original estimate of \$500,000.

## 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 uncertainty about the economy and State and federal funding, the County presented five-year revenue and expenditure projections during the FY 12 budget process as well. These provided a context in which to assess the impact of FY 12 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. The latest strategic plan covers the period 2010-2012. Work on the 2013-2015 plans will begin early next year.

## 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, 2010. (This was the 24th 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 carrying out the financial transactions in their functions responsibly and in compliance with accounting and regulatory requirements. I extend special thanks to the Planning and Economic Development Department for gathering data included in this report. 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 gratitude 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, 2010

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.



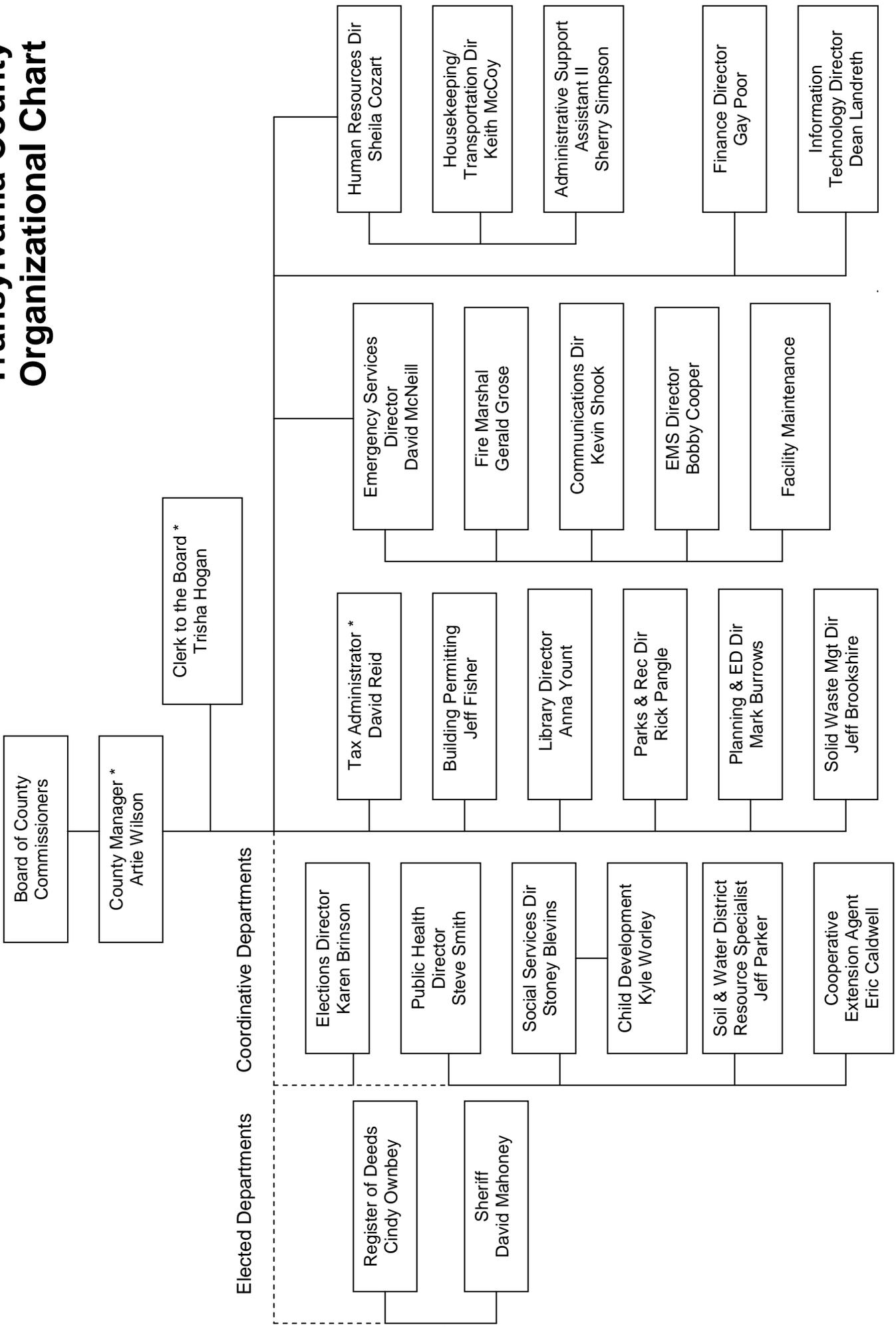
*Linda C. Dandson*

President

*Jeffrey R. Emer*

Executive Director

# Transylvania County Organizational Chart



\* Appointed by County Commissioners

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**FINANCIAL  
SECTION**

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# 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, 2011, 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 opinion.

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, 2011, 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 28, 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

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, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, ad valorem tax schedules and the Schedule of Federal and State Awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 28, 2011

## 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, 2011. 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

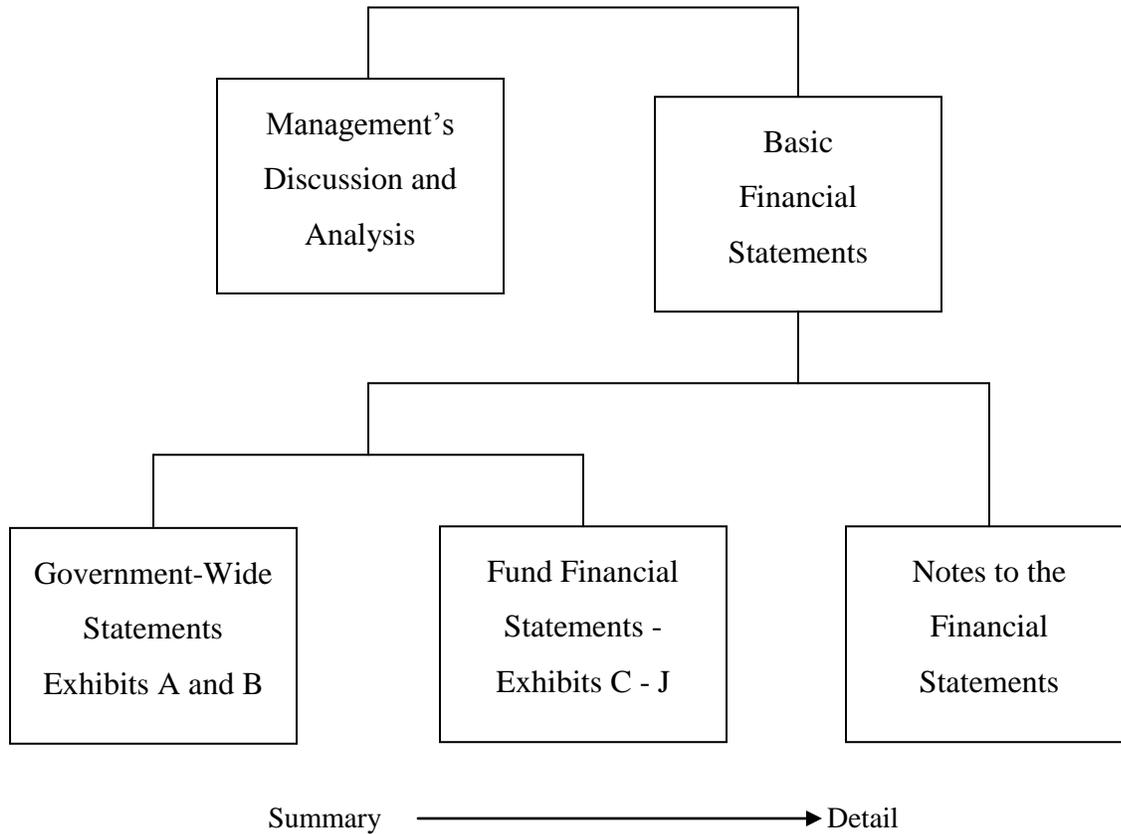
- The assets of the County exceeded its liabilities at the end of fiscal year 2011 by \$55,294,307 (*net assets*). Of this amount, \$8,905,837 (16.1 percent) is unrestricted and, therefore, may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets, excluding a prior period adjustment, increased by \$1,732,662, with \$1,222,039 (70.5 percent) attributable to governmental activities and \$510,623 (29.5 percent) generated by business activities.
- At the close of the fiscal year, the County's governmental funds reported combined fund balances of \$25,204,009, a decrease of \$286,606 in comparison to the prior year. Approximately 21.9 percent of the balance, or \$5,521,445, is restricted or non-spendable. Another 30.9 percent, or \$7,796,507, is either committed or assigned for specific purposes, leaving the remaining \$11,886,057, 47.2 percent, unassigned.
- The County's General Fund balance increased by \$789,587 to finish the year at \$20,327,500. The balance also reflects the addition of \$200,859 previously reported in a Special Revenue Fund for property tax revaluation. The unassigned amount of this balance is \$11,889,227, which represents 29.9 percent of total General Fund expenditures and transfers out for the fiscal year.
- The County achieved an ad valorem tax collection rate of 99.50 percent in fiscal year 2011, versus 99.69 percent the previous year. This was the highest collection rate reported in the State for fiscal year 2010.
- As of June 30, 2011, the County had long-term outstanding debt of \$14,597,641, - \$2,290,608, or 13.6 percent, less than the prior year. The County did not assume any new debt during fiscal year 2011.
- In June 2011, Standard and Poor's upgraded the County's bond rating from A to A+, based on an evaluation of the strength of the County's financial position. The County maintained the A1 bond rating it has held since 2008 from Moody's Investors Services.

### 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



### Government-Wide Financial Statements

The government-wide financial statements (Exhibits A and B) 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 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 at the end of the year and how they have changed during the year. 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: (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 increase or decrease over the most recent fiscal year. Since all changes are reported as soon as the event giving rise to them occurs, revenues and expenses are included in this

statement even though cash may not be received or paid until later. 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, cultural and recreational, and general administration. These services are financed predominantly through property taxes, sales taxes, federal and State 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 17 to 19 of this report.

## **Fund Financial Statements**

There are four components of the fund financial statements (Exhibits C through J): (1) the governmental funds statements, (2) the budgetary comparison statement, (3) the proprietary fund statements, and (4) the fiduciary fund statements. These statements provide a more detailed look at the 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's funds may be divided into three categories - governmental, proprietary, and fiduciary. Like all other governmental entities in North Carolina, Transylvania County uses fund accounting to ensure and demonstrate compliance with federal, State, and local financial and legal requirements.

**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). In contrast to 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.

In compliance with GASB Statement No. 54, the County's balance sheet for the governmental funds presents new fund balance classifications for fiscal year 2011. Statement No. 54 shifts the focus of fund balance reporting from what purposes fund balance is going to be used for to what constraints are placed on how resources within the fund balance can be used and what the sources of those constraints are. In descending order of limitations on use, the five new categories of fund balance are:

- Non-spendable because the amounts are not in cash (such as inventories) or are legally required to be maintained intact
- Restricted by external sources such as debt covenants, grant agreements, and statutes, including Stabilization funds which are stated separately on the balance sheet.
- Committed by formal action of the government's highest level of decision-making authority
- Assigned by the government's intent for a specific purpose, and
- Unassigned, which is available for general use

Please refer to pages 36-39 in the Notes for further explanation of these classifications.

**Budgetary Comparison Statement.** 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 explain in detail some of the data contained in the statements and are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements start on page 29 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning funding of Transylvania County's obligation to provide other post-employment benefits. Required supplementary information can be found beginning on page 63 of this report. 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 nonmajor 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 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, 2011, Transylvania County's government-wide assets exceeded liabilities by \$55,294,307, an increase of \$1,378,896 over the prior year. This growth reflects a surplus of \$1,732,662 recorded for fiscal year 2011, less a \$353,766 prior period adjustment for pension benefits. While cash balances grew by \$677,132, capital assets fell by \$789,766 and other assets by \$171,465, for a total drop in assets of \$284,099. Total liabilities, however, decreased by even more – \$1,662,995, due to \$2,204,091 in reductions in long-term debt and other liabilities more than offsetting \$541,096 in additional post-employment benefit obligations.

At the end of fiscal year 2011, the County's governmental activities reported net assets of \$49,400,297 – \$868,273, or 1.8 percent higher than the prior year. Business-type activities also reported an increase in net assets – \$510,623, or 9.5 percent, to close the year with a balance of \$5,894,010.

**Transylvania County's Net Assets**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 27,007,163	\$ 27,372,460	\$ 5,048,118	\$ 4,177,154	\$ 32,055,281	\$ 31,549,614
Capital assets	40,381,782	40,890,736	4,085,921	4,366,733	44,467,703	45,257,469
<b>Total assets</b>	<b>67,388,945</b>	<b>68,263,196</b>	<b>9,134,039</b>	<b>8,543,887</b>	<b>76,522,984</b>	<b>76,807,083</b>
Long-term liabilities						
outstanding	16,151,290	17,873,121	3,163,942	3,118,363	19,315,232	20,991,484
Other liabilities	1,837,358	1,858,051	76,087	42,137	1,913,445	1,900,188
<b>Total liabilities</b>	<b>17,988,648</b>	<b>19,731,172</b>	<b>3,240,029</b>	<b>3,160,500</b>	<b>21,228,677</b>	<b>22,891,672</b>
Net assets:						
Invested in capital assets, net of related debt	37,965,115	38,280,736	4,085,921	4,366,733	42,051,036	42,647,469
Restricted	4,337,434	4,371,010	-	-	4,337,434	4,371,010
Unrestricted	7,097,748	5,880,278	1,808,089	1,016,654	8,905,837	6,896,932
<b>Total net assets</b>	<b>\$ 49,400,297</b>	<b>\$ 48,532,024</b>	<b>\$ 5,894,010</b>	<b>\$ 5,383,387</b>	<b>\$ 55,294,307</b>	<b>\$ 53,915,411</b>

Of the government-wide total net assets, net *capital* assets make up the largest category – 76.1 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. As depreciation exceeded new investment in fiscal year 2011, net capital assets for the County as a whole decreased by \$596,433 – \$315,621 for governmental activities and \$280,812 for business-type activities.

Another portion of the County’s net assets, \$4,337,434, or 7.8 percent, represents resources that are 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 includes \$2,820,923 in Stabilization funds required by State statute, as well \$348,338 for court facilities, \$293,935 for E911 Communications, \$267,551 in occupancy taxes, and \$185,909 for County fire districts – all of which are reported in governmental activities. Restricted net assets changed very little during the fiscal year, decreasing by only \$33,576.

The remaining government-wide balance for net assets, \$8,905,837 (16.1 percent), is unrestricted and, therefore, available to meet the County’s ongoing obligations. As a result of fiscal year 2011 transactions, unrestricted net assets grew by 29.1 percent, or \$2,008,905. The \$1,217,470 increase in unrestricted net assets for governmental activities was attributable mainly to the \$1,222,039 operational surplus, whereas the \$791,435 increase in unrestricted net assets for business-type activities was due primarily to a transfer of \$888,077 from governmental activities.

**Transylvania County's Changes in Net Assets**  
**Figures 3**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,882,624	\$ 2,998,816	\$ 1,224,466	\$ 1,334,337	\$ 5,107,090	\$ 4,333,153
Operating grants and contributions	6,130,433	6,747,741	19,389	19,469	6,149,822	6,767,210
Capital grants and contributions	42,249	475,799	-	-	42,249	475,799
General revenues:						
Property taxes	25,709,393	25,974,123	-	-	25,709,393	25,974,123
Other taxes	6,314,774	6,051,261	-	-	6,314,774	6,051,261
Grants and contributions unrestricted to specific programs	365,566	506,354	-	-	365,566	506,354
Other	106,280	237,040	3,589	7,758	109,869	244,798
<b>Total revenues</b>	<b>42,551,319</b>	<b>42,991,134</b>	<b>1,247,444</b>	<b>1,361,564</b>	<b>43,798,763</b>	<b>44,352,698</b>
<b>Expenses:</b>						
General government	5,155,747	4,617,015	-	-	5,155,747	4,617,015
Public safety	12,386,788	11,777,713	-	-	12,386,788	11,777,713
Transportation	396,460	380,295	-	-	396,460	380,295
Economic and physical development	1,096,501	1,663,553	-	-	1,096,501	1,663,553
Human services	8,069,619	8,223,721	-	-	8,069,619	8,223,721
Cultural and recreational	1,904,003	1,560,709	-	-	1,904,003	1,560,709
Education	10,822,954	10,400,587	-	-	10,822,954	10,400,587
Interest on long-term debt	609,131	668,751	-	-	609,131	668,751
Landfill	-	-	1,624,898	1,418,346	1,624,898	1,418,346
<b>Total expenses</b>	<b>40,441,203</b>	<b>39,292,344</b>	<b>1,624,898</b>	<b>1,418,346</b>	<b>42,066,101</b>	<b>40,710,690</b>
Increase (decrease) in net assets before transfers	2,110,116	3,698,790	(377,454)	(56,782)	1,732,662	3,642,008
Transfers	(888,077)	(908,570)	888,077	908,570	-	-
<b>Increase (decrease) in net assets</b>	<b>1,222,039</b>	<b>2,790,220</b>	<b>510,623</b>	<b>851,788</b>	<b>1,732,662</b>	<b>3,642,008</b>
Net assets, July 1	48,532,024	44,844,009	5,383,387	4,531,599	53,915,411	49,375,608
Prior period adjustment	(353,766)	897,795	-	-	(353,766)	897,795
<b>Net assets, June 30</b>	<b>\$ 49,400,297</b>	<b>\$ 48,532,024</b>	<b>\$ 5,894,010</b>	<b>\$ 5,383,387</b>	<b>\$ 55,294,307</b>	<b>\$ 53,915,411</b>

**Governmental Activities.** Revenues associated with governmental activities exceeded expenses by \$1,222,039, generating 70.5 percent of the addition to the County's total net assets. The increase in sales tax revenues and cost control measures highlighted on page 10 contributed to this surplus, which was then offset to a large extent by the \$888,077 transferred out to supplement business-type activities. The majority of the growth, consequently, resulted from 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 of \$3,194,147 dropped directly to net assets. There were other items such as depreciation and pension and other post-employment benefit obligations that were, conversely, 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 reduced net assets by \$1,551,075. Please refer to Exhibit E on page 23 for a complete list of reporting differences and their impact.

Overall net assets related to governmental activities grew by \$1,568,181 less than they had in fiscal year 2010. Compared to the prior year, fiscal year 2011's revenues were lower by \$439,815 while expenses and transfers out were higher by \$1,128,366. Medicaid Hold Harmless funds of \$351,304 boosted the total for other taxes, and fees for housing inmates from other counties (\$292,013) and a change in the accounting presentation of employee health insurance premiums (\$498,983) contributed to a substantial increase of \$883,808 in charges for services. All other revenue sources fell short of fiscal year 2010's results, with the greatest reductions in federal and State funding for Social Services programs (\$283,959) and in non-recurring PARTF, DENR, and CDBG grants awarded in fiscal year 2010 for recreation and economic and physical development (\$762,844). In spite of a 99.5 percent collection rate and a slight increase in the tax base, ad valorem taxes came in \$264,730 under fiscal year 2010's. Miscellaneous other revenues also declined somewhat, particularly interest earned on investments as interest rates continued to fall. While reduced funding for Human Services and Economic and Physical Development activities necessitated reduced spending in those areas, expenses in most other functions exceeded fiscal year 2010 levels. General Government reported an increase of \$538,732, driven mainly by the adjustment for employee health insurance noted above. Costs incurred for housing other counties' inmates, combined with the first full year of depreciation and other expenses related to the new Public Safety Facility and updated 911 System, added approximately \$400,000 to Public Safety expenses. In addition, the County raised the appropriation for Education by \$422,367.

In fiscal year 2011, charges for services, grants, and contributions covered 24.9 percent of the expenses of governmental activities and comprised 23.6 percent of total revenues. In fiscal year 2010 these external revenue sources supported 26.0 percent of the cost of governmental activities and made up 23.8 percent of total revenues.

**Business-Type Activities.** The growth in net assets for Transylvania County's business-type activities for fiscal year 2011 was \$341,165 less than the prior year's primarily because of a \$257,403 swing in the recorded landfill closure and post-closure costs. In fiscal year 2010, a one-time adjustment of \$216,339 was made to reduce the accrual for these costs, based on the latest estimate of the facility's capacity. In contrast, \$41,064 was added in fiscal year 2011. In addition, charges for services decreased by \$109,871 due to a 12.7 percent drop in the volume of waste disposed during the year. Through tipping and recycling fees, users of the solid waste facility paid 77.3 percent of operating expenses (excluding closure and post-closure costs) in fiscal year 2011, versus 81.6 percent in fiscal year 2010, and contributed just slightly less than 60.0 percent both years to the landfill's total revenues. Transfers from governmental activities supplemented these revenues, though 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 12 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, fund balance available for appropriation 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 nonmajor. The General Fund is always considered a major fund; no other funds met the criteria for this classification in fiscal year 2011. The nonmajor 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 \$20,327,500, with \$13,007 non-spendable and \$2,751,172 restricted for Stabilization by State Statute. Another \$662,869 is restricted for other purposes, such as court facilities (\$348,338) and technological enhancements in the Register of Deed's Office (\$135,426), grant requirements, and other external restrictions. Of the remainder, \$1,463,248 is committed by the Board of Commissioners for post-employment health benefits for employees and pension payments for retired law enforcement officers. An additional \$3,547,977 is assigned for specific uses, including \$1,410,020 for employee health insurance, \$822,917 for accrued vacation, and \$459,654 for fiscal year 2012 expenditures. The rest of the fund balance, \$11,889,227, or 58.5 percent of the total, is unassigned 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 unassigned fund balance and total fund balance to total fund expenditures and transfers. Unassigned fund balance represents 29.9 percent and total fund balance represents 51.0 percent of General Fund expenditures and transfers in fiscal year 2011. The comparable figures for fiscal year 2010, respectively, are 25.9 percent and 48.8 percent.

The General Fund balance grew during fiscal year 2011 by \$789,587 (4.0 percent), versus an increase of \$423,581 (2.2 percent) in fiscal year 2010. This increase was due primarily to a non-recurring transfer of \$738,098 to the General Fund when the Public Safety Facility fund was closed out. In addition, activity within the General Fund generated an operating surplus of \$881,519, with both actual revenues and expenditures favorable compared to budget. While several factors contributed to this surplus, the single most significant was the receipt of \$990,573 more than expected for sales taxes. Of this total, \$351,304 represents Medicaid Hold Harmless funds. The rest, \$639,269, was generated by sales that, rather than declining in fiscal year 2011 as projected, remained close to the fiscal year 2010 level. Cost control measures contributed to the surplus as well. Department heads continued to hold spending to a minimum, curbing expenditures for items such as office and operating supplies, travel and training, and outside services by over \$250,000. The County also realized savings of approximately \$300,000 in employee compensation through attrition, hiring delays, frozen positions, and of nearly \$225,000 in health insurance claims. Almost \$100,000 in funding received, but not spent by year-end, for Public Safety, Health Department, and Social Services programs added to the positive variance too, in effect dropping straight to the bottom line. This operating surplus, however, was basically eliminated by the transfer of \$888,077 to Solid Waste. Other interfund transfers and transactions reported as other financing sources/ (uses), netted to an addition of \$58,047. Because of the overall gain of \$789,587, the County avoided pulling down fund balance as originally planned and was, instead, able to add to it.

On the other hand, the combined fund balances of the nonmajor other governmental funds dropped by \$1,076,193 to a total of \$4,876,509, consisting of \$3,661,212 in capital projects funds, \$815,888 in special revenue funds, and \$399,409 in a Permanent Fund. The majority of the decrease occurred when unused funds appropriated for the Public Safety Facility were returned to the General Fund. During the year the County also withdrew \$251,092 for various purposes from the General Capital Projects Fund, leaving a balance of \$2,494,240 committed for Information Technology enhancements (\$345,108), construction of a new Animal Shelter (\$745,839), and renovations to County buildings (\$1,403,293). The other two capital projects funds, which were established to account for proceeds from school bonds, reported balances of \$1,141,363 and \$25,609, respectively – \$42,956 less than the prior year. These two Capital Projects Fund balances are restricted as are the balances in the special revenue funds. Overall, year-end balances in the special revenue funds rose by \$11,313, with no major changes in the Occupancy Tax, Fire Districts, Emergency Telephone System, and Community Development Block Grant funds that make up this grouping. The Permanent Fund, where money for a County recreational facility is held, increased by \$11,440. A portion of this balance is restricted; the remainder is assigned. Of the combined fund balances of the nonmajor governmental funds; 43.0 percent is restricted, 51.1 percent is committed, and 5.9 percent is assigned.

As of June 30, 2011, Transylvania County's total governmental funds reported an ending fund balance of \$25,204,009, a decrease of \$286,606 from the prior year's balance of \$25,490,615.

**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 fiscal year 2010. The amendments approved in fiscal year 2011 increased the General Fund's original budget of \$40,559,242 by \$963,051, or 2.4 percent, and included adjustments made for the following:

- \$489,299 received in additional funding and grants, including \$301,847 for various Health Department, Social Services, and Child Development programs and \$56,249 in ARRA stimulus funds for a replacement van in Transportation
- \$228,321 anticipated in North Carolina Education Lottery Proceeds to be passed through to the local school system
- \$205,770 appropriated from fund balance for Phase I of a community sports complex
- \$170,791 carried forward from the prior year to pay for purchases, programs, and projects initiated in fiscal year 2010 but not completed until fiscal year 2011
- \$95,106 withdrawn from the Reserve for Compensated Absences for vacations cashed out in lieu of leave taken or paid out to terminated employees
- (\$229,941) in 911 PSAP eligible expenditures transferred from the General Fund to the Emergency Telephone System Fund to comply with GASB 54 reporting requirements

Compared to the final budget, actual fiscal year 2011 operating revenues were favorable by \$745,889. As mentioned above, sales taxes exceeded projections by almost a million dollars, reflecting the receipt of Medicaid Hold Harmless funds and an improvement in retail sales. Fees for services provided by the County such as ambulance transports, housing inmates from other counties, and child care, generated \$182,974 more than anticipated. These two revenue sources more than compensated for others that did not reach budgeted levels. The most significant shortfall, \$230,969, occurred in restricted intergovernmental funds and was fortunately offset by decreases in corresponding expenditures so that there was no negative net financial impact. Investment earnings fell below budget by \$110,150 as interest rates sank to their lowest level in several years. While current year ad valorem tax revenues surpassed budget by \$134,447, receipts of prior year taxes and interest were down, causing the total ad valorem taxes reported to be \$2,228 less than budgeted.

Actual fiscal year 2011 expenditures came in \$1,694,926 under the final budget, mainly because of lower than expected spending in the General Government and Human Services functions. Reductions of \$269,495 in health insurance claims and administrative costs and \$116,840 in charges for contract and legal services account for over half of the \$723,357 favorable variance in General Government. Of the \$411,695 favorable variance in Human Services, \$103,119 was attributable to grant-funded Health programs not completed in fiscal year 2011 and approximately \$120,000 resulted from lapsed salaries following retirements and resignations. Lapsed salaries were likewise responsible for the majority of the differences between actual and budgeted expenditures in Public Safety, Transportation, and Economic and Physical Development, whereas unspent funds appropriated for the Rosman Community Park explain most of the favorable variance in Cultural and Recreational. As noted above, miscellaneous savings realized throughout County departments also contributed to the positive results. Educational expenditures were less than anticipated because only a portion of the budgeted North Carolina Lottery Proceeds was requested by the school system.

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 Solid Waste Fund finished the year with \$5,894,010 in net assets, \$510,623 more than at the end of the prior year. This growth reflected the net impact of the transfer from the General Fund and an operational loss. With the solid waste tonnage 6.0 percent below fiscal year 11 projections, scale sales came in \$59,386 under budget. Most of this shortfall was offset by improved recycling revenues and by favorable variances in personnel and operating expenses due to lapsed salaries and maintenance and repair work that was budgeted, but did not have to be done during the year. However, the recognition of \$318,475 in depreciation and \$41,064 for closure and post-closure costs resulted in the reported operating loss. While \$158,686 of the \$888,077 transfer from the General Fund was originally intended to supplement landfill revenues, \$377,454 had to be used for this purpose, leaving the remaining \$510,623 to be added to unrestricted net assets.

### **Capital Asset and Debt Administration**

**Capital Assets.** Transylvania County's capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$44,467,703 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, furniture and fixtures, park facilities, and vehicles. During fiscal year 2011 the County invested \$944,314 in capital assets, which included the following major items:

- Purchased replacement vehicles for the Sheriff's Office, EMS, and Transportation – \$392,131
- Began development of a community sports complex – \$121,779
- Completed observation deck and park at Connestee Falls – \$97,697
- Continued upgrade of property tax assessment and collection software and hardware – \$83,891

**Transylvania County's Capital Assets**  
(Net of Depreciation)

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,369,585	\$ 3,369,585	\$ 1,069,096	\$ 1,069,096	\$ 4,438,681	\$ 4,438,681
Landfill cells	-	-	2,147,125	2,283,274	2,147,125	2,283,274
Buildings	32,114,964	13,124,903	57,382	68,480	32,172,346	13,193,383
Improvements to buildings and land	768,296	721,958	286,926	306,498	1,055,222	1,028,456
Machinery and equipment	2,372,876	2,683,296	389,721	465,134	2,762,597	3,148,430
Vehicles and motor equipment	1,327,760	1,303,453	73,857	107,692	1,401,617	1,411,145
Construction in progress	428,301	19,687,541	61,814	66,559	490,115	19,754,100
<b>Total</b>	<b>\$ 40,381,782</b>	<b>\$ 40,890,736</b>	<b>\$ 4,085,921</b>	<b>\$ 4,366,733</b>	<b>\$ 44,467,703</b>	<b>\$ 45,257,469</b>

Additional information on the County's capital assets can be found in Note 2.A of the Notes to the Financial Statements, beginning on page 43 of this report.

**Long-Term Debt.** As of June 30, 2011, Transylvania County had total bonded debt outstanding of \$12,180,974, 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 Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 10,695,000	\$ 12,645,000	\$ -	\$ -	\$ 10,695,000	\$ 12,645,000
General Obligation Bonds - Premium	20,478	23,590	-	-	20,478	23,590
Qualified Zone Academy Bonds	275,866	311,881	-	-	275,866	311,881
Qualified School Construction Bonds	1,189,630	1,297,778	-	-	1,189,630	1,297,778
<b>Total</b>	<b>\$ 12,180,974</b>	<b>\$ 14,278,249</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,180,974</b>	<b>\$ 14,278,249</b>

Transylvania County's total debt decreased by \$2,290,608 – 13.6 percent – during the year. The County paid \$193,333 on an installment financing agreement for the Public Safety Facility and retired \$2,097,275 in debt for general obligation, qualified zone academy, and qualified school construction bonds, all of which were issued to finance major school capital projects. No new debt was assumed during fiscal year 2011.

As mentioned in the financial highlights section of this document, Standard and Poor's raised the County's bond rating from A to A+, citing "extremely strong wealth levels; very strong reserve position; and a low debt profile with limited capital needs" as the rationale for the upgrade. The County's bond rating from Moody's Investors Services remains at A1, the rating held since 2008. 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 \$463,196,364.

Additional information regarding Transylvania County's long-term debt can be found in Note 2.A of the Notes, beginning on page 54 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- April 2011's unemployment rate for Transylvania County was 8.6 percent, compared to 9.0 percent in April 2010.
- The eight-month total of sales taxes received by the County through mid-May 2011 was approximately 2.0 percent higher than for the same period in fiscal year 2010, adjusted for the impact of the Medicaid Relief Swap.
- During the first ten months of fiscal year 2011, the number of permits issued for both new commercial and residential construction fell by 13.0 percent and 44.4 percent, respectively, compared to the prior year. The decrease in residential activity, however, was less than the 21.4 percent drop in fiscal year 2010.
- Due to the still depressed level of activity in construction and real estate development, no growth was projected in the property tax base for fiscal year 2012.

These factors, along with uncertainty about federal and State cuts, conflicting needs of different members of the community, and the desire to preserve the variety and quality of services provided by local government, were all taken into consideration in the development and approval of Transylvania County's fiscal year 2012 budget. Of particular concern were the reduction in State funding and the loss of stimulus funds for education that shifted significantly greater financial responsibility for school funding to the County. The budget proposed for fiscal year 2012 was reviewed and discussed in the context of projections for fiscal years 2013 through 2016.

**Governmental Activities.** The Board of Commissioners adopted a General Fund budget for fiscal year 2012 of \$39,850,333 – \$708,909, or 1.7 percent, less than fiscal year 2011's original budget.

*Revenues.* Total revenues from operations and other financing sources for fiscal year 2012 were projected to be 1.3 percent, \$492,067, higher than fiscal year 2011's original budget. In consideration of the financial hardships many of the County's citizens are still facing, the Commissioners did not raise the tax rate for fiscal year 2012. With no growth forecast in the tax base either, ad valorem taxes show only a minor increase due to bumping up the budgeted collection rate from 99.0 to 99.48 percent. Consequently, the majority of the improvement in revenues is attributable to sales taxes and reflects a reversal of expectations from the prior year. Fiscal year 2012's projections assume sales taxes will continue to gradually rise; whereas, fiscal year 2011's projections assumed an ongoing downward trend like that experienced in fiscal year 2010. In addition, fiscal year 2012's budget includes Medicaid Hold Harmless funds and North Carolina Education Lottery Proceeds, which were not incorporated in fiscal year 2011's original budget. Led by ambulance transport fees, charges for services are also expected to grow overall. The increases in these operating revenues more than offset an anticipated cut in federal and State funding for Human Services programs and, more importantly, a significant reduction in other financing sources. Fiscal year 2011 budgeted revenues were boosted by a one-time transfer of unused funds from the Public Safety Facility Fund when the project was closed. Compared to fiscal year 2011's actual revenues, fiscal year 2012's revenues are estimated to be 3.0 percent lower, due mainly to the decrease in transfers from other funds.

*Expenditures.* Budgeted expenditures approved for fiscal year 2012, including transfers, are 1.7 percent, \$708,909, less than fiscal year 2011's original budget. Appropriations were reduced in all but two functions: Education, which saw an increase of 3.5 percent, and Transportation, which received more grant funds. For the fourth consecutive year, no funds were appropriated for salary and wage increases, and all but the most urgently needed capital items were postponed. To help bridge the sizeable deficit that was initially projected, Commissioners directed department heads to trim an additional \$200,000 from their budget requests. Due to the revised estimate of the landfill's capacity, the transfer to the Solid Waste Fund was reduced by \$443,755. Expenditures and transfers budgeted for fiscal year 2012 are only 0.5% higher than those actually incurred in fiscal year 2011.

In spite of these cost reduction and cost control measures, balancing the fiscal year 2012 budget still required the appropriation of \$463,380 from fund balance.

**Business-Type Activities.** The fiscal year 2012 budget for the Solid Waste Fund is \$364,155, or 16.8 percent, less than fiscal year 2011's original budget. This decrease is attributable to the extended life of the landfill, which allowed the amounts set aside for closure and post-closure care costs and construction of the next cell, and the corresponding transfer from the General Fund, to be reduced. In contrast, operating revenues are projected to improve by 6.8 percent due to a combination of a 3.9 percent increase in estimated volume of waste crossing the scales and a \$2.00 per ton increase in the fee. These revenues are sufficient to cover operating expenses, excluding capital items.

### **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, North Carolina 28712.

**BASIC  
FINANCIAL  
STATEMENTS**

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## TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 22,727,268	\$ 1,649,181	\$ 24,376,449
Taxes receivable, net	106,854	-	106,854
Accounts receivable, net	2,820,789	90,088	2,910,877
Inventories	12,442	-	12,442
Prepaid items	565	-	565
Cash and investments, restricted	1,279,372	3,308,849	4,588,221
Deferred charge - issuance cost	59,873	-	59,873
Total current assets	<u>27,007,163</u>	<u>5,048,118</u>	<u>32,055,281</u>
Capital assets:			
Land and other non-depreciable assets	3,797,886	1,130,910	4,928,796
Depreciable assets, net	<u>36,583,896</u>	<u>2,955,011</u>	<u>39,538,907</u>
Capital assets, net	<u>40,381,782</u>	<u>4,085,921</u>	<u>44,467,703</u>
Total assets	<u>67,388,945</u>	<u>9,134,039</u>	<u>76,522,984</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,384,363	76,087	1,460,450
Unearned revenues	252,064	-	252,064
Accrued interest payable	200,931	-	200,931
Non-current liabilities:			
Due within one year	2,965,087	20,061	2,985,148
Due in more than one year	<u>13,186,203</u>	<u>3,143,881</u>	<u>16,330,084</u>
Total liabilities	<u>17,988,648</u>	<u>3,240,029</u>	<u>21,228,677</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	37,965,115	4,085,921	42,051,036
Restricted for:			
Stabilization by State statute	2,820,923	-	2,820,923
Restricted, all other	1,516,511	-	1,516,511
Unrestricted	<u>7,097,748</u>	<u>1,808,089</u>	<u>8,905,837</u>
Total net assets	<u>\$ 49,400,297</u>	<u>\$ 5,894,010</u>	<u>\$ 55,294,307</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, 2011**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,155,747	\$ 767,315	\$ 40,283	\$ -
Public safety	12,386,788	2,461,457	438,525	-
Transportation	396,460	-	278,738	-
Economic and physical development	1,096,501	31,791	65,711	42,249
Human services	8,069,619	527,094	4,973,824	-
Cultural and recreational	1,904,003	94,967	171,688	-
Education	10,822,954	-	161,664	-
Interest and fees	609,131	-	-	-
Total governmental activities	<u>40,441,203</u>	<u>3,882,624</u>	<u>6,130,433</u>	<u>42,249</u>
<b>Business-Type Activities:</b>				
Solid Waste	<u>1,624,898</u>	<u>1,224,466</u>	<u>19,389</u>	<u>-</u>
Total primary government	<u>\$ 42,066,101</u>	<u>\$ 5,107,090</u>	<u>\$ 6,149,822</u>	<u>\$ 42,249</u>

**General Revenues:**

Taxes:

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

Unrestricted intergovernmental revenues

Investment earnings, unrestricted

Miscellaneous, unrestricted

Total general revenues excluding transfers

**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**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (4,348,149)	\$ -	\$ (4,348,149)
(9,486,806)	-	(9,486,806)
(117,722)	-	(117,722)
(956,750)	-	(956,750)
(2,568,701)	-	(2,568,701)
(1,637,348)	-	(1,637,348)
(10,661,290)	-	(10,661,290)
(609,131)	-	(609,131)
<u>(30,385,897)</u>	<u>-</u>	<u>(30,385,897)</u>
-	(381,043)	(381,043)
<u>(30,385,897)</u>	<u>(381,043)</u>	<u>(30,766,940)</u>
25,709,393	-	25,709,393
5,540,551	-	5,540,551
774,223	-	774,223
365,566	-	365,566
75,710	3,589	79,299
30,570	-	30,570
<u>32,496,013</u>	<u>3,589</u>	<u>32,499,602</u>
<u>(888,077)</u>	<u>888,077</u>	<u>-</u>
<u>31,607,936</u>	<u>891,666</u>	<u>32,499,602</u>
<u>1,222,039</u>	<u>510,623</u>	<u>1,732,662</u>
48,532,024	5,383,387	53,915,411
(353,766)	-	(353,766)
<u>48,178,258</u>	<u>5,383,387</u>	<u>53,561,645</u>
<u>\$ 49,400,297</u>	<u>\$ 5,894,010</u>	<u>\$ 55,294,307</u>

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 19,180,623	\$ 3,546,645	\$ 22,727,268
Taxes receivable, net	93,675	13,179	106,854
Accounts receivable, net	2,751,038	69,751	2,820,789
Inventories	12,442	-	12,442
Prepaid items	565	-	565
Cash and investments, restricted	-	1,279,372	1,279,372
	<u>-</u>	<u>1,279,372</u>	<u>1,279,372</u>
Total assets	<u>\$ 22,038,343</u>	<u>\$ 4,908,947</u>	<u>\$ 26,947,290</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,369,600	\$ 14,763	\$ 1,384,363
Deferred revenues	93,675	13,179	106,854
Unearned revenues	247,568	4,496	252,064
Total liabilities	<u>1,710,843</u>	<u>32,438</u>	<u>1,743,281</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	12,442	-	12,442
Prepaid items	565	-	565
Restricted:			
Stabilization for State statute	2,751,172	69,751	2,820,923
Restricted, all other	662,869	2,024,646	2,687,515
Committed	1,463,248	2,494,240	3,957,488
Assigned	3,547,977	291,042	3,839,019
Unassigned	11,889,227	(3,170)	11,886,057
Total fund balances	<u>20,327,500</u>	<u>4,876,509</u>	<u>25,204,009</u>
Total liabilities and fund balances	<u>\$ 22,038,343</u>	<u>\$ 4,908,947</u>	<u>\$ 26,947,290</u>

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>Total Governmental Funds</u>
Total fund balances	\$ 25,204,009
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,381,782
Deferred charges related to refunding bond issued included on the government-wide Statement of Net Assets, but are not current financial resources	59,873
Liabilities for earned, but deferred, revenues in fund statements	106,854
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	(14,597,641)
Compensated absences	(822,917)
Other post-employment benefits	(284,821)
Law Enforcement Officers' Special Separation Allowance	(445,911)
Interest payable	<u>(200,931)</u>
Net assets of governmental activities	<u>\$ 49,400,297</u>

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

**TRANSYLVANIA COUNTY, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 23,637,947	\$ 2,150,155	\$ 25,788,102
Local option sales taxes	5,540,551	-	5,540,551
Other taxes and licenses	453,182	321,041	774,223
Unrestricted intergovernmental revenues	365,566	-	365,566
Restricted intergovernmental revenues	5,872,428	298,118	6,170,546
Permits and fees	340,518	-	340,518
Sales and services	3,445,943	17,437	3,463,380
Donations and grants	20,809	2,511	23,320
Interest earned on investments	57,200	15,398	72,598
Miscellaneous	69,559	-	69,559
Total revenues	<u>39,803,703</u>	<u>2,804,660</u>	<u>42,608,363</u>
<b>Expenditures:</b>			
Current:			
General government	4,869,425	-	4,869,425
Public safety	9,500,345	2,409,682	11,910,027
Transportation	407,799	-	407,799
Economic and physical development	724,085	370,391	1,094,476
Human services	7,876,600	-	7,876,600
Cultural and recreational	1,839,481	7,469	1,846,950
Intergovernmental:			
Education	10,778,016	44,938	10,822,954
Capital outlay	-	270,781	270,781
Debt service:			
Principal repayments	2,287,496	-	2,287,496
Interest	638,937	-	638,937
Total expenditures	<u>38,922,184</u>	<u>3,103,261</u>	<u>42,025,445</u>
Revenues over (under) expenditures	<u>881,519</u>	<u>(298,601)</u>	<u>582,918</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	794,698	17,106	811,804
Transfers out	(905,183)	(794,698)	(1,699,881)
Sale of surplus assets	18,553	-	18,553
Total other financing sources (uses)	<u>(91,932)</u>	<u>(777,592)</u>	<u>(869,524)</u>
Net change in fund balances	789,587	(1,076,193)	(286,606)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>19,537,913</u>	<u>5,952,702</u>	<u>25,490,615</u>
End of year - June 30	<u>\$ 20,327,500</u>	<u>\$ 4,876,509</u>	<u>\$ 25,204,009</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, 2011

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)	\$ (286,606)
Property tax revenues in the Statement of Activities earned in prior periods are reported as revenues in the governmental funds statement.	(78,709)
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.	(9,095)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	29,806
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(27,681)
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.	906,651
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,363,745)
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.	(51,860)
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.	2,287,496
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.	(187,330)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statement:	
Accrued interest	<u>3,112</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 1,222,039</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over/Under</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 23,640,175	\$ 23,640,175	\$ 23,637,947	\$ (2,228)
Local option sales taxes	4,533,656	4,549,978	5,540,551	990,573
Other taxes and licenses	480,663	480,663	453,182	(27,481)
Unrestricted intergovernmental revenues	391,390	398,890	365,566	(33,324)
Restricted intergovernmental revenues	5,462,146	6,103,397	5,872,428	(230,969)
Permits and fees	363,448	363,448	340,518	(22,930)
Sales and services	2,937,137	3,262,969	3,445,943	182,974
Investment earnings	167,350	167,350	57,200	(110,150)
Donations	7,250	17,721	20,809	3,088
Miscellaneous	35,800	73,223	69,559	(3,664)
Total revenues	<u>38,019,015</u>	<u>39,057,814</u>	<u>39,803,703</u>	<u>745,889</u>
<b>Expenditures:</b>				
Current:				
General government	5,536,505	5,592,782	4,869,425	723,357
Public safety	9,642,572	9,644,874	9,500,345	144,529
Transportation	407,016	472,976	407,799	65,177
Economic and physical development	733,795	779,118	724,085	55,033
Human services	8,075,901	8,288,295	7,876,600	411,695
Cultural and recreational	1,658,681	2,003,029	1,839,481	163,548
Intergovernmental:				
Education	10,681,276	10,909,597	10,778,016	131,581
Debt service:				
Principal retirement	2,287,496	2,287,496	2,287,496	-
Interest and fees	638,943	638,943	638,937	6
Total expenditures	<u>39,662,185</u>	<u>40,617,110</u>	<u>38,922,184</u>	<u>1,694,926</u>
Revenues over (under) expenditures	<u>(1,643,170)</u>	<u>(1,559,296)</u>	<u>881,519</u>	<u>2,440,815</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	860,871	995,557	995,557	-
Transfers out	(897,057)	(905,183)	(905,183)	-
Sale of capital assets	15,000	15,000	18,553	3,553
Appropriated fund balance	1,664,356	1,453,922	-	(1,453,922)
Total other financing sources (uses)	<u>1,643,170</u>	<u>1,559,296</u>	<u>108,927</u>	<u>(1,450,369)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>990,446</u>	<u>\$ 990,446</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>19,337,054</u>	
End of year - June 30			<u>\$ 20,327,500</u>	

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

## TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 1,649,181
Accounts receivable, net	90,088
Total current assets	<u>1,739,269</u>
Non-current assets:	
Restricted cash and investments	3,308,849
Land and other non-depreciable assets	1,130,910
Depreciable assets, net of depreciation	<u>2,955,011</u>
Total non-current assets	<u>7,394,770</u>
Total assets	<u>9,134,039</u>
<b>Liabilities and Net Assets:</b>	
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	76,087
Current portion of compensated absences	<u>20,061</u>
Total current liabilities	<u>96,148</u>
Non-current liabilities:	
Accrued landfill closure and post-closure care costs	3,131,365
OPEB	8,976
Compensated absences	<u>3,540</u>
Total non-current liabilities	<u>3,143,881</u>
Total liabilities	<u>3,240,029</u>
<b>Net Assets:</b>	
Invested in capital assets	4,085,921
Unrestricted	<u>1,808,089</u>
Total net assets	<u>\$ 5,894,010</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, 2011**

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,224,466
<b>Operating Expenses:</b>	
Landfill operations:	
Salaries and employee benefits	810,991
Other operating expenses	454,368
Landfill closure and post-closure care costs	41,064
Depreciation	318,475
Total operating expenses	<u>1,624,898</u>
Operating income (loss)	<u>(400,432)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Investment earnings	3,589
Other non-operating revenues	19,389
Total non-operating revenues (expenses)	<u>22,978</u>
Income (loss) before transfers	(377,454)
<b>Transfers In (Out):</b>	
Transfers in (out)	<u>888,077</u>
Change in net assets	510,623
<b>Net Assets:</b>	
Beginning of year - July 1	<u>5,383,387</u>
End of year - June 30	<u>\$ 5,894,010</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, 2011

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,237,376
Cash paid for goods and services	(426,168)
Cash paid to employees for services	(800,726)
Net cash provided (used) by operating activities	<u>10,482</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Solid waste disposal tax	19,389
Interfund transfer in (out)	<u>888,077</u>
Net cash provided (used) by non-capital financing activities	<u>907,466</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	<u>(37,663)</u>
Net cash provided (used) by capital and related financing activities	<u>(37,663)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	<u>3,589</u>
Net increase (decrease) in cash and cash equivalents	883,874
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	<u>4,074,156</u>
End of year - June 30	<u>\$ 4,958,030</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (400,432)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	318,475
Landfill closure and post-closure care costs	41,064
(Increase) decrease in accounts receivable	12,910
Increase (decrease) in accounts payable and accrued liabilities	33,950
Increase (decrease) in OPEB	6,076
Increase (decrease) in accrued compensated absences	<u>(1,561)</u>
Net cash provided (used) by operating activities	<u>\$ 10,482</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, 2011**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 11,579
Accounts receivable and accrued revenues	<u>6,155</u>
Total assets	<u>\$ 17,734</u>
<b>Liabilities:</b>	
Intergovernmental payables	\$ 7,637
Miscellaneous liabilities	<u>10,097</u>
Total liabilities	<u>\$ 17,734</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, 2011

### 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, 2011

*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. The Revaluation fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is presented in the General Fund.

### **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, 2011

**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 Miscellaneous Agency Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Transylvania County Board of Education, 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, and the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust mortgage that the County is required to remit to the State Treasurer on a monthly basis.

### 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.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

*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.

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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, 2011

### **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 Silvermont Reserve Permanent Fund, and the Solid Waste Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Public Safety Facility, the General Capital Projects Fund, the Community Development Block Grant Fund, and the Schools Qualified School Construction Bond.

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 departmental appropriations. The governing board must approve all amendments that exceed \$50,000 or that reflect the receipt of funds from a source not previously approved by the board. 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, 2011

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 report amounts set aside for the future estimated costs of closure and post-closure of the County's two landfills as restricted assets in the Enterprise Fund. As of June 30, 2011 \$3,308,849 was restricted.

Governmental Activities. The restricted cash of \$108,367 in the Silvermont Reserve Fund represent funds restricted by donors. The restricted assets of \$1,144,318 and \$26,686 in the Schools QSCB Fund and the Schools QZAB Fund, respectively, represent the balance of proceeds available under installment purchase contracts to finance construction and renovations to schools.

### **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, 2010.

### **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, 2011

### 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, 2011

### 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 statute.

### Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget 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:

#### Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact.

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Prepaid items* – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.

#### Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Stabilization by State Statute* – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

*Restricted for General Government* – portion of fund balance that is restricted by revenue source for general government administration.

*Restricted for Public Safety* – portion of fund balance restricted by revenue source for public safety related activities such as law enforcement, fire protection, EMS, and E-911 communications.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

*Restricted for Economic and Physical Development* – portion of fund balance restricted by revenue source for economic development incentives and projects.

*Restricted for Human Services* – portion of fund balance restricted by revenue source for social services and public health programs.

*Restricted for Cultural and Recreational* – portion of fund balance restricted by revenue source for use for parks, libraries, arts and other related activities.

*Restricted for Education* – portion of fund balance restricted by revenue source to be used to support public education.

Restricted fund balance at June 30, 2011 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Permanent Funds</b>	<b>Total</b>
<b>Restricted, all other:</b>					
General government	\$ 483,764	\$ -	\$ -	\$ -	\$ 483,764
Public safety	66,232	479,844	-	-	546,076
Economic and physical development	9,251	269,463	-	-	278,714
Human services	88,082	-	-	-	88,082
Cultural and recreational	15,540	-	-	108,367	123,907
Education	-	-	1,166,972	-	1,166,972
<b>Total</b>	<b>\$ 662,869</b>	<b>\$ 749,307</b>	<b>\$ 1,166,972</b>	<b>\$ 108,367</b>	<b>\$ 2,687,515</b>

### **Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Transylvania County's governing body (highest level of decision making authority, the Board of Commissioners). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

*Committed for General Government* – represents the portion of fund balance committed by the governing body for retiree health insurance.

*Committed for Public Safety* – represents the portion of fund balance committed by the governing body for law enforcement officers retirement expenses.

**TRANSYLVANIA COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Purpose</b>	<b>General Fund</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Committed:</b>			
General government	\$ 923,628	\$ 1,748,400	\$ 2,672,028
Public safety	539,620	745,840	1,285,460
Total	\$ 1,463,248	\$ 2,494,240	\$ 3,957,488

**Assigned Fund Balance**

Assigned fund balance is the portion of fund balance that Transylvania County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The Manager, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Officer to make certain modifications without requiring Board approval.

*Assigned for General Government* – portion of fund balance that has been budgeted by the Board for government-wide obligations such as self-insurance and compensated absences.

*Assigned for Public Safety* – portion of fund balance budgeted by the Board for public safety related activities such as law enforcement, fire protection, EMS, and E-911 communications.

*Assigned for Economic and Physical Development* – portion of fund balance budgeted by the Board for economic development incentives and projects.

*Assigned for Human Services* – portion of fund balance budgeted by the Board for social services, mental healthcare, and public health programs.

*Assigned for Cultural and Recreational* – portion of fund balance budgeted by the Board for use for parks, libraries, arts, and other related activities.

**TRANSYLVANIA COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Assigned fund balance at June 30, 2011 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Total</u>
<b>Assigned:</b>			
Subsequent year's expenditures	\$ 459,654	\$ -	\$ 459,654
General government	2,377,380	-	2,377,380
Public safety	314,480	-	314,480
Economic and physical development	256,041	-	256,041
Human services	36,416	-	36,416
Cultural and recreational	104,006	291,042	395,048
Total	<u>\$ 3,547,977</u>	<u>\$ 291,042</u>	<u>\$ 3,839,019</u>

**Unassigned Fund Balance**

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

Transylvania County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

The County has not officially adopted a fund balance policy.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 20,327,500
Less:	
Prepays	(565)
Inventories	(12,442)
Stabilization for State statute	<u>(2,751,172)</u>
Total available fund balance	<u>\$ 17,563,321</u>

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### G. 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.

## 2. 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 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.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

At June 30, 2011, the County's deposits had a carrying amount of \$10,422,583 and a bank balance of \$10,595,423. Of the bank balance, \$985,005 was covered by federal depository insurance and \$9,610,418 by collateral held under the Pooling Method. Cash on hand was \$4,824 at June 30, 2011.

### Investments

At June 30, 2011, 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	\$ 18,548,842	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, 2011.

### 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 June 30</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 509,173	\$ 132,238	\$ 641,411
2009	891,695	148,378	1,040,073
2010	851,896	68,152	920,048
2011	853,509	-	853,509
Total	\$ 3,106,273	\$ 348,768	\$ 3,455,041

**TRANSYLVANIA COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Receivables**

Receivables at Exhibit A at June 30, 2011 were as follows:

	<u>Accounts Receivable</u>	<u>Taxes Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 76,861	\$ 240,407	\$ 2,674,177	\$ 2,991,445
Other governmental	<u>45,259</u>	<u>24,086</u>	<u>24,492</u>	<u>93,837</u>
Total receivables	122,120	264,493	2,698,669	3,085,282
Allowance for doubtful accounts	-	(157,639)	-	(157,639)
Total governmental activities	<u>\$ 122,120</u>	<u>\$ 106,854</u>	<u>\$ 2,698,669</u>	<u>\$ 2,927,643</u>
<b>Business-Type Activities:</b>				
Solid waste	\$ 73,908	\$ -	\$ 16,180	\$ 90,088
Total business-type activities	<u>\$ 73,908</u>	<u>\$ -</u>	<u>\$ 16,180</u>	<u>\$ 90,088</u>

Due from other governments consisted of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 1,385,407
Sales taxes receivable	95,915
State and federal funding	1,192,855
CDBG reimbursements	3,170
NC 911 PSAP funds	<u>21,322</u>
Total governmental activities	<u>\$ 2,698,669</u>
<b>Business-Type Activities:</b>	
Tire recycling	9,358
White goods	2,256
Solid waste disposal tax	<u>4,566</u>
Total business-type activities	<u>\$ 16,180</u>

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Capital Assets

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

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2011</u>
<b>Non-Depreciable Assets:</b>					
Land	\$ 3,369,585	\$ -	\$ -	\$ -	\$ 3,369,585
Construction in progress	19,687,541	207,664	-	(19,466,904)	428,301
Total non-depreciable assets	23,057,126	207,664	-	(19,466,904)	3,797,886
<b>Depreciable Assets:</b>					
Buildings	18,287,728	87,148	-	19,466,904	37,841,780
Improvements	1,061,567	97,697	-	-	1,159,264
Equipment	5,502,938	122,011	(7,050)	-	5,617,899
Vehicles	3,823,758	392,131	(431,106)	-	3,784,783
Total depreciable assets	28,675,991	698,987	(438,156)	19,466,904	48,403,726
<b>Less Accumulated Depreciation:</b>					
Buildings	5,162,825	563,991	-	-	5,726,816
Improvements	339,609	51,359	-	-	390,968
Equipment	2,819,642	425,381	-	-	3,245,023
Vehicles	2,520,305	323,014	(386,296)	-	2,457,023
Total accumulated depreciation	10,842,381	1,363,745	(386,296)	-	11,819,830
Depreciable assets, net	17,833,610	(664,758)	(51,860)	19,466,904	36,583,896
Capital assets, net	\$ 40,890,736	\$ (457,094)	\$ (51,860)	\$ -	\$ 40,381,782

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

General government	\$ 230,456
Public safety	680,206
Transportation	23,502
Human services	160,141
Cultural and recreational	269,440
Total depreciation expense	\$ 1,363,745

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2011</u>
<b>Solid Waste:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 1,069,096	\$ -	\$ -	\$ -	\$ 1,069,096
Construction in progress	<u>66,559</u>	<u>-</u>	<u>-</u>	<u>(4,745)</u>	<u>61,814</u>
Total non-depreciable assets	<u>1,135,655</u>	<u>-</u>	<u>-</u>	<u>(4,745)</u>	<u>1,130,910</u>
<b>Depreciable Assets:</b>					
Buildings	277,497	-	-	-	277,497
Land improvements	621,731	-	-	4,745	626,476
Equipment	1,881,977	-	-	-	1,881,977
Vehicles	798,345	-	-	-	798,345
Landfill cells - Woodruff	<u>8,167,774</u>	<u>37,663</u>	<u>-</u>	<u>-</u>	<u>8,205,437</u>
Total depreciable assets	<u>11,747,326</u>	<u>37,663</u>	<u>-</u>	<u>4,745</u>	<u>11,789,732</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	209,016	11,099	-	-	220,115
Land improvements	315,233	24,317	-	-	339,550
Equipment	1,416,844	75,412	-	-	1,492,256
Vehicles	690,652	33,836	-	-	724,488
Landfill cells - Woodruff	<u>5,884,501</u>	<u>173,811</u>	<u>-</u>	<u>-</u>	<u>6,058,312</u>
Total accumulated depreciation	<u>8,516,248</u>	<u>318,475</u>	<u>-</u>	<u>-</u>	<u>8,834,721</u>
Total depreciable assets, net	<u>3,231,078</u>				<u>2,955,011</u>
Capital assets, net	<u>\$ 4,366,733</u>				<u>\$ 4,085,921</u>

### Construction Commitments

As of June 30, 2011 the government has one active construction project for site preparation for a Community Park. Through June 30, 2011, \$121,779 has been spent to-date on the project, which has a total budgeted cost of \$229,376 and is expected to be completed during fiscal year 2012.

**TRANSYLVANIA COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**B. Liabilities**

**Payables**

Payables at Exhibit A at June 30, 2011 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Insurance Claims Incurred, But Not Reported</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 655,313	\$ 414,832	\$ 299,456	\$ 1,369,601
Other governmental	<u>14,762</u>	<u>-</u>	<u>-</u>	<u>14,762</u>
Total governmental activities	<u>\$ 670,075</u>	<u>\$ 414,832</u>	<u>\$ 299,456</u>	<u>\$ 1,384,363</u>
<b>Business-Type Activities:</b>				
Solid Waste	<u>\$ 57,684</u>	<u>\$ 18,403</u>	<u>\$ -</u>	<u>\$ 76,087</u>

**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 6.45% and 6.41%, 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, 2011, 2010, and 2009 were \$1,491,883, \$1,315,572, and \$1,288,947 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, 2011

### **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. The plan does not issue a separate stand-alone financial report. Each local government makes benefit payments required under this plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of 52 active plan members and 2 retired and terminated members.

### **Summary of Significant Accounting Policies**

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. There are no plan assets and the liability is not material; therefore, the plan is not presented as a pension trust fund in the County's Comprehensive Annual Financial Report. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. For the current year, the County made \$19,444 in benefit payments.

*Method Used to Value Investments.* No funds are set aside in an irrevocable trust fund to pay benefits and administration costs. These expenditures are paid as they come due. However, the Board of Commissioners has passed a resolution committing prior and future contributions to the Law Enforcement Officers' Special Separation Allowance specifically to provide special benefits to eligible law enforcement officers upon retirement. As of June 30, 2011, the County has committed \$539,620 for this purpose.

**Contributions.** The County is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percent of pay amount on a closed basis. The remaining amortization period at December 31, 2009 was 21 years.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

**Annual Pension Cost and Net Pension Obligation.** The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$	112,840
Interest on net pension obligation		17,688
Adjustment to annual required contribution		(18,939)
Annual pension cost		111,589
Employer contributions made		19,444
Increase (decrease) in net pension obligation		92,145
<b>Net Pension Obligation:</b>		
Beginning of year - July 1		353,766
End of year - June 30	\$	445,911

### Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 66,222	45.04%	\$ 302,021
2010	79,775	35.14%	353,766
2011	111,589	17.42%	445,911

**Funded Status and Funding Progress.** As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$941,069, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$941,069.

The covered payroll (annual payroll of active employees covered by the plan) was \$2,342,616, and the ratio of the UAAL to the covered payroll was 40.17 percent.

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 the plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits.

In fiscal year 2010, an actuarial study was performed based on the fact that the plan was being funded in an irrevocable trust when, in fact, it was not and could not be relied upon. Actuarial studies in the prior years were also performed under those same assumptions. The County obtained an actuarial study in fiscal year 2011, using revised assumptions. Because of this revision, in fiscal year 2011, a prior period adjustment of \$353,766 (a reduction of governmental activities net assets) was made to record the net pension obligation as of June 30, 2010.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### **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 5% 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, 2011 were \$117,845, which was paid entirely by the County.

### **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 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 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 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, 2011, the County's required and actual contributions were \$3,581.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 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 provided 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 eligible only 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, 2011, the County has committed \$923,628 for the payment of future retiree health benefits.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The current ARC rate is 6.30% of annual covered payroll. For the current year, the County contributed \$86,030, or 2.91% of annual covered payroll. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented 6.30% and 6.30% of covered payroll, respectively. Contributions made by retirees were \$14,047; this includes amounts paid 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 in a trust to pay benefits and administration costs. These expenditures are paid as they come due. However, each year since the plan's inception, the County has committed funds in the approximate amount of the ARC for this OPEB obligation. The Board of Commissioners has also passed a resolution committing prior and future contributions to the Retiree Health Insurance Plan for the specific purposes of paying current and accumulating funds for future retiree health insurance costs.

**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	7,473
Adjustments to annual required contribution	<u>(7,006)</u>
Annual OPEB cost (expense)	187,291
Contributions made	<u>(86,030)</u>
Increase (decrease) in net OPEB obligation	101,261
Net OPEB obligation:	
Beginning of year - July 1	<u>192,536</u>
End of year - June 30	<u>\$ 293,797</u>

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011, 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	47.70%	\$ 89,121
2010	186,824	44.65%	192,536
2011	187,291	45.93%	293,797

**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.

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.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### **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 \$3,131,365 reported as landfill closure and post-closure care liability at June 30, 2011 represents a cumulative amount reported to date based on the use of 76.2352% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$976,601 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 2011. The County is scheduled to close the portion of the Woodruff Road Landfill Facility that is currently being utilized by March 31, 2026. 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. In addition, 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, 2011, the County had funds in the North Carolina Capital Management Trust of \$2,927,849 and \$381,000 in a local bank restricted for this purpose. 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.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Deferred/Unearned Revenues

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at June 30, 2011 is composed of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 44,078
Prepaid taxes not yet earned (Special Revenue Fund)	-	4,496
Taxes receivable, net (General Fund)	93,675	-
Taxes receivable, net (Special Revenue Fund)	13,179	-
Prepaid revenue not yet earned	-	203,490
Total	<u>\$ 106,854</u>	<u>\$ 252,064</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 \$52.4 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, \$1.75 million of aggregate annual losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, and single occurrence losses of \$750,000 for workers' compensation. For health and dental insurance, the County provides coverage through Blue Cross and Blue Shield of North Carolina and is reinsured for individual losses in excess of \$60,000 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).

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning	\$ 255,000	\$ 285,000
Incurred claims	2,107,096	2,119,458
Claim payments	<u>(2,062,640)</u>	<u>(2,149,458)</u>
Unpaid claims, ending	<u>\$ 299,456</u>	<u>\$ 255,000</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 Clerks, 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.

The County's general obligation bond payable at June 30, 2011 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.

\$ 10,695,000

## TRANSYLVANIA COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,840,000	144,000	1,984,000
2017-2018	<u>1,300,000</u>	<u>72,800</u>	<u>1,372,800</u>
Total	<u>\$ 10,695,000</u>	<u>\$ 1,544,250</u>	<u>\$ 12,239,250</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, 2011 totaled \$275,866.

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>
2012	\$ 36,015
2013	36,015
2014	36,015
2015	<u>167,821</u>
Total	<u>\$ 275,866</u>

#### Qualified School Construction Bonds

In March 2010, the County issued \$1,297,778 of Qualified School Construction Bonds at 2.09% interest 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, 2011 totaled \$1,189,630.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	
2012	\$ 108,148	\$ 24,863	
2013	108,148	22,603	
2014	108,148	20,343	
2015	108,148	18,082	
2016	108,148	15,822	
2017-2021	540,742	45,206	
2022	108,148	2,260	
Total	<u>\$ 1,189,630</u>	<u>\$ 149,179</u>	

### 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 were used to complete the Public Safety Facility. 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 30, 2011 totaled \$2,416,667.

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

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
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	193,333	66,760	260,093	
2017-2021	966,667	210,552	1,177,219	
2022-2024	483,335	28,245	511,580	
Total	<u>\$ 2,416,667</u>	<u>\$ 654,765</u>	<u>\$ 3,071,432</u>	

At June 30, 2011, the County had a legal debt margin of \$463,196,364.

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 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, 2011:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
General obligation debt	\$ 12,645,000	\$ -	\$ 1,950,000	\$ 10,695,000	\$ 1,925,000
Premium - general obligation debt	23,590	-	3,112	20,478	3,112
Qualified Zone Academy debt	311,881	-	36,015	275,866	36,015
Qualified School Construction debt	1,297,778	-	108,148	1,189,630	108,148
Installment financing	2,610,000	-	193,333	2,416,667	193,333
LEO	353,766	92,145	-	445,911	-
OPEB	189,636	176,053	80,868	284,821	-
Compensated absences	795,236	688,660	660,979	822,917	699,479
Total	<u>\$ 18,226,887</u>	<u>\$ 956,858</u>	<u>\$ 3,032,455</u>	<u>\$ 16,151,290</u>	<u>\$ 2,965,087</u>
<b>Business-Type Activities:</b>					
OPEB	\$ 2,900	\$ 11,238	\$ 5,162	\$ 8,976	\$ -
Accrued landfill closure and post-closure care costs	3,090,301	41,064	-	3,131,365	-
Compensated absences	25,162	29,822	31,383	23,601	20,061
Total	<u>\$ 3,118,363</u>	<u>\$ 82,124</u>	<u>\$ 36,545</u>	<u>\$ 3,163,942</u>	<u>\$ 20,061</u>

Compensated absences, pension obligations, 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 \$353,766 due to a prior period adjustment relating to the liability Law Enforcement Officers' Special Separation Allowance.

**TRANSYLVANIA COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**C. Capital Assets, Net of Related Debt**

The total invested in capital assets, net of related debt of June 30, 2011, is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets, net of accumulated depreciation	\$ 40,381,782	\$ 4,085,921
Less: capital debt		
Gross debt	14,597,641	-
Less:		
School debt related to assets to which the County does not hold title	(12,180,974)	-
Net capital debt	2,416,667	-
 Capital assets, net of related debt	 \$ 37,965,115	 \$ 4,085,921

**D. Interfund Balances and Activity**

Transfers from/to other funds at June 30, 2011 consist of the following:

From the General Fund to the Permanent Fund for maintenance of Silvermont Mansion and grounds bequeathed to County for recreational purposes	\$ 15,000
From the General Fund to the Emergency Telephone System Fund for eligible expenditures charged to the Emergency Telephone System Fund	2,106
From the General Fund to the Solid Waste Fund to supplement other funding sources	888,077
Total transfers from General Fund to other funds	\$ 905,183
From the General Capital Projects Fund to the General Fund for the replacement of the roof on the old Sheriff's Office	\$ 56,600
From the Public Safety Facility to the General Fund to return unspent funds appropriated for the project	738,098
Total transfers from other funds to General Fund	\$ 794,698

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 3. 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.

### 4. 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.

### 5. 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.

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 191,712	\$ -
Medicaid	24,042,415	9,997,873
WIC	414,482	-
Adoption Assistance	285,014	63,544
Low-income Home Energy Assistance Block Grant	329,259	-
Foster Care	19,614	7,640
Total	<u>\$ 25,282,496</u>	<u>\$ 10,069,057</u>

# TRANSYLVANIA COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 6. 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.

## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

- **Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance**
- **Notes to Required Schedules for the Law Enforcement Officers' Special Separation Allowance**
- **Schedule of Funding Progress for Other Post-Employment Benefits - Retiree Health Plan**
- **Notes to Required Schedules for Other Post-Employment Benefits - Retiree Health Plan**

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## TRANSYLVANIA COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

## 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)
12/31/2005	\$ -	\$ 355,457	\$ 355,457	0.00%	\$ 1,616,296	21.99%
12/31/2006	-	474,038	474,038	0.00%	1,645,916	28.80%
12/31/2007	-	539,515	539,515	0.00%	2,080,417	25.93%
12/31/2008	-	638,067	638,067	0.00%	2,260,186	28.23%
12/31/2009	-	881,098	881,098	0.00%	2,400,468	36.71%
12/31/2010	-	941,069	941,069	0.00%	2,342,616	40.17%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	\$ 112,840	17.23%

## 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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5 - 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	None

## TRANSYLVANIA COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
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	47.70%
2010	186,824	44.65%
2011	186,824	46.05%

## 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%

## **MAJOR GOVERNMENTAL FUNDS**

### **GENERAL FUND**

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**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.**

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## TRANSYLVANIA COUNTY, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 23,637,947	\$ -	\$ -	\$ 23,637,947
Local option sales taxes	5,540,551	-	-	5,540,551
Other taxes and licenses	453,182	-	-	453,182
Unrestricted intergovernmental revenues	365,566	-	-	365,566
Restricted intergovernmental revenues	5,872,428	-	-	5,872,428
Permits and fees	340,518	-	-	340,518
Sales and services	3,445,943	-	-	3,445,943
Investment earnings	57,200	-	-	57,200
Miscellaneous	90,368	-	-	90,368
Total revenues	<u>39,803,703</u>	<u>-</u>	<u>-</u>	<u>39,803,703</u>
<b>Expenditures:</b>				
Current:				
General government	4,869,425	-	-	4,869,425
Public safety	9,500,345	-	-	9,500,345
Transportation	407,799	-	-	407,799
Economic and physical development	724,085	-	-	724,085
Human services	7,876,600	-	-	7,876,600
Cultural and recreational	1,839,481	-	-	1,839,481
Intergovernmental:				
Education	10,778,016	-	-	10,778,016
Debt service:				
Principal retirement	2,287,496	-	-	2,287,496
Interest and fees	638,937	-	-	638,937
Total expenditures	<u>38,922,184</u>	<u>-</u>	<u>-</u>	<u>38,922,184</u>
Revenues over (under) expenditures	<u>881,519</u>	<u>-</u>	<u>-</u>	<u>881,519</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	995,557	-	(200,859)	794,698
Transfers out	(905,183)	(200,859)	200,859	(905,183)
Sale of capital assets	18,553	-	-	18,553
Total other financing sources (uses)	<u>108,927</u>	<u>(200,859)</u>	<u>-</u>	<u>(91,932)</u>
Net change in fund balance	990,446	(200,859)	-	789,587
<b>Fund Balance:</b>				
Beginning of year - July 1	<u>19,337,054</u>	<u>200,859</u>	<u>-</u>	<u>19,537,913</u>
End of year - June 30	<u>\$ 20,327,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,327,500</u>

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Over/Under
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 23,506,825	\$ 23,525,132	\$ 18,307
Penalties and interest	133,350	112,815	(20,535)
Total	<u>23,640,175</u>	<u>23,637,947</u>	<u>(2,228)</u>
<b>Local Option Sales Taxes:</b>			
Article 39 and 44	2,004,222	2,343,743	339,521
Article 40, one-half of one percent	1,468,418	1,594,701	126,283
Article 42, one-half of one percent	1,077,338	1,250,803	173,465
Medicaid hold harmless	-	351,304	351,304
Total	<u>4,549,978</u>	<u>5,540,551</u>	<u>990,573</u>
<b>Other Taxes and Licenses:</b>			
Deed stamp excise tax	140,338	139,304	(1,034)
Real estate transfer tax	340,325	313,878	(26,447)
Total	<u>480,663</u>	<u>453,182</u>	<u>(27,481)</u>
<b>Unrestricted Intergovernmental Revenues:</b>			
Payments in lieu of taxes - outside sources	209,390	194,080	(15,310)
ABC profit distribution	67,500	50,324	(17,176)
Video programming services tax	122,000	121,162	(838)
Total	<u>398,890</u>	<u>365,566</u>	<u>(33,324)</u>
<b>Restricted Intergovernmental Revenues:</b>			
State grants	1,356,863	1,202,507	(154,356)
Federal grants	4,540,795	4,486,249	(54,546)
Court facility fees	52,600	38,530	(14,070)
Other restricted funds	153,139	145,142	(7,997)
Total	<u>6,103,397</u>	<u>5,872,428</u>	<u>(230,969)</u>
<b>Permits and Fees:</b>			
Register of Deeds	92,440	93,253	813
Other	100	-	(100)
Building permits	270,908	247,265	(23,643)
Total	<u>363,448</u>	<u>340,518</u>	<u>(22,930)</u>
<b>Sales and Services:</b>			
Rents, concessions, and fees	1,547,867	1,578,008	30,141
Ambulance fees	1,063,471	1,206,626	143,155
Recreation department	40,000	35,375	(4,625)
Town of Rosman	2,400	2,234	(166)
City of Brevard	110,000	124,717	14,717
Group health insurance	499,231	498,983	(248)
Total	<u>3,262,969</u>	<u>3,445,943</u>	<u>182,974</u>
<b>Investment Earnings</b>	<u>167,350</u>	<u>57,200</u>	<u>(110,150)</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Miscellaneous:</b>			
Joint Historical Preservation	700	447	(253)
Donations	17,721	20,809	3,088
County Recovery Fund	160	191	31
Other	72,363	68,921	(3,442)
Total	<u>90,944</u>	<u>90,368</u>	<u>(576)</u>
Total revenues	<u>39,057,814</u>	<u>39,803,703</u>	<u>745,889</u>
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Board:</b>			
Salaries and employee benefits	80,365	80,213	152
Other operating expenditures	43,799	21,222	22,577
Total	<u>124,164</u>	<u>101,435</u>	<u>22,729</u>
<b>Administration:</b>			
Salaries and employee benefits	302,568	302,037	531
Other operating expenditures	674,098	631,610	42,488
Total	<u>976,666</u>	<u>933,647</u>	<u>43,019</u>
<b>Elections:</b>			
Salaries and employee benefits	248,648	236,692	11,956
Other operating expenditures	95,852	88,029	7,823
Total	<u>344,500</u>	<u>324,721</u>	<u>19,779</u>
<b>150th Celebration:</b>			
Other operating expenditures	<u>112,510</u>	<u>93,686</u>	<u>18,824</u>
<b>Finance:</b>			
Salaries and employee benefits	308,596	306,362	2,234
Other operating expenditures	91,320	88,663	2,657
Total	<u>399,916</u>	<u>395,025</u>	<u>4,891</u>
<b>Taxes:</b>			
Salaries and employee benefits	650,874	648,304	2,570
Other operating expenditures	201,790	178,637	23,153
Total	<u>852,664</u>	<u>826,941</u>	<u>25,723</u>
<b>Legal:</b>			
Contracted services	<u>105,372</u>	<u>25,905</u>	<u>79,467</u>
<b>Register of Deeds:</b>			
Salaries and employee benefits	250,834	246,189	4,645
Other operating expenditures	259,973	238,262	21,711
Total	<u>510,807</u>	<u>484,451</u>	<u>26,356</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, 2011

	Budget	Actual	Variance Over/Under
<b>Public Buildings:</b>			
Salaries and employee benefits	520,602	517,238	3,364
Other operating expenditures	394,886	368,278	26,608
Capital outlay	73,600	13,950	59,650
Total	<u>989,088</u>	<u>899,466</u>	<u>89,622</u>
<b>Court Facilities:</b>			
Other operating expenditures	44,935	35,420	9,515
Capital outlay	6,000	5,957	43
Total	<u>50,935</u>	<u>41,377</u>	<u>9,558</u>
<b>Information Technology:</b>			
Salaries and employee benefits	276,056	275,368	688
Other operating expenditures	67,012	59,097	7,915
Total	<u>343,068</u>	<u>334,465</u>	<u>8,603</u>
<b>Project Management:</b>			
Salaries and employee benefits	85,077	84,489	588
Other operating expenditures	2,126	918	1,208
Total	<u>87,203</u>	<u>85,407</u>	<u>1,796</u>
<b>Self Insurance:</b>			
Claims cost	2,295,163	2,070,941	224,222
Administrative costs	624,973	583,150	41,823
County portion of premiums charged	(2,411,071)	(2,396,943)	(14,128)
Reserve	97,344	-	97,344
Retiree insurance	89,480	86,030	3,450
Total	<u>695,889</u>	<u>343,178</u>	<u>352,711</u>
<b>457 Contributions:</b>			
Other operating expenditures	-	(20,279)	20,279
Total general government	<u>5,592,782</u>	<u>4,869,425</u>	<u>723,357</u>
<b>Public Safety:</b>			
<b>Sheriff and Jail:</b>			
Salaries and employee benefits	4,741,430	4,682,175	59,255
Other operating expenditures	1,140,318	1,166,790	(26,472)
Capital outlay	223,722	212,311	11,411
Total	<u>6,105,470</u>	<u>6,061,276</u>	<u>44,194</u>
<b>Emergency Management:</b>			
Salaries and employee benefits	211,263	211,485	(222)
Other operating expenditures	37,039	27,350	9,689
Total	<u>248,302</u>	<u>238,835</u>	<u>9,467</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Fire:</b>			
Contracted services	87,224	76,513	10,711
<b>Rescue Units:</b>			
Contracted services	131,400	131,400	-
<b>Emergency Medical Services:</b>			
Salaries and employee benefits	1,411,525	1,390,220	21,305
Other operating expenditures	238,541	236,381	2,160
Capital outlay	154,279	149,798	4,481
Total	<u>1,804,345</u>	<u>1,776,399</u>	<u>27,946</u>
<b>Medical Examiner:</b>			
Contracted services	20,000	13,500	6,500
<b>Emergency Communications:</b>			
Salaries and employee benefits	521,567	532,820	(11,253)
Other operating expenditures	175,523	144,073	31,450
Total	<u>697,090</u>	<u>676,893</u>	<u>20,197</u>
<b>Animal Control:</b>			
Salaries and employee benefits	179,513	162,843	16,670
Other operating expenditures	30,094	25,618	4,476
Total	<u>209,607</u>	<u>188,461</u>	<u>21,146</u>
<b>Inspections:</b>			
Salaries and employee benefits	315,706	313,923	1,783
Other operating expenditures	25,730	23,145	2,585
Total	<u>341,436</u>	<u>337,068</u>	<u>4,368</u>
Total public safety	<u>9,644,874</u>	<u>9,500,345</u>	<u>144,529</u>
<b>Transportation:</b>			
Salaries and employee benefits	353,868	305,717	48,151
Other operating expenditures	62,859	54,115	8,744
Capital outlay	56,249	47,967	8,282
Total transportation	<u>472,976</u>	<u>407,799</u>	<u>65,177</u>
<b>Economic and Physical Development:</b>			
<b>Planning:</b>			
Salaries and employee benefits	237,321	210,798	26,523
Other operating expenditures	3,866	7,738	(3,872)
Total	<u>241,187</u>	<u>218,536</u>	<u>22,651</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Economic Development:</b>			
Operating expenditures	240,553	231,083	9,470
Other	5,000	5,000	-
Total	<u>245,553</u>	<u>236,083</u>	<u>9,470</u>
<b>Cooperative Extension:</b>			
Salaries and employee benefits	116,984	117,019	(35)
Other operating expenditures	40,816	20,653	20,163
Total	<u>157,800</u>	<u>137,672</u>	<u>20,128</u>
<b>Soil and Water Conservation:</b>			
Salaries and employee benefits	110,454	108,539	1,915
Other operating expenditures	24,124	23,255	869
Total	<u>134,578</u>	<u>131,794</u>	<u>2,784</u>
Total economic and physical development	<u>779,118</u>	<u>724,085</u>	<u>55,033</u>
<b>Human Services:</b>			
<b>Health:</b>			
Administration:			
Salaries and employee benefits	1,630,701	1,605,018	25,683
Other operating expenditures	418,564	236,770	181,794
Total	<u>2,049,265</u>	<u>1,841,788</u>	<u>207,477</u>
<b>Mental Health:</b>			
Contracted services:			
Community Mental Health Services	99,261	99,261	-
Total	<u>99,261</u>	<u>99,261</u>	<u>-</u>
<b>Social Services:</b>			
Administration:			
Salaries and employee benefits	2,337,765	2,293,828	43,937
Other operating expenditures	288,096	267,341	20,755
Total	<u>2,625,861</u>	<u>2,561,169</u>	<u>64,692</u>
<b>Public Assistance:</b>			
Special assistance to adults:			
County participation only	227,588	261,401	(33,813)
Medicaid program:			
County participation only	-	2,433	(2,433)
Medicaid transportation	170,000	165,978	4,022
Title III programs:			
Other operating expenditures	18,365	18,055	310
Other assistance:			
Other program expenditures	1,650,490	1,556,395	94,095
Total	<u>2,066,443</u>	<u>2,004,262</u>	<u>62,181</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Child Development:</b>			
Salaries and employee benefits	750,815	718,981	31,834
Other operating expenditures	96,531	76,387	20,144
Total	<u>847,346</u>	<u>795,368</u>	<u>51,978</u>
Total social services	<u>5,539,650</u>	<u>5,360,799</u>	<u>178,851</u>
<b>Veteran's Service Officer:</b>			
Salaries and employee benefits	15,494	14,820	674
Other operating expenditures	1,481	1,421	60
Total	<u>16,975</u>	<u>16,241</u>	<u>734</u>
<b>Other Services:</b>			
Transylvania vocational services	28,125	28,125	-
Juvenile crime prevention	104,212	101,759	2,453
Western Carolina Community Action	3,600	3,600	-
Criminal Justice Partnership Program	56,045	42,272	13,773
Children's Center	38,802	38,722	80
HCCBG	270,360	262,033	8,327
Other services	82,000	82,000	-
Total	<u>583,144</u>	<u>558,511</u>	<u>24,633</u>
Total human services	<u>8,288,295</u>	<u>7,876,600</u>	<u>411,695</u>
<b>Cultural and Recreational:</b>			
<b>Parks and Recreation:</b>			
Salaries and employee benefits	378,285	376,018	2,267
Other operating expenditures	127,952	108,650	19,302
Capital outlay	329,150	219,476	109,674
Total	<u>835,387</u>	<u>704,144</u>	<u>131,243</u>
<b>Library:</b>			
Salaries and employee benefits	853,469	842,094	11,375
Other operating expenditures	279,648	262,249	17,399
Total	<u>1,133,117</u>	<u>1,104,343</u>	<u>28,774</u>
<b>Other:</b>			
Brevard College	28,000	28,000	-
Transylvania Parks Commission	3,555	2,346	1,209
Other	2,970	648	2,322
Total	<u>34,525</u>	<u>30,994</u>	<u>3,531</u>
Total cultural and recreational	<u>2,003,029</u>	<u>1,839,481</u>	<u>163,548</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Education:</b>			
Public schools - current	9,306,383	9,306,383	-
Public schools - Community in Schools	20,000	20,000	-
Public schools - daycare	10,500	10,500	-
Public schools - distribution of lottery proceeds	228,321	96,740	131,581
Public schools - capital outlay	1,046,963	1,046,963	-
Blue Ridge Community College	297,430	297,430	-
Total education	<u>10,909,597</u>	<u>10,778,016</u>	<u>131,581</u>
<b>Debt Service:</b>			
Principal retirement	2,287,496	2,287,496	-
Interest and fees	638,943	638,937	6
Total	<u>2,926,439</u>	<u>2,926,433</u>	<u>6</u>
Total expenditures	<u>40,617,110</u>	<u>38,922,184</u>	<u>1,694,926</u>
Revenues over (under) expenditures	<u>(1,559,296)</u>	<u>881,519</u>	<u>2,440,815</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in:			
Capital project funds	794,698	794,698	-
Revaluation Fund	200,859	200,859	-
Transfers out:			
Special revenue funds	(2,106)	(2,106)	-
Enterprise funds	(888,077)	(888,077)	-
Permanent Fund	(15,000)	(15,000)	-
Sale of capital assets	15,000	18,553	3,553
Appropriated fund balance	1,453,922	-	(1,453,922)
Total	<u>1,559,296</u>	<u>108,927</u>	<u>(1,450,369)</u>
Net change in fund balance	<u>\$ -</u>	<u>990,446</u>	<u>\$ 990,446</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>19,337,054</u>	
End of year - June 30		<u>\$ 20,327,500</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers	\$ (200,859)	\$ (200,859)	\$ -
Appropriated fund balance	<u>200,859</u>	<u>-</u>	<u>200,859</u>
Total other financing sources (uses)	<u>-</u>	<u>(200,859)</u>	<u>200,859</u>
Net change in fund balance	<u>\$ -</u>	<u>(200,859)</u>	<u>\$ (200,859)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>200,859</u>	
End of year - June 30		<u><u>\$ -</u></u>	

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# **NONMAJOR GOVERNMENTAL FUNDS**

## **SPECIAL REVENUE FUNDS**

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

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

**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**

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**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.**

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**Public Safety Facility Fund – This 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.**

**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

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2011

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Permanent Fund</b>	<b>Total</b>
<b>Assets:</b>				
Cash and investments	\$ 755,463	\$ 2,500,140	\$ 291,042	\$ 3,546,645
Accounts receivable, net	69,751	-	-	69,751
Taxes receivable, net	13,179	-	-	13,179
Cash and investments, restricted	-	1,171,005	108,367	1,279,372
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 838,393	\$ 3,671,145	\$ 399,409	\$ 4,908,947
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 4,830	\$ 9,933	\$ -	\$ 14,763
Deferred revenues	13,179	-	-	13,179
Unearned revenues	4,496	-	-	4,496
Total liabilities	<hr/> 22,505	<hr/> 9,933	<hr/> -	<hr/> 32,438
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balances:</b>				
Stabilization for State statute	69,751	-	-	69,751
Restricted, all other:	749,307	1,166,972	108,367	2,024,646
Committed:	-	2,494,240	-	2,494,240
Assigned:	-	-	291,042	291,042
Unassigned	(3,170)	-	-	(3,170)
Total fund balances	<hr/> 815,888	<hr/> 3,661,212	<hr/> 399,409	<hr/> 4,876,509
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 838,393	\$ 3,671,145	\$ 399,409	\$ 4,908,947
	<hr/>	<hr/>	<hr/>	<hr/>

## TRANSYLVANIA COUNTY, NORTH CAROLINA

### NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Permanent Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,150,155	\$ -	\$ -	\$ 2,150,155
Other taxes and licenses	321,041	-	-	321,041
Sales and services	17,437	-	-	17,437
Restricted intergovernmental revenues	298,118	-	-	298,118
Donations and grants	-	2,511	-	2,511
Interest earned on investments	2,529	8,960	3,909	15,398
Total revenues	<u>2,789,280</u>	<u>11,471</u>	<u>3,909</u>	<u>2,804,660</u>
<b>Expenditures:</b>				
Current:				
Public safety	2,409,682	-	-	2,409,682
Economic and physical development	370,391	-	-	370,391
Education	-	44,938	-	44,938
Cultural and recreational	-	-	7,469	7,469
Capital outlay	-	270,781	-	270,781
Total expenditures	<u>2,780,073</u>	<u>315,719</u>	<u>7,469</u>	<u>3,103,261</u>
Revenues over (under) expenditures	<u>9,207</u>	<u>(304,248)</u>	<u>(3,560)</u>	<u>(298,601)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,106	-	15,000	17,106
Transfers out	-	(794,698)	-	(794,698)
Total other financing sources (uses)	<u>2,106</u>	<u>(794,698)</u>	<u>15,000</u>	<u>(777,592)</u>
Net change in fund balances	11,313	(1,098,946)	11,440	(1,076,193)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>804,575</u>	<u>4,760,158</u>	<u>387,969</u>	<u>5,952,702</u>
End of year - June 30	<u>\$ 815,888</u>	<u>\$ 3,661,212</u>	<u>\$ 399,409</u>	<u>\$ 4,876,509</u>

## TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011

	<u>Occupancy Tax Fund</u>	<u>Fire Districts Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and investments	\$ 269,881	\$ 190,405	\$ 293,935	\$ 1,242	\$ 755,463
Accounts receivable	45,259	-	21,322	3,170	69,751
Taxes receivable, net	-	13,179	-	-	13,179
Total assets	<u>\$ 315,140</u>	<u>\$ 203,584</u>	<u>\$ 315,257</u>	<u>\$ 4,412</u>	<u>\$ 838,393</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,330	\$ -	\$ -	\$ 2,500	\$ 4,830
Deferred revenues	-	13,179	-	-	13,179
Unearned revenues	-	4,496	-	-	4,496
Total liabilities	<u>2,330</u>	<u>17,675</u>	<u>-</u>	<u>2,500</u>	<u>22,505</u>
<b>Fund Balances:</b>					
Restricted:					
Stabilization for State statute	45,259	-	21,322	3,170	69,751
Restricted, all other	267,551	185,909	293,935	1,912	749,307
Unassigned	-	-	-	(3,170)	(3,170)
Total fund balances	<u>312,810</u>	<u>185,909</u>	<u>315,257</u>	<u>1,912</u>	<u>815,888</u>
Total liabilities and fund balances	<u>\$ 315,140</u>	<u>\$ 203,584</u>	<u>\$ 315,257</u>	<u>\$ 4,412</u>	<u>\$ 838,393</u>

## TRANSYLVANIA COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Occupancy Tax Fund</b>	<b>Fire Districts Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Total</b>
<b>Revenues:</b>					
Ad valorem taxes	\$ -	\$ 2,150,155	\$ -	\$ -	\$ 2,150,155
Other taxes and licenses	321,041	-	-	-	321,041
Sales and services	17,437	-	-	-	17,437
Restricted intergovernmental	-	-	255,869	42,249	298,118
Investment earnings	821	727	981	-	2,529
Total revenues	<u>339,299</u>	<u>2,150,882</u>	<u>256,850</u>	<u>42,249</u>	<u>2,789,280</u>
<b>Expenditures:</b>					
Public safety	-	2,180,202	229,480	-	2,409,682
Economic and physical development	328,142	-	-	42,249	370,391
Total expenditures	<u>328,142</u>	<u>2,180,202</u>	<u>229,480</u>	<u>42,249</u>	<u>2,780,073</u>
Revenues over (under) expenditures	<u>11,157</u>	<u>(29,320)</u>	<u>27,370</u>	<u>-</u>	<u>9,207</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	2,106	-	2,106
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,106</u>	<u>-</u>	<u>2,106</u>
Net change in fund balances	11,157	(29,320)	29,476	-	11,313
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>301,653</u>	<u>215,229</u>	<u>285,781</u>	<u>1,912</u>	<u>804,575</u>
End of year - June 30	<u>\$ 312,810</u>	<u>\$ 185,909</u>	<u>\$ 315,257</u>	<u>\$ 1,912</u>	<u>\$ 815,888</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses	\$ 300,250	\$ 321,041	\$ 20,791
Sales and services	10,000	17,437	7,437
Investment earnings	6,000	821	(5,179)
Total revenues	<u>316,250</u>	<u>339,299</u>	<u>23,049</u>
<b>Expenditures:</b>			
Economic and physical development	<u>336,735</u>	<u>328,142</u>	<u>8,593</u>
Total expenditures	<u>336,735</u>	<u>328,142</u>	<u>8,593</u>
Revenues over (under) expenditures	<u>(20,485)</u>	<u>11,157</u>	<u>(31,642)</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>20,485</u>	<u>-</u>	<u>(20,485)</u>
Total other financing sources (uses)	<u>20,485</u>	<u>-</u>	<u>(54,565)</u>
Net change in fund balance	<u>\$ -</u>	<u>11,157</u>	<u>\$ 11,157</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>301,653</u>	
End of year - June 30		<u>\$ 312,810</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 2,089,502	\$ 2,130,053	\$ 40,551
Prior year	-	9,172	9,172
Penalties and interest	-	10,930	10,930
Investment earnings	-	727	727
Total revenues	<u>2,089,502</u>	<u>2,150,882</u>	<u>61,380</u>
<b>Expenditures:</b>			
Public safety:			
Brevard Fire District	234,833	234,833	-
Rosman Fire District	323,388	323,388	-
Little River Fire District	292,800	292,800	-
Connestee Falls Fire District	484,873	484,873	-
Cedar Mountain Fire District	112,235	112,235	-
Lake Toxaway Fire District	531,352	531,352	-
Balsam Grove Fire District	88,196	88,196	-
North Transylvania Fire District	112,525	112,525	-
Total expenditures	<u>2,180,202</u>	<u>2,180,202</u>	<u>-</u>
Revenues over (under) expenditures	<u>(90,700)</u>	<u>(29,320)</u>	<u>61,380</u>
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>90,700</u>	<u>-</u>	<u>(90,700)</u>
Total other financing sources (uses)	<u>90,700</u>	<u>-</u>	<u>(90,700)</u>
Net change in fund balance	<u>\$ -</u>	<u>(29,320)</u>	<u>\$ (29,320)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>215,229</u>	
End of year - June 30		<u>\$ 185,909</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 255,000	\$ 255,869	\$ 869
Investment earnings	1,000	981	(19)
Total revenues	<u>256,000</u>	<u>256,850</u>	<u>850</u>
<b>Expenditures:</b>			
Public Safety:			
Salaries and employee benefits	103,023	102,975	48
Other operating expenditures	126,918	126,505	413
Total expenditures	<u>229,941</u>	<u>229,480</u>	<u>461</u>
Revenues over (under) expenditures	<u>26,059</u>	<u>27,370</u>	<u>1,311</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	2,106	2,106	-
Transfers out	(28,165)	-	28,165
Total other financing sources (uses)	<u>(26,059)</u>	<u>2,106</u>	<u>28,165</u>
Net change in fund balance	<u>\$ -</u>	29,476	<u>\$ 29,476</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>285,781</u>	
End of year - June 30		<u>\$ 315,257</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, 2011**

	<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>	
<b>Revenues:</b>					
Restricted intergovernmental revenues	\$ 1,530,000	\$ 1,308,451	\$ 42,249	\$ 1,350,700	\$ (179,300)
<b>Expenditures:</b>					
Economic and physical development:	1,530,000	1,306,539	42,249	1,348,788	181,212
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,912</u>	-	<u>\$ 1,912</u>	<u>\$ 1,912</u>
<b>Fund Balance:</b>					
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, 2011

	<u>Public Safety Facility Fund</u>	<u>Schools QSCB Fund</u>	<u>Schools QZAB Fund</u>	<u>General Capital Projects Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ 2,500,140	\$ 2,500,140
Cash and investments, restricted	<u>-</u>	<u>1,144,318</u>	<u>26,687</u>	<u>-</u>	<u>1,171,005</u>
Total assets	<u>\$ -</u>	<u>\$ 1,144,318</u>	<u>\$ 26,687</u>	<u>\$ 2,500,140</u>	<u>\$ 3,671,145</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 2,955</u>	<u>\$ 1,078</u>	<u>\$ 5,900</u>	<u>\$ 9,933</u>
Total liabilities	<u>-</u>	<u>2,955</u>	<u>1,078</u>	<u>5,900</u>	<u>9,933</u>
<b>Fund Balances:</b>					
Restricted for:					
Education	-	1,141,363	25,609	-	1,166,972
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,494,240</u>	<u>2,494,240</u>
Total fund balances	<u>-</u>	<u>1,141,363</u>	<u>25,609</u>	<u>2,494,240</u>	<u>3,661,212</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,144,318</u>	<u>\$ 26,687</u>	<u>\$ 2,500,140</u>	<u>\$ 3,671,145</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, 2011**

	<b>Public Safety Facility Fund</b>	<b>Schools QSCB Fund</b>	<b>Schools QZAB Fund</b>	<b>General Capital Projects Fund</b>	<b>Total</b>
<b>Revenues:</b>					
Donations and grants	\$ -	\$ -	\$ -	\$ 2,511	\$ 2,511
Interest earned on investments	-	1,982	-	6,978	8,960
Total revenues	<u>-</u>	<u>1,982</u>	<u>-</u>	<u>9,489</u>	<u>11,471</u>
<b>Expenditures:</b>					
Current:					
Capital outlay	66,800	-	-	203,981	270,781
Education	-	43,860	1,078	-	44,938
Total expenditures	<u>66,800</u>	<u>43,860</u>	<u>1,078</u>	<u>203,981</u>	<u>315,719</u>
Revenues over (under) expenditures	(66,800)	(41,878)	(1,078)	(194,492)	(304,248)
<b>Other Financing Sources (Uses):</b>					
Transfers out	<u>(738,098)</u>	<u>-</u>	<u>-</u>	<u>(56,600)</u>	<u>(794,698)</u>
Net change in fund balances	(804,898)	(41,878)	(1,078)	(251,092)	(1,098,946)
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>804,898</u>	<u>1,183,241</u>	<u>26,687</u>	<u>2,745,332</u>	<u>4,760,158</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 1,141,363</u>	<u>\$ 25,609</u>	<u>\$ 2,494,240</u>	<u>\$ 3,661,212</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, 2011**

	<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>	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 4,711	\$ -	\$ 4,711	\$ -
<b>Expenditures:</b>					
Capital outlay	22,500,000	21,699,813	66,800	21,766,613	733,387
Revenues over (under) expenditures	(22,500,000)	(21,695,102)	(66,800)	(21,761,902)	(733,387)
<b>Other Financing Sources (Uses):</b>					
Transfers out to General Fund	-	-	(738,098)	(738,098)	-
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	(738,098)	21,761,902	-
Net change in fund balance	\$ -	\$ 804,898	(804,898)	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1			804,898		
End of year - June 30			\$ -		

## 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, 2011**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual</b>		<b>Variance Over/Under</b>
			<b>Current Year</b>	<b>Total to Date</b>	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ -	\$ 1,982	\$ 1,982	\$ 1,982
<b>Expenditures:</b>					
Project costs	1,297,778	114,537	43,860	158,397	(1,139,381)
Revenues over (under) expenditures	(1,297,778)	(114,537)	(41,878)	(156,415)	1,141,363
<b>Other Financing Sources (Uses):</b>					
Debt issued	1,297,778	1,297,778	-	1,297,778	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,183,241</u>	(41,878)	<u>\$ 1,141,363</u>	<u>\$ 1,141,363</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>1,183,241</u>		
End of year - June 30			<u>\$ 1,141,363</u>		

**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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
Bond expenditures	\$ 1,200	\$ 1,078	\$ 122
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,078)</u>	<u>\$ (1,078)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>26,687</u>	
End of year - June 30		<u>\$ 25,609</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, 2011**

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Donations and grants	\$ 300,000	\$ 55,530	\$ 2,511	\$ 58,041	\$ (241,959)
Investment earnings	213,173	521,811	6,978	528,789	315,616
Total revenues	<u>513,173</u>	<u>577,341</u>	<u>9,489</u>	<u>586,830</u>	<u>73,657</u>
<b>Expenditures:</b>					
Capital outlay	<u>4,876,684</u>	<u>2,165,267</u>	<u>203,981</u>	<u>2,369,248</u>	<u>(2,507,436)</u>
Revenues over (under) expenditures	<u>(4,363,511)</u>	<u>(1,587,926)</u>	<u>(194,492)</u>	<u>(1,782,418)</u>	<u>2,581,093</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in from General Fund	3,662,536	3,377,091	-	3,377,091	(285,445)
Transfers to General Fund	<u>(1,881,195)</u>	<u>(1,824,595)</u>	<u>(56,600)</u>	<u>(1,881,195)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,781,341</u>	<u>1,552,496</u>	<u>(56,600)</u>	<u>1,495,896</u>	<u>(285,445)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,582,170)</u>	<u>(35,430)</u>	<u>(251,092)</u>	<u>(286,522)</u>	<u>2,295,648</u>
Appropriated fund balance	<u>2,582,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,582,170)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (35,430)</u>	<u>(251,092)</u>	<u>\$ (286,522)</u>	<u>\$ (286,522)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>2,745,332</u>		
End of year - June 30			<u>\$ 2,494,240</u>		

## **PERMANENT FUND**

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**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.**

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**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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 4,525	\$ 3,909	\$ (616)
<b>Expenditures:</b>			
Silvermont maintenance	30,000	7,469	22,531
Revenues over (under) expenditures	<u>(25,475)</u>	<u>(3,560)</u>	<u>21,915</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	15,000	15,000	-
Appropriated fund balance	<u>10,475</u>	<u>-</u>	<u>(10,475)</u>
Total other financing sources (uses)	<u>25,475</u>	<u>15,000</u>	<u>(10,475)</u>
Net change in fund balance	<u>\$ -</u>	11,440	<u>\$ 11,440</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>387,969</u>	
End of year - June 30		<u>\$ 399,409</u>	

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## **ENTERPRISE FUND**

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**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.**

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**Solid Waste Fund – This fund accounts 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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services			
Solid waste charges	\$ 1,160,000	\$ 1,098,073	\$ (61,927)
Recycling	94,000	123,556	29,556
Other operating revenues	2,350	2,837	487
Total operating revenues	<u>1,256,350</u>	<u>1,224,466</u>	<u>(31,884)</u>
Non-operating revenues:			
Investment earnings	10,000	3,589	(6,411)
Miscellaneous revenue	15,500	19,389	3,889
Total non-operating revenues	<u>25,500</u>	<u>22,978</u>	<u>(2,522)</u>
Total revenues	<u>1,281,850</u>	<u>1,247,444</u>	<u>(34,406)</u>
<b>Expenditures:</b>			
Landfill administration and operations:			
Salaries and employee benefits	864,757	806,476	58,281
Other operating expenditures	507,779	454,368	53,411
Capital outlay	68,000	37,663	30,337
Total expenditures	<u>1,440,536</u>	<u>1,298,507</u>	<u>142,029</u>
Revenues over (under) expenditures	<u>(158,686)</u>	<u>(51,063)</u>	<u>107,623</u>
<b>Other Financing Sources (Uses):</b>			
Transfers - General Fund	888,077	888,077	-
Appropriated fund balance	(729,391)	-	729,391
Total other financing sources (uses)	<u>158,686</u>	<u>888,077</u>	<u>729,391</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 837,014</u>	<u>\$ 837,014</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 837,014	
Reconciling items:			
Capital outlay capitalized		37,663	
Increase in OPEB		(6,076)	
Decrease in compensated absences payable		1,561	
Increase in closure and post-closure care costs		(41,064)	
Depreciation		<u>(318,475)</u>	
Change in net assets		<u>\$ 510,623</u>	

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## **AGENCY FUNDS**

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

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

**Miscellaneous Agency Funds – This fund accounts for various legal fines and forfeitures that the County is required to remit to the Transylvania County Board of Education, 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, and the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust mortgage that the County is required to remit to the State Treasurer on a monthly basis.**

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## TRANSYLVANIA COUNTY, NORTH CAROLINA

**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Social Services:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 13,147	\$ 136,637	\$ 139,687	\$ 10,097
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 13,147	\$ 136,637	\$ 139,687	\$ 10,097
<b>Miscellaneous Agency Funds:</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,098	\$ 128,452	\$ 128,068	\$ 1,482
Accounts receivable and accrued revenues	9,629	6,155	9,629	6,155
Total assets	<u>\$ 10,727</u>	<u>\$ 134,607</u>	<u>\$ 137,697</u>	<u>\$ 7,637</u>
<b>Liabilities:</b>				
Intergovernmental payables-				
Transylvania County Board of Education	\$ 9,629	\$ 6,155	\$ 9,629	\$ 6,155
State of North Carolina	1,098	128,452	128,068	1,482
Total liabilities	<u>\$ 10,727</u>	<u>\$ 134,607</u>	<u>\$ 137,697</u>	<u>\$ 7,637</u>
<b>Total-All Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 14,245	\$ 265,089	\$ 267,755	\$ 11,579
Accounts receivable and accrued revenues	9,629	6,155	-	6,155
Total assets	<u>\$ 23,874</u>	<u>\$ 271,244</u>	<u>\$ 267,755</u>	<u>\$ 17,734</u>
<b>Liabilities:</b>				
Intergovernmental payables	\$ 10,727	\$ 134,607	\$ -	\$ 7,637
Miscellaneous liabilities	13,147	136,637	139,687	10,097
Total liabilities	<u>\$ 23,874</u>	<u>\$ 271,244</u>	<u>\$ 139,687</u>	<u>\$ 17,734</u>

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## **OTHER SCHEDULES**

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**This section contains additional information on property taxes and transfers.**

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**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, 2011**

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2011	\$ -	\$ 23,615,556	\$ 23,496,491	\$ 119,065
2010	74,029	-	54,186	19,843
2009	16,745	-	8,697	8,048
2008	17,042	-	3,365	13,677
2007	18,950	-	4,021	14,929
2006	20,995	-	3,623	17,372
2005	8,190	-	2,257	5,933
2004	9,410	-	2,386	7,024
2003	14,223	-	1,659	12,564
2002	24,861	-	2,911	21,950
2001	12,781	-	12,781	-
Total	<u>\$ 217,226</u>	<u>\$ 23,615,556</u>	<u>\$ 23,592,377</u>	<u>240,405</u>

Less allowance for uncollectible ad valorem taxes receivable:

General Fund 146,730

**Ad Valorem Taxes Receivable, Net:**

General Fund \$ 93,675

**Reconciliation of Collections and Credits with Revenues:**

Ad valorem taxes - General Fund \$ 23,637,947

Reconciling items:

Interest (85,868)

Tax refunds 7,256

Abatements - prior years 26,162

Advertising and miscellaneous adjustments (5,901)

Taxes written off 12,781

Total collections and credits \$ 23,592,377

## TRANSYLVANIA COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2011

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property tax	\$ 5,952,310,458	\$ 0.395	\$ 23,505,674	\$ 22,542,267	\$ 963,407
Motor vehicles taxed at prior year's rate	231,110	0.540	1,248	-	1,248
Late list penalties	-		22,635	22,635	-
Total original levy	<u>5,952,541,568</u>		<u>23,529,557</u>	<u>22,564,902</u>	<u>964,655</u>
<b>Discoveries:</b>					
Current year taxes	16,926,392		66,842	66,842	-
Prior year taxes	<u>11,318,677</u>		<u>52,177</u>	<u>52,177</u>	<u>-</u>
Total discoveries	<u>28,245,069</u>		<u>119,019</u>	<u>119,019</u>	<u>-</u>
<b>Abatements and Discounts</b>	<u>(8,361,573)</u>		<u>(33,020)</u>	<u>(17,630)</u>	<u>(15,390)</u>
Total property valuation	<u>\$ 5,972,425,064</u>				
<b>Net Levy</b>			23,615,556	22,666,291	949,265
Uncollected taxes at June 30, 2011			<u>119,065</u>	<u>66,230</u>	<u>52,835</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 23,496,491</u>	<u>\$ 22,600,061</u>	<u>\$ 896,430</u>
<b>Current Levy Collection Percentage</b>			<u>99.50%</u>	<u>99.71%</u>	<u>94.43%</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 NINE FISCAL YEARS  
(Accrual Basis of Accounting)**

**UNAUDITED**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Governmental Activities</b>			
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	<u>3,343,347</u>	<u>8,043,490</u>	<u>8,560,294</u>
Total Governmental Activities Net Assets	<u>\$ 14,501,316</u>	<u>\$ 18,909,175</u>	<u>\$ 23,590,073</u>
<b>Business-Type Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 3,440,486	\$ 4,357,971	\$ 3,945,072
Restricted			
Unrestricted	<u>(1,328,514)</u>	<u>(1,244,471)</u>	<u>(1,215,349)</u>
Total Business-Type Activities Net Assets	<u>\$ 2,111,972</u>	<u>\$ 3,113,500</u>	<u>\$ 2,729,723</u>
<b>Primary Government</b>			
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	<u>2,014,833</u>	<u>6,799,019</u>	<u>7,344,945</u>
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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 19,969,409	\$ 20,369,159	\$ 24,185,021	\$ 35,138,758	\$ 38,280,736	\$ 37,965,115
1,257,831	1,697,216	1,794,717	1,091,782	1,491,646	4,337,434
<u>11,723,898</u>	<u>16,158,930</u>	<u>16,912,463</u>	<u>8,613,469</u>	<u>8,759,642</u>	<u>7,097,748</u>
<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>	<u>\$ 49,400,297</u>
\$ 3,378,918	\$ 2,792,276	\$ 4,939,310	\$ 4,624,518	\$ 4,366,733	\$ 4,085,921
(795,452)	194,584	(1,090,548)	(92,919)	1,016,654	1,808,089
<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>	<u>\$ 5,894,010</u>
\$ 23,348,327	\$ 23,161,435	\$ 29,124,331	\$ 39,763,276	\$ 42,647,469	\$ 42,051,036
1,257,831	1,697,216	1,794,717	1,091,782	1,491,646	4,337,434
<u>10,928,446</u>	<u>16,353,514</u>	<u>15,821,915</u>	<u>8,520,550</u>	<u>9,776,296</u>	<u>8,905,837</u>
<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>	<u>\$ 55,294,307</u>

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

**UNAUDITED**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Expenses</b>			
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>
<b>Program Revenues</b>			
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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	4,566,521	\$ 5,472,674	\$ 4,985,239	\$ 5,042,645	\$ 4,617,015	\$ 5,155,747
	8,306,170	9,051,987	10,399,235	11,042,467	11,777,713	12,386,788
	356,525	378,991	364,740	358,399	509,565	396,460
	3,696,917	1,502,285	1,594,400	1,531,068	1,663,553	1,096,501
	8,858,593	9,308,209	9,522,922	9,448,473	8,094,451	8,069,619
	1,322,900	1,699,971	1,814,530	1,968,016	1,560,709	1,904,003
	8,702,160	9,564,457	10,900,358	10,449,456	10,400,587	10,822,954
	1,034,391	959,451	636,426	907,694	668,751	609,131
	<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>	<u>\$ 40,441,203</u>
\$	2,524,570	\$ 2,372,572	\$ 1,458,440	\$ 1,678,773	\$ 1,418,346	\$ 1,624,898
	<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>\$ 1,624,898</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>	<u>\$ 42,066,101</u>
\$	730,655	\$ 547,176	\$ 1,403,077	\$ 1,055,880	\$ 269,938	\$ 767,315
	1,894,494	1,452,371	1,405,633	1,444,322	2,099,928	2,461,457
	-	-	-	-	-	-
	-	-	-	11,467	6,712	31,791
	638,343	798,598	376,346	548,544	526,525	527,094
	74,981	42,173	40,176	98,220	95,713	94,967
	-	-	-	-	-	-
	17,033	217,053	361,235	39,379	56,527	40,283
	248,510	890,735	629,245	1,089,375	416,927	438,525
	80,412	-	219,801	341,357	234,881	278,738
	2,992,009	1,401,118	686,949	459,808	169,696	65,711
	4,414,362	3,666,631	4,833,149	5,063,846	5,293,382	4,973,824
	12,429	247,177	146,458	120,228	438,486	171,688
	322,070	546,646	124,754	137,268	137,842	161,664
	-	-	-	-	-	-
	80,857	4,760	50,695	-	-	-
	-	-	-	-	475,799	42,249
	3,019,745	141,404	-	-	-	-
	6,094	-	-	-	-	-
	<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>	<u>\$ 10,055,306</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA  
CHANGES IN NET ASSETS  
LAST NINE 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>
<b>Net (Expense)/Revenue</b>			
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>
<b>General Revenues and Other Changes in Net Assets</b>			
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>
<b>Change in Net Assets</b>			
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>	<u>2011</u>
\$ 1,394,442	\$ 1,504,980	\$ 1,593,221	\$ 1,383,173	\$ 1,334,337	\$ 1,224,466
-	-	-	12,728	19,469	19,389
-	-	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>\$ 1,243,855</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>	<u>\$ 11,299,161</u>
\$ (22,312,183)	\$ (27,982,183)	\$ (29,940,332)	\$ (30,338,524)	\$ (29,069,988)	\$ (30,385,897)
(1,130,128)	(867,592)	242,124	(282,872)	(64,540)	(381,043)
<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>	<u>\$ (30,766,940)</u>
\$ 21,714,091	\$ 22,672,983	\$ 23,582,218	\$ 24,437,262	\$ 25,974,123	\$ 25,709,393
7,603,939	8,145,834	8,234,107	6,720,265	5,239,883	5,540,551
1,675,570	1,694,466	1,440,731	763,293	811,378	774,223
233,423	241,239	260,889	520,299	506,354	365,566
1,000,240	1,605,838	1,544,020	672,317	138,015	75,710
326,985	26,532	45,263	74,920	99,025	30,570
(881,000)	(1,130,492)	(500,000)	(902,556)	(908,570)	(888,077)
<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>	<u>\$ 31,607,936</u>
\$ 89,958	\$ 140,494	\$ 119,778	\$ 49,630	\$ 5,471	\$ 3,589
12,913	-	-	13,523	2,287	-
881,000	1,130,492	500,000	902,556	908,570	888,077
<u>\$ 983,871</u>	<u>\$ 1,270,986</u>	<u>\$ 619,778</u>	<u>\$ 965,709</u>	<u>\$ 916,328</u>	<u>\$ 891,666</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>	<u>\$ 32,499,602</u>
\$ 9,361,065	\$ 5,274,217	\$ 4,666,896	\$ 1,947,276	\$ 2,790,220	\$ 1,222,039
(146,257)	403,394	861,902	682,837	851,788	510,623
<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>	<u>\$ 1,732,662</u>

**TRANSYLVANIA COUNTY, NORTH CAROLINA  
 GOVERNMENTAL ACTIVITIES, TAX REVENUES BY SOURCE  
 LAST NINE 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	963,169	1,089,108	1,222,898	1,675,570
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**

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<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 22,672,983	\$ 23,582,218	\$ 24,437,262	\$ 25,974,123	\$ 25,709,393
8,145,834	8,234,107	6,720,265	5,239,883	5,540,551
<u>1,694,466</u>	<u>1,440,731</u>	<u>763,293</u>	<u>811,378</u>	<u>774,223</u>
<u>\$ 32,513,283</u>	<u>\$ 33,257,056</u>	<u>\$ 31,920,820</u>	<u>\$ 32,025,384</u>	<u>\$ 32,024,167</u>

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

**UNAUDITED**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Reserved	\$ 7,247,441	\$ 7,646,080	\$ 13,639,169	\$ 20,510,489
Designated	3,311,493	1,103,073	5,622,089	2,184,769
Unreserved and Undesignated	10,995,397	15,136,515	7,926,117	4,377,022
Non Spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 21,554,331</u>	<u>\$ 23,885,668</u>	<u>\$ 27,187,375</u>	<u>\$ 27,072,280</u>
All other governmental funds				
Reserved	\$ 37,950	\$ 161,701	\$ 168,108	\$ 896,945
Designated for Subsequent Years	1,403,915	790,630	1,788,497	473,350
Unreserved and Undesignated, reported in:				
Special revenue funds	532,051	472,169	604,352	492,127
Capital projects funds	3,958,230	3,788,013	1,854,273	2,337,442
Permanent fund	-	182,472	158,200	199,706
Restricted	-	-	-	-
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,932,146</u>	<u>\$ 5,394,985</u>	<u>\$ 4,573,430</u>	<u>\$ 4,399,570</u>

Note: The change in the classifications of fund balance amounts in 2011 is discussed in Management's Discussion and Analysis. Prior year amounts have not been restated for the implementation of Statement 54.

**TABLE 4**

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 21,491,749	\$ 17,116,364	\$ 5,529,966	\$ 4,771,176	\$ 3,851,813	\$ -
2,105,874	3,042,494	3,064,060	3,180,255	5,223,495	-
6,145,790	10,524,826	8,575,637	9,758,729	10,261,746	-
-	-	-	-	-	13,007
-	-	-	-	-	3,414,041
-	-	-	-	-	1,463,248
-	-	-	-	-	3,547,977
-	-	-	-	-	11,889,227
<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>	<u>\$ 20,327,500</u>
\$ 3,088,738	\$ 1,255,698	\$ 14,258,269	\$ 6,515,367	\$ 2,915,498	\$ -
2,772,265	224,052	280,286	161,944	90,700	-
870,888	1,193,880	1,205,703	557,518	852,935	-
(3,128,502)	3,280,163	2,796,275	26,564	2,014,826	-
231,235	273,870	252,424	266,928	279,602	-
-	-	-	-	-	2,094,397
-	-	-	-	-	2,494,240
-	-	-	-	-	291,042
-	-	-	-	-	(3,170)
<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>	<u>\$ 4,876,509</u>

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

**UNAUDITED**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Revenues</b>				
Taxes:				
Property	\$ 16,882,008	\$ 17,796,669	\$ 18,930,038	\$ 18,899,554
Sales	5,104,541	5,657,367	6,847,773	6,973,895
Other	884,493	1,052,198	1,177,514	1,318,894
Intergovernmental	7,254,339	6,101,296	6,995,503	7,825,317
Permits and Fees	394,110	450,611	520,916	475,629
Sales and Services	2,515,314	1,185,191	1,255,516	1,148,395
Donations and Grants	-	-		
Investment Earnings	608,142	355,470	261,103	608,142
Miscellaneous	52,149	166,029	125,583	487,187
Total Revenues	<u>\$ 33,695,096</u>	<u>\$ 32,764,831</u>	<u>\$ 36,113,946</u>	<u>\$ 37,737,013</u>
<b>Expenditures</b>				
General Government	\$ 5,598,610	\$ 3,673,868	\$ 3,664,853	\$ 4,457,415
Public Safety	6,630,716	6,917,023	7,491,625	7,889,570
Economic Development	632,546	665,363	946,704	1,410,642
Human Services	8,584,303	8,266,669	8,722,587	8,976,222
Culture and Recreation	1,074,803	1,013,909	1,060,833	1,106,312
Education	6,165,722	6,933,582	7,248,509	7,618,423
Capital Outlay	288,752	420,099	583,822	3,876,297
Debt Service:				
Principal	1,375,000	1,471,015	1,506,015	1,561,015
Interest	1,322,935	1,260,673	1,194,893	1,127,408
Bond Issuance Cost	-	-	-	-
Total Expenditures	<u>\$ 31,673,387</u>	<u>\$ 30,622,201</u>	<u>\$ 32,419,841</u>	<u>\$ 38,023,304</u>
Excess of Revenues Over (Under) Expenditures	\$ 2,021,709	\$ 2,142,630	\$ 3,694,105	\$ (286,291)
<b>Other Financing Sources (Uses)</b>				
Transfers In	\$ 226,867	\$ 808,735	\$ 701,854	\$ 4,381,595
Transfers Out	(541,927)	(1,459,495)	(1,943,339)	(4,414,402)
Bond Proceeds	600,000	-	-	-
Proceed from Financing	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Proceeds from Sale of Assets	-	-	27,532	30,142
Proceeds from Law Suit	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 284,940</u>	<u>\$ (650,760)</u>	<u>\$ (1,213,953)</u>	<u>\$ (2,665)</u>
Net Change in Fund Balances	<u>\$ 2,306,649</u>	<u>\$ 1,491,870</u>	<u>\$ 2,480,152</u>	<u>\$ (288,956)</u>
Capital Asset Expenditures	<u>\$ 288,752</u>	<u>\$ 420,099</u>	<u>\$ 583,822</u>	<u>\$ 3,876,297</u>
Debt Service as a Percentage of Non-Capital Expenditures	<u>8.6%</u>	<u>9.0%</u>	<u>8.5%</u>	<u>7.9%</u>

TABLE 5

2006	2007	2008	2009	2010	2011
\$ 21,747,101	\$ 22,785,337	\$ 23,639,386	\$ 24,448,844	\$ 25,943,353	\$ 25,788,102
7,603,939	8,145,834	8,234,107	6,720,265	5,239,883	5,540,551
1,675,570	1,694,466	1,440,731	763,293	811,378	774,223
9,759,300	7,091,932	7,299,455	7,727,445	7,602,085	6,536,112
560,452	681,158	588,976	382,955	372,047	340,518
1,296,000	2,007,284	2,772,465	2,620,231	2,613,934	3,463,380
		50,695	22,443	50	23,320
1,136,247	1,688,093	1,632,630	714,057	172,950	72,598
2,943,137	334,452	121,115	191,117	220,499	69,559
<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>	<u>\$ 42,608,363</u>
\$ 4,644,586	\$ 5,555,278	\$ 5,265,368	\$ 4,981,840	\$ 4,464,852	\$ 4,869,425
8,142,194	9,196,175	10,294,586	11,621,984	11,917,256	11,910,027
1,563,634	1,499,832	1,599,827	1,523,660	1,660,458	1,094,476
9,120,233	9,556,843	9,760,521	9,728,524	8,653,766	8,284,399
1,270,693	1,494,744	1,598,213	1,858,012	1,839,077	1,846,950
8,702,160	9,564,457	10,900,358	10,449,456	10,400,587	10,822,954
8,050,961	719,161	4,236,863	13,490,731	2,553,303	270,781
1,601,015	1,666,015	1,706,015	2,032,681	2,144,348	2,287,496
1,055,820	982,313	905,710	646,781	702,038	638,937
-	-	86,843	-	-	-
<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>	<u>\$ 42,025,445</u>
\$ 2,570,450	\$ 4,193,738	\$ (574,744)	\$ (12,743,019)	\$ (1,359,506)	\$ 582,918
\$ 7,987,805	\$ 3,897,037	\$ 16,881,080	\$ 921,127	\$ 340,422	\$ 811,804
(8,907,205)	(5,086,937)	(17,441,441)	(1,881,699)	(1,248,992)	(1,699,881)
-	-	15,810,000	-	-	-
-	-	-	2,900,000	1,297,778	-
-	-	(15,668,890)	-	-	-
117,637	51,157	45,263	74,920	19,120	18,553
337,500	-	-	-	-	-
<u>\$ (464,263)</u>	<u>\$ (1,138,743)</u>	<u>\$ (373,988)</u>	<u>\$ 2,014,348</u>	<u>\$ 408,328</u>	<u>\$ (869,524)</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>\$ (286,606)</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>\$ 906,651</u>
<u>7.1%</u>	<u>6.9%</u>	<u>6.6%</u>	<u>6.5%</u>	<u>7.1%</u>	<u>7.1%</u>

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

**UNAUDITED**

<b>Fiscal Year</b>	<b>Assessed Real Property</b>				<b>Business and Personal Property</b>
	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Present-Use Value Property</b>	
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
2011	4,785,474,713	634,041,204	22,610,710	30,117,670	142,339,963

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>
\$ 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%
242,266,720	107,930,454	5,964,781,434	\$0.3949	5,891,414,622	98.77%

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

**UNAUDITED**

	<u>2002</u>	<u>2003 (1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Transylvania County	\$ 0.6410	\$ 0.4600	\$ 0.4800	\$ 0.4800	\$ 0.5400
<u>Municipality Rates:</u>					
City of Brevard	0.5200	0.4950	0.4950	0.4950	0.4950
Town of Rosman	0.5200	0.4600	0.4600	0.4600	0.4600
<u>Fire Districts:</u>					
Etowah-Horseshoe	0.0552	0.0409	0.0380	0.0322	0.0316
Brevard	0.0250	0.0255	0.0255	0.0250	0.0248
Rosman	0.0687	0.0486	0.0486	0.0690	0.0740
Little River	0.0812	0.0620	0.0600	0.0776	0.0797
Connestee Falls	0.0625	0.0477	0.0440	0.0562	0.0604
Cedar Mountain	0.0704	0.0793	0.0793	0.0928	0.1015
Lake Toxaway	0.0376	0.0219	0.0228	0.0299	0.0305
Balsam Grove	0.1218	0.1012	0.1012	0.1391	0.1391
North Transylvania	0.1022	0.0843	0.0843	0.1268	0.1242

Source: Transylvania County Tax Department

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

**TABLE 7**

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<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (1)</u>	<u>2011</u>
\$ 0.5400	\$ 0.5400	\$ 0.5400	\$ 0.3949	\$ 0.3949
0.4950	0.4950	0.4950	0.3875	0.4325
0.4600	0.4600	0.4600	0.4100	0.4100
0.0305	0.0291	-	-	-
0.0257	0.0301	0.0331	0.0269	0.0269
0.0758	0.0756	0.0877	0.0626	0.0626
0.0797	0.0797	0.0797	0.0577	0.0577
0.0604	0.0649	0.0697	0.0494	0.0494
0.1059	0.1059	0.1150	0.0802	0.0756
0.0305	0.0323	0.0359	0.0275	0.0287
0.1391	0.1391	0.1391	0.0968	0.0968
0.1242	0.1242	0.1242	0.0911	0.0911

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

**UNAUDITED**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Fiscal Year 2011</b>		
		<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
Duke Energy Corp	Electric utility	\$ 48,011,611	1	0.80%
Citizens/Comporium Telephone	Communications utility	34,983,711	2	0.59%
Excelsior Packing Group	Flexible packaging manufacturing	28,426,510	3	0.48%
Brevard Retirement Investors	Retirement home facilities	19,256,370	4	0.32%
Haywood Electric Member Corp	Electric utility	18,704,886	5	0.31%
159 Babcock Company LLC	Flexible packaging manufacturing	17,870,570	6	0.30%
Sapphire Lakes Inc	Real estate development	17,118,900	7	0.29%
Davidson River Village LLC	Real estate development	15,373,250	8	0.26%
Ingles Markets, Inc	Retail grocery store	15,078,717	9	0.25%
Lake Toxaway Company	Real estate development	14,824,860	10	0.25%
AGFA Corporation	X-ray film production			
Ecusta Division-P.H. Glatfelter Co	Paper manufacturing			
Sterling Diagnostic Imaging, Inc	X-ray film production			
Straus Park Development Company	Real estate development			
Coats American, Inc	Textiles Manufacturing			
Totals		<u>\$ 229,649,385</u>		<u>3.85%</u>

Source: Transylvania County Tax Department

TABLE 8

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<b>Fiscal Year 2002</b>		
<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
\$ 31,824,605	3	1.28%
30,802,899	4	1.24%
8,654,034	10	
10,873,456	9	0.44%
11,980,587	7	0.48%
134,642,270	1	5.42%
116,281,790	2	4.68%
26,322,331	5	1.06%
10,989,340	8	0.44%
12,174,392	6	0.49%
<u>\$ 394,545,704</u>		<u>15.53%</u>

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

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>Original Tax Levy for Fiscal Year</b>	<b>Adjustments to Original Tax Levy for Fiscal Year</b>	<b>Adjusted Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>	
				<b>Amount</b>	<b>Percentage of Levy</b>
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	23,629,758	16,440	23,646,198	23,572,169	99.69%
2011	23,592,921	22,635	23,615,556	23,496,491	99.50%

Source: Transylvania County Tax Department

**TABLE 9**

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<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
	<b>Amount</b>	<b>Percentage of Levy</b>
\$ 690,657	\$ 16,041,958	99.86%
615,486	16,565,316	99.92%
457,279	17,269,616	99.96%
303,223	17,317,466	99.97%
368,327	20,075,443	99.91%
137,055	20,712,969	99.93%
94,049	21,637,572	99.94%
108,357	22,357,319	99.96%
54,186	23,626,355	99.92%
	23,496,491	99.50%

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	General Obligation Bonds-Premium	Other Bonds	Installment Financing Contract	Other Bonds				
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	26,702	347,897	2,803,332	-	-	17,737,931	1.74%	572
2010	12,645,000	23,590	1,609,659	2,610,000	-	-	16,888,249	1.63%	543
2011	10,695,000	20,478	1,465,496	2,416,667	-	-	14,597,641		

(1) 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	General Obligation Bonds-Premium	Less: Amounts Available in Debt Service Funds	Total			
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	29,814	-	16,489,814	1.73%	0.41%	535
2009	14,560,000	26,702	-	14,586,702	1.43%	0.35%	471
2010	12,645,000	23,590	-	12,668,590	1.23%	0.21%	407
2011	10,695,000	20,478	-	10,715,478		0.18%	324

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 2010 personal income not available to calculate fiscal year 2011.

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

**UNAUDITED**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 198,857	\$ 284,088	\$ 287,026	\$ 287,748	\$ 297,598
Total Net Debt Applicable to Debt Limit	26,221	24,773	23,257	21,720	20,112
Legal Debt Margin	<u>\$ 172,636</u>	<u>\$ 259,315</u>	<u>\$ 263,769</u>	<u>\$ 266,028</u>	<u>\$ 277,486</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>13.2%</u>	<u>8.7%</u>	<u>8.1%</u>	<u>7.5%</u>	<u>6.8%</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**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$	306,056	\$ 319,586	\$ 331,061	\$ 475,559	\$ 477,794
	18,446	16,849	17,711	16,865	14,598
<b>\$</b>	<b>287,610</b>	<b>\$ 302,737</b>	<b>\$ 313,350</b>	<b>\$ 458,694</b>	<b>\$ 463,196</b>
	<b>6.0%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>3.5%</b>	<b>3.1%</b>

**Legal Debt Margin Calculation for Fiscal Year 2011**

Total Assessed Value	<u>\$ 5,972,425</u>
Debt Limit (8% of Total Assessed Value)	<u>\$ 477,794</u>
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 12,181
Installment Contracts	2,417
Total Amount of Debt Applicable to Debt Limit	<u>\$ 14,598</u>
Legal Debt Margin	<u>\$ 463,196</u>

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

**TABLE 13**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>Population(1)</b>	<b>Personal Income (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Public School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>	<b>Number of Building Permits Issued(5)</b>
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	1,033,164	34,207	3,663	8.60%	111
2011	33,090			3,554	8.80%	86

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	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Transylvania County Board of Education	490	1	4.0%	475	2	3.6%
Transylvania Community Hospital	420	2	3.4%	530	1	4.1%
Transylvania County Government	323	3	2.6%	299	6	2.3%
Brevard College	166	4	1.4%	228	7	1.7%
Ingles Markets, Inc	159	5	1.3%	208	8	1.6%
The Oaks Retirement Home	138	7	1.1%			
Gaia Herbs	134	8	1.1%			0.0%
M-B Industries	132	6	1.1%			
Wal-Mart Associates Inc.	125	10	1.0%	187	9	1.4%
Transylvania Vocational Services	102	9	0.8%			
Brian Center				140	10	
RFS Ecusta				357	3	2.7%
AGFA				320	5	2.5%
Coats North America				328	4	2.5%

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**

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Governmental Activities				
General Government	44	44	45	46
Public Safety	108	108	110	111
Transportation	9	9	9	9
Economic and Physical Development	2	3	4	4
Environmental Protection	2	2	2	2
Human Services	95	96	92	94
Cultural and Recreation	21	21	21	28
Total Governmental Activities	281	283	283	294
Business-Type Activities				
Solid Waste	18	18	18	19
Total Business-Type Activities	18	18	18	19
Total All	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.

TABLE 15

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
47	45	46	48	50	46
113	116	126	131	130	130
9	9	9	9	9	9
3	3	3	3	3	2
2	2	2	2	2	2
92	92	93	94	95	90
<u>30</u>	<u>32</u>	<u>32</u>	<u>27</u>	<u>27</u>	<u>27</u>
296	299	311	314	316	306
<u>18</u>	<u>18</u>	<u>18</u>	<u>19</u>	<u>19</u>	<u>17</u>
18	18	18	19	19	17
<u>314</u>	<u>317</u>	<u>329</u>	<u>333</u>	<u>335</u>	<u>323</u>

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

**UNAUDITED**

<b>Function/Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General government					
Registered Voters	22,359	22,371	22,235	21,406	22,336
Number of Tax Bills (excluding motor vehicles)	30,918	28,979	29,556	29,666	30,017
Public Safety					
Crime Rate/1000 Citizens (calendar year)	13.20	16.14	17.12	13.35	13.71
911 Calls	22,386	23,581	24,506	27,085	28,896
Building Permits Issued	1,278	1,293	1,309	1,238	1,297
Planning					
Subdivisions approved	3	3	3	6	14
Culture and Recreation					
Library Material Circulation	235,058	242,653	241,340	243,966	259,873
Solid Waste					
Tons disposed	24,034	26,365	28,928	28,302	26,732

**TABLE 16**

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<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
21,880	22,203	22,926	23,516	23,224
30,139	30,856	30,650	30,615	30,207
17.04	18.11	18.20	22.42	N/A
30,629	32,585	35,142	44,361	47,944
1,238	1,215	1,036	1,133	1,160
12	12	24	18	3
303,650	314,667	329,208	340,378	352,980
28,090	28,912	23,828	22,328	19,495

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

**UNAUDITED**

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<b>Function/Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Public Safety:					
Sheriff Department					
Stations	1	1	1	1	1
Patrol vehicles	50	54	51	49	54
Cultural and Recreational:					
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

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<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1	1
61	64	64	66	66
1	1	1	1	1
4	4	4	4	6
55	55	55	55	74
7	7	7	7	7
1	1	1	1	1

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