

**TRANSYLVANIA COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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TRANSYLVANIA COUNTY, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

Prepared by the Finance Department

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**TRANSYLVANIA COUNTY
NORTH CAROLINA**

JUNE 30, 2013

BOARD OF COUNTY COMMISSIONERS

MIKE HAWKINS, CHAIR

LARRY CHAPMAN, VICE CHAIR

JASON CHAPPELL

DARYLE HOGSED

PAGE LEMEL

PRINCIPAL OFFICIALS

COUNTY MANAGER
Arthur C. Wilson, Jr.

FINANCE DIRECTOR
Gay V. Poor

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TRANSYLVANIA COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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**INTRODUCTORY
SECTION**

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BOARD OF COMMISSIONERS
Mike Hawkins, Chair
Larry Chapman, Vice-Chair
Jason Chappell
Daryle Hogsed
Page Lemel



COUNTY MANAGER
Arthur C. Wilson, Jr.
828-884-3100
Fax 828-884-3119
828-884-3107
21 East Main Street
Brevard, NC 28712

Transylvania County

November 26, 2013

The Board of Commissioners
Transylvania County
North Carolina

The Comprehensive Annual Financial Report of Transylvania County for the fiscal year ended June 30, 2013, 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 unmodified 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. It should be noted that there are, however, inherent limitations in internal controls. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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.

According to the NC Office of State Budget and Management, the certified population estimate for Transylvania County as of June 30, 2012 was 33,188. 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 and supervising 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 almost 30% of the annual funding for the school system. Including debt service on school bonds, the amount appropriated for education represents 33% of the County's annual budget. Another 46% 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, and Blue Ridge Community College.

The annual budget serves as the foundation for Transylvania County's financial planning and control. Budgets are developed and reviewed for each fund on a departmental basis by expenditure item and approved at either the departmental or functional level. The County Manager submits the budget to the Board of Commissioners before June 1st each year. Budget workshops are then held during which commissioners discuss the key components of the budget and make revisions, if desired, and citizens have the opportunity to ask questions and make comments. A public hearing on the budget follows in mid-June. In accordance with North Carolina General Statutes, the Board of Commissioners adopts the budget no earlier than 10 days after it is presented and no later than July 1st.

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) manufacturing. Other contributors include agriculture, financial services, and utilities. The impact of the Great Recession of 2008 has lingered to varying degrees in these sectors. As of June 30, 2013, the county's unemployment rate was 8.8%, less than the prior year-end's rate of 9.6% and less than the statewide average of 9.3%.

Because of the recreational and cultural opportunities available in the area, travel and tourism has long been a major 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. The County is also home to 14 summer camps that host youth from all over the United States and other countries. Transylvania County has a reputation as an arts destination as well. In addition to concerts presented by the widely-renowned Brevard Music Center, there

are numerous galleries, craft shows, music events, plays, and seasonal festivals that reflect both the old traditions and the new diversity of the community. A creative new website and multi-media advertising campaign launched by the Chamber of Commerce and Tourism Development Authority a few years ago have proven quite successful in expanding awareness of the many area attractions. In 2012 travel and tourism contributed \$80.92 million to the local economy, including \$14.08 million in payrolls and \$6.7 million in tax revenues – or 4.7% more than in 2011. Local occupancy tax receipts that grew by 6.8% from FY 12 to FY 13 indicate that revenues generated by travel and tourism will continue this upward trend.

As might be expected, the human services sector of the county's economy has been more insulated from the national recession than other sectors. The number of people working for health care providers and related facilities has gradually risen to approximately 1,550. With a total headcount of 605 employees including a full-time staff of 435, Transylvania Regional Hospital (TRH) is the county's largest private sector employer and has an annual payroll of \$27 million. In 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. In October 2012 Blue Ridge Community Health Services opened a facility in Transylvania County that offers residents another option for affordable medical, dental, and mental health care, and last summer DaVita, Inc. opened a dialysis center in Brevard. Another significant contributor to the area's financial condition is Brevard College. Founded here in 1853, the four-year liberal arts college boosts the economy both through local purchases and employment opportunities. In the fall of 2012 the college welcomed its largest incoming class in 15 years and currently has 700 students enrolled. Brevard College, Blue Ridge Community College's local campus, and the Transylvania County school system combined employ approximately 700 people. A charter school and a number of church-affiliated schools offer other educational options and additional jobs. Another 400+ individuals work for City and County government. The County anticipates this sector of the economy to remain relatively constant.

Compared to FY 12, Transylvania County's taxable retail sales grew by 7.0%. This is the third consecutive year retail sales have improved, creating some optimism that the recession has ended here. In addition to several pharmacy and grocery store chains, major "big box" stores, fast food franchises, and building and home improvement supply stores, the retail sector includes a number of successful locally owned shops, specialty businesses, restaurants, and art galleries. All but one of the six major business groups tracked by the State reported increases in sales – food, furniture, automotive, general merchandise, and lumber and building supplies. There was a slight decrease in purchases of apparel. Particularly encouraging, though, was the reversal in the decline seen in recent years in sales of construction materials. Based on the most recent labor statistics available on the North Carolina Commerce's Access NC website, 17.9% of the local labor force works in this sector, up slightly from 16.6% a year ago. Retail activity shows signs of continuing to strengthen in the current fiscal year, with first quarter taxable sales in the county 4.9% higher than for the first quarter of FY 13 and growing at a faster pace than the State average of 3.6%.

The construction and real estate development sector was the one most adversely impacted by the economic downturn. Following a peak in FY 06, building activity dropped sharply in FY's 08 and 09, leveled off in FY 10, but then decreased again slightly in FY's 11 through 13. Nevertheless, over the last five years \$154 million in new construction has been permitted and added to the tax base. After growing in FY 11 and holding steady in FY 12, the volume of residential renovations and alterations fell back in FY 13, but the value rose substantially, 36.7%, over the prior year. In the last quarter of 2012, the latest period for which employment records are available, 4.6% of the local work force was directly involved in construction versus 5.0% for the fourth quarter of 2011. 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 September the number of permits issued for new construction is down 24% from the first three months of FY 13. Sales of existing homes over the 12-month period of October 2012 through September 2013, however, have improved by 11.7% over the same period the previous year, suggesting some relief in this sector.

After a decline early in FY 11, the manufacturing component of the local economy appears to have stabilized and is even beginning to see some improvements in the business climate. The industrial base now consists of a number of small manufacturers that collectively employ approximately 600 people. The largest of these, Gaia Herbs with 158

employees, is a vertically integrated grower and producer of organic herbal products. Over the past few years, the company has increased both its product lines and plant capacity. Another manufacturer with a 100+ workforce is M-B Industries, which moved to the County in 1962 and makes metal stampings, wire forms, and precision tooling for a wide array of customers. Some of the area's smaller manufacturers such as Genie Products, Smith Systems, and Sylvan Sports have recently invested in new machinery, equipment, and facilities to meet growing demand for their products. There are also two relatively new members to the County's manufacturing sector: Brevard Brewing Company, a brewpub that opened in April 2012 as a startup venture, and Oskar Blues, a privately-owned craft brewery that opened in December 2012 as an expansion of its Colorado-based operations. Oskar Blues currently employs 40 people but plans to increase that number to 75 to 100 as the facility increases its production and distribution from 40,000 barrels of beer in 2013 up to 85,000 barrels annually in the future. Along with the breweries come opportunities to develop other businesses to convert by-products into agricultural supplements and bio-fuel. As the County seeks to bolster the manufacturing component of the economy, attention is being focused on companies that will create good, long-term jobs, that are environmentally friendly, and that can benefit from the many natural resources available in the County.

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 was completed year before last, 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 continuing to work 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 endeavored to balance citizens' needs and expectations for services with taxpayers' ability to fund them. Between FY 08 when the recession began and FY 13, budgeted spending from the General Fund was reduced by 4.9%. During FY 09, in anticipation of revenue shortfalls beyond its control, County management scrutinized costs that were within its control and cut spending by 3%. As the recession lingered, Commissioners passed a budget for FY 10 expenditures that was 7.4% below the prior year's original budget and a budget for FY 11 that allowed for just 1.6% growth in spending. For FY 12, with only a gradual recovery forecast and ongoing concerns about State and federal funding, the Board again reduced the budgeted General Fund expenditures, this time by 1.7%. FY 13 appropriations included a modest 1.5% increase in General Fund expenditures, driven by a 3.0% raise for employees (the first since 2008) and funding for overdue capital items. The FY 14 budget, however, reflects the recognition that the County can no longer delay investing in services and amenities that will not only benefit residents but also entice companies to locate in the community, expand employment opportunities, and further enhance and preserve the quality of life here for future generations. Consequently, FY 14's budget includes a tax increase and drawdown of available fund balance to provide additional funding for the local school system, critical emergency and human services, improved recreational facilities, and new economic development initiatives. Although due to these priorities, the FY 14's budget exceeds the prior years' by 11.1%, operating County government more efficiently and economically continues to be a goal that is actively and consistently promoted throughout all levels of the organization.

MAJOR INITIATIVES

For The Year:

Animal Shelter

In July of 2012 the Board of Commissioners approved a project budget of \$1.145 million and awarded a contract for the construction of a new animal shelter to replace a facility that was over 50 years old. The architectural plans for the new shelter incorporated 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 former shelter, the facility was designed to meet Animal Welfare Act shelter standards and was 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 has reception and viewing areas segregated from animal control areas. In August 2013, almost a year to the day after the groundbreaking, Transylvania County held a grand opening ceremony for the new animal shelter.

Funding for the project was provided through a public/private partnership. The County contributed \$750,000 that had previously been designated in the General Capital Projects Fund for this purpose; the City of Brevard pledged \$100,000; and a non-profit organization named the Friends of the Animal Shelter agreed to make up the balance through private donations. Although the project has not formally been closed out at this time, the actual cost is expected to come in well under budget.

Court Facilities

Following the relocation in May 2012 of non-court related functions from the Courthouse, the Board of Commissioners turned its attention to mitigating space needs for court-related personnel. The areas vacated by Tax Administration and Register of Deeds were renovated during the latter half of the fiscal year to accommodate the Administrative Offices of the Court, relieving the cramped conditions for both employees and the public and thereby improving operating efficiencies and customer service. Moving the administrative functions freed up additional room for adult probation and juvenile delinquency prevention services and for the Public Defender's Office, previously located in space leased by the County.

Funding for the \$219,000 project, which included new furniture and fixtures as well as remodeling and structural work, came from General Fund balance restricted for Court Facilities.

Economic Visioning Process

In February of 2013 the Board of Commissioners received a comprehensive report from a consultant engaged earlier in the fiscal year to lead an Economic Visioning process for the County. The prior spring the Board had convened an Economic Development Task Force to bring together the municipalities and other local organizations involved in economic development to streamline and unite efforts under a common vision for ongoing economic development. In conjunction with the task force, the County contracted with the consultant to objectively analyze the existing economic development structure and initiatives, assess the county's economic resources and constraints, and propose specific action plans to attract new business investment, create sustainable high-quality jobs, and raise community awareness and support for the economic development process. The resulting report, "Economic Development Readiness Assessment for Transylvania County," was very well received not only by the Board and its economic development partners but also by the community at large. After a thorough evaluation of the area's current economic climate, the consultant provided the following recommendations:

- Establish a new public-private economic development organization through the merger of numerous agencies working on economic development to pool resources and eliminate duplicative efforts and to leverage public sector funding with private sector investments

- Develop a business park with water, sewer, and telecommunications infrastructure and pre-approved environmental, building, and other regulatory permits
- Launch a marketing campaign to create and advertise a brand/identity for the County, select target markets that would be a good fit for the community, and then develop specific marketing tools and strategies to attract those businesses

Funding for the Economic Visioning study was appropriated from unassigned General Fund balance.

For The Future:

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 alleviate 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 deficiencies. The needs of the first two of these have now been resolved and an interim solution put in place to mitigate some of the concerns in the Courthouse. 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 financially prudent at this time. Instead the Commissioners are considering options to extend the life and functionality of the existing building and have hired an architect to study how the Courthouse could be expanded into an adjacent area currently occupied by the County's Administration Offices. Results of the study are expected within the next few months. An Invitation for Bids will go out in early December for renovations to convert the County's old library into an Administration Building which will contain Commissioners' chambers and meeting rooms as well as offices for staff.

Funds for these projects have been set aside in the General Fund and in the General Capital Projects Fund.

Recreation

During FY 14 the County will resume work on a community park project near Rosman. The site has 22 acres leased to the County for 30 years for this purpose. The park fills 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. Based on community and County staff input, the plan includes two baseball/softball fields and one multi-purpose field for other athletic events; basketball and volleyball courts; a playground; a canoe portage; a picnic shelter; a walking trail; a handicap-accessible sidewalk; and a restroom and concession facility. The project was divided into five phases. Phase I - which consisted of site grading and putting in erosion control measures; graveling three parking lots; and building fields for baseball/softball and soccer/football - was completed in August 2011. Backstops and outfield fencing - components of Phase II - were installed in time for the 2012 spring baseball season. Thanks to a recently awarded Parks and Recreation Trust Fund grant that provides matching funds, the County will be able to complete Phases II through IV in FY 14.

The cost estimate for the entire community park project is \$1.1 million. So far, the County has spent just over \$275,000 on Phases I and II and will invest \$181,350 from general funds for the remainder of Phase II and construction of Phases III and IV.

Economic Visioning Process

Early in FY 14 the Board of Commissioners began implementing recommendations from the Economic Visioning study by appointing two task forces. The first, the Independent Economic Development Task Force, consists of seven members with experience in business, management, and economic development. As stated in the public notice of appointments, their responsibilities are (1) “to make a recommendation on an organizational structure for economic development in Transylvania County” and (2) to review the current mission, vision and brand statements and modify as necessary to grow and attract jobs paying a living wage that promotes our quality of life and place.” The second group, the Product Development Task Force, consists of nine members whose responsibilities are (1) to identify a 50-100 acre parcel as a potential location for a business park, (2) to develop a recommendation on how to control the property, (3) to devise a plan to extend utilities to the site, including cost and time estimates, and (4) to analyze the feasibility and desirability of a virtual building.

For FY 14 the Board of Commissioners appropriated \$185,000 from General Fund balance assigned for Economic Development for the task forces to accomplish their objectives and another \$600,000 from unassigned fund balance for economic development including the potential establishment of an industrial park and supporting infrastructure.

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 the past the County, in conjunction with the Economic Development Advisory Board, prepared an Economic Development Strategic Plan on a three-year cycle. As stated in the plan, its purpose was 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 was reviewed annually, quantifiable results measured against goals, and County services and activities adjusted, if needed, to increase effectiveness. The last strategic plan covered the period 2010-2012. With many of the same goals but a broader scope, the new Economic Visioning Process has replaced the strategic plan as the County’s primary economic development tool.

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 (CAFR) for the fiscal year ended June 30, 2012. (This was the 26th 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 CAFR. 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 CAFR 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 a reliable 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. 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 to 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



Government Finance Officers Association

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

Presented to

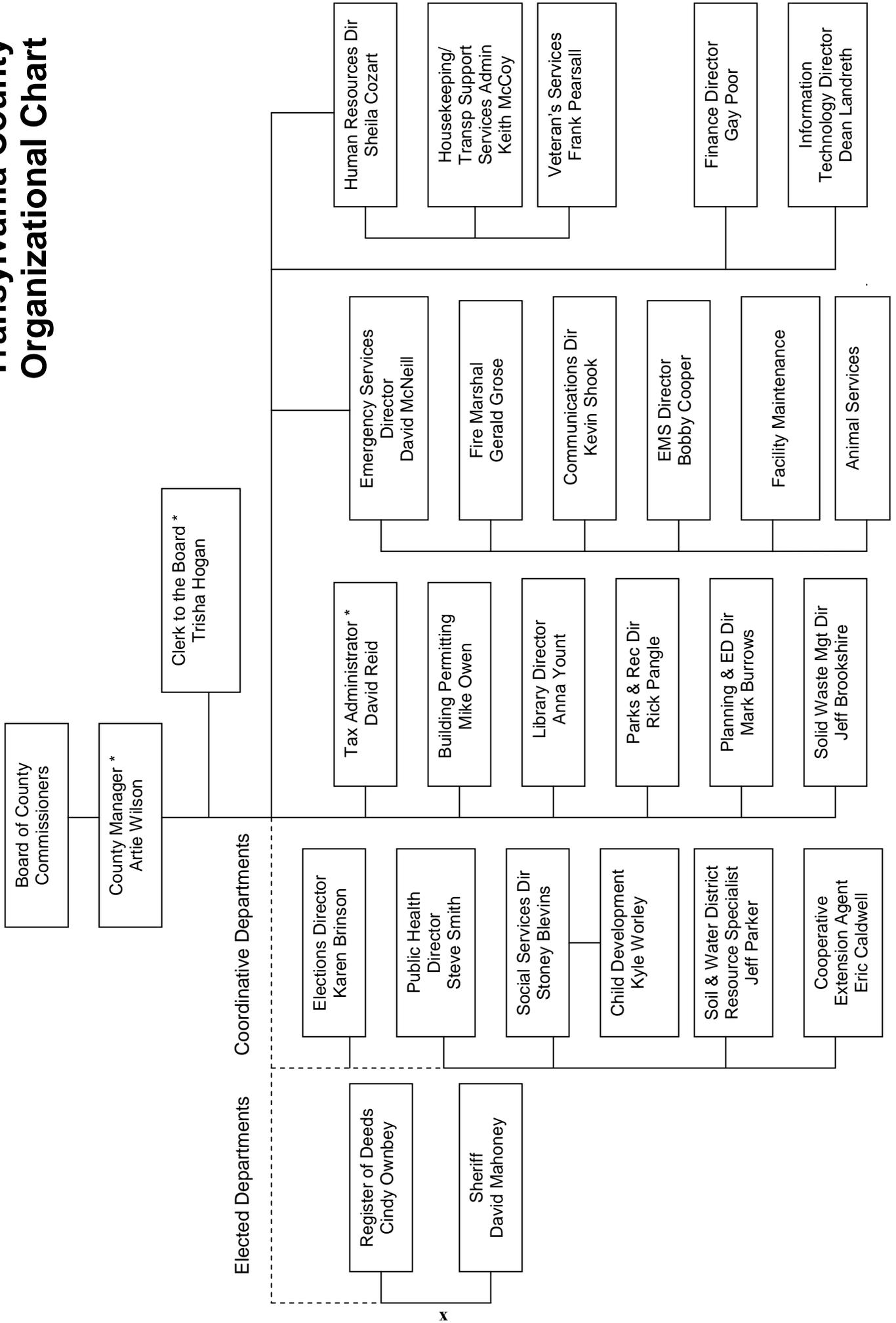
**Transylvania County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Transylvania County Organizational Chart



* Appointed by County Commissioners

**FINANCIAL
SECTION**

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Transylvania County, North Carolina

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Transylvania County, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2013 the County adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officer's 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 the 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 any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Transylvania County's basic financial statements. The introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical table 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, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and; accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of Transylvania County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Transylvania County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 26, 2013

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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, 2013. 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 and deferred inflows of resources at the end of fiscal year 2013 by \$58,113,338 (*net position*). Of this amount, \$12,353,153 (21.3 percent) is unrestricted and, therefore, may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,546,095 (4.6%), with \$2,502,599 attributable to governmental activities (net of a prior period adjustment) and \$43,496 attributable to business activities.
- At the close of the fiscal year, the County's governmental funds reported combined fund balances of \$24,384,669, an increase of \$131,971 over the prior year. Approximately 17.9 percent of the balance, or \$4,359,809, is restricted or non-spendable. Another 31.7 percent, or \$7,722,051, is either committed or assigned for specific purposes, leaving the remaining \$12,302,809, 50.4 percent, unassigned.
- The County's General Fund balance grew by \$925,068 to finish the year at \$21,963,860. The unassigned amount of this balance is \$12,302,809, which represents 30.7 percent of total General Fund expenditures and transfers out for the fiscal year.
- The County achieved an ad valorem tax collection rate of 99.68 percent in fiscal year 2013, versus 99.63 percent the previous year. Fiscal year 2012's rate was the highest in the State, well above the state-wide average of 97.29 percent.
- As of June 30, 2013, the County had long-term outstanding debt of \$10,168,063, down \$2,197,890, or 17.8 percent, from the prior year. The only new debt assumed by the County during fiscal year 2013 was a five-year capital lease for equipment for emergency medical services.
- The County maintained the A1 bond rating it has held since 2008 from Moody's Investors Services and the A+ rating it received from Standard and Poor's in June of 2011, when the rating was upgraded from an A based on an evaluation of the strength of the County's financial position.

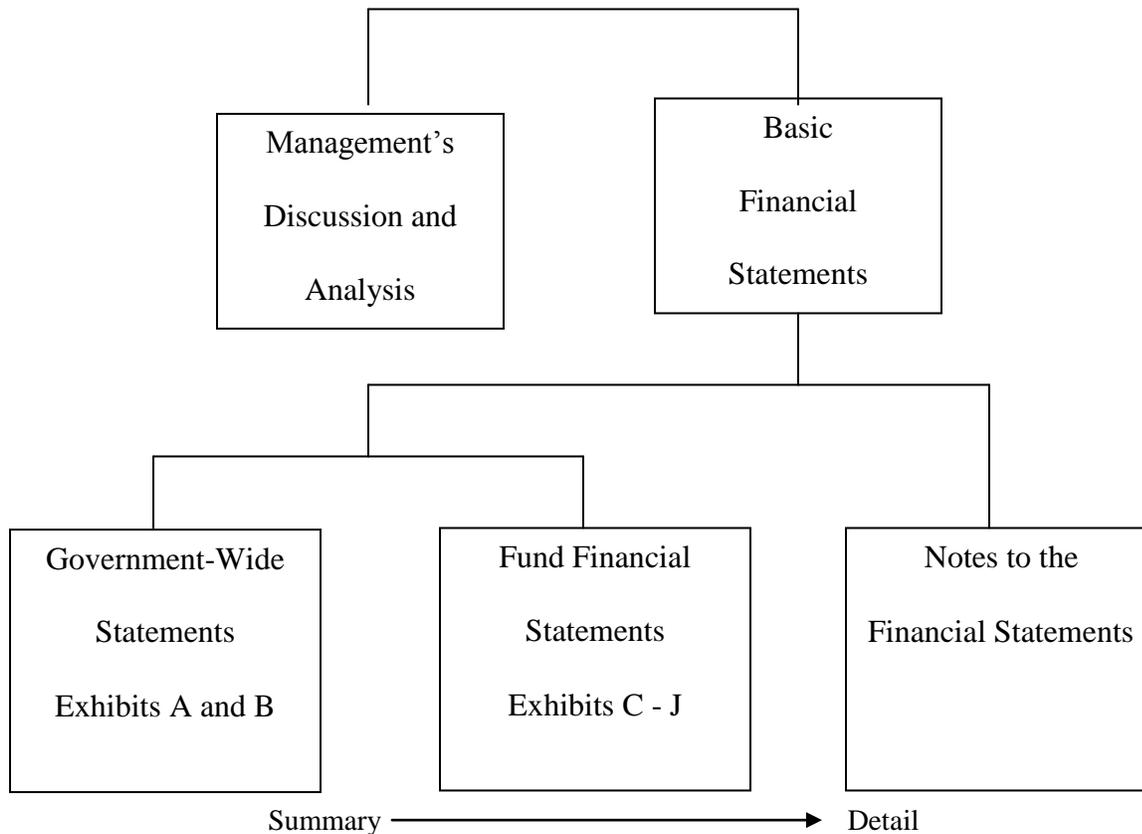
Overview of the Financial Statements

This discussion and analysis is 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 in a manner similar 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. 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 position at the end of the year and how they have changed during the year. The *Statement of Net Position* (Exhibit A) shows the County’s total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, with the difference between the two reported as net position. Net position is divided into three categories based on availability for funding ongoing obligations: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The *Statement of Activities* (Exhibit B) shows what caused the County’s net position 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 the related cash flow may not occur 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, culture and recreation, and general administration. These services are financed predominantly through property taxes, sales taxes, and State and federal grant monies. The only **business-type activity** that Transylvania County engages in is the operation of a landfill, which is financed primarily 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 services in the coming year. The relationship between governmental activities (reported in the *Statement of Net Position* 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 classifies components of fund balance according to the constraints placed on how resources within the fund balance may be spent and the sources of those constraints. In descending order of limitations on use, the five 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 those capital projects funds 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 Position*, (2) the *Statement of Revenues, Expenses, and Changes in Fund Net Position*, 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 a Miscellaneous Agency 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 supplemental information beginning on page 62 about funding of Transylvania County's pension and other post-employment benefit obligations. The next section provides more detailed information about the major and nonmajor governmental, proprietary, and agency funds, as well as an analysis of the current tax levy and schedule of ad valorem taxes receivable. The final section of the report contains statistical

tables, which present trends for financial performance and resources and other key economic, demographic, and operating indicators.

Government-Wide Financial Analysis

Total net position, and particularly changes in net position over time, may serve as an indicator of a government's financial condition. As of June 30, 2013, Transylvania County's government-wide assets exceeded liabilities and deferred inflows of resources by \$58,113,338 - \$2,546,095 more than the prior year. This growth reflects a surplus of \$2,596,873 resulting from financial activities during fiscal year 2013, less a \$50,778 prior period adjustment related to a change in reporting requirements for deferred bond issuance costs. Total assets increased by \$341,635, led by an addition of \$199,839 in accounts receivable and \$154,580 in unrestricted cash and investments. Total liabilities, in contrast, decreased by \$2,352,481 primarily because of the retirement of \$2,197,890 in long-term debt. Deferred inflows of resources, which consisted of prepaid property taxes and, like liabilities, must be deducted from assets to determine net position, rose by \$110,024.

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

	Governmental		Business-type		Government-wide	
	Activities		Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 26,109,846	\$ 26,231,426	\$ 5,953,172	\$ 5,556,129	\$ 32,063,018	\$ 31,787,555
Capital assets	39,929,358	39,607,422	3,603,550	3,859,314	43,532,908	43,466,736
Total assets	\$ 66,039,204	\$ 65,838,848	\$ 9,556,722	\$ 9,415,443	\$ 75,595,926	\$ 75,254,291
Long-term liabilities outstanding	\$ 12,205,046	\$ 14,312,351	\$ 3,409,952	\$ 3,311,551	\$ 15,614,998	\$ 17,623,902
Other liabilities	1,642,387	1,947,349	77,182	77,800	1,719,569	2,025,149
Total liabilities	\$ 13,847,433	\$ 16,259,700	\$ 3,487,134	\$ 3,389,351	\$ 17,334,567	\$ 19,649,051
Deferred inflows of resources	\$ 148,021	\$ 37,997	\$ -	\$ -	\$ 148,021	\$ 37,997
Net position:						
Net investment in capital assets	\$ 37,837,719	\$ 37,350,168	\$ 3,603,550	\$ 3,859,314	\$ 41,441,269	\$ 41,209,482
Restricted	4,318,916	4,211,048	-	-	4,318,916	4,211,048
Unrestricted	9,887,115	7,979,935	2,466,038	2,166,778	12,353,153	10,146,713
Total net position	\$ 52,043,750	\$ 49,541,151	\$ 6,069,588	\$ 6,026,092	\$ 58,113,338	\$ 55,567,243

At \$41,441,269, net capital assets are the largest component – 71.3 percent – of the government-wide total net position 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. For the County as a whole, net capital assets grew by \$231,787 as current year investment exceeded depreciation due mainly to the construction of a new animal shelter.

Another portion of the County's net position, \$4,318,916, or 7.4 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. Stabilization funds required by State statute account for \$2,998,828 of this classification, which also includes fire district and occupancy taxes and moneys received for court facilities, E911 Communications, and Register of Deeds enhancements. While some

funds were used during the fiscal year for their specified purposes such as renovations to the Courthouse, restricted net position overall increased by \$107,868.

The remaining government-wide balance in net position, \$12,353,153 – 21.3 percent – is unrestricted and therefore, available to meet the County's ongoing obligations. As a result of fiscal year 2013 transactions, the unrestricted net position grew by 21.7 percent, or \$2,206,440. The \$1,907,180 increase in unrestricted net position for governmental activities is the combination of the \$2,553,377 surplus from operations less the investment of \$487,551 in capital assets, net of depreciation; the net addition of \$107,868 to restricted funds; and the \$50,778 prior period adjustment. The \$299,260 increase in unrestricted net position for business activities is the result of the release of \$255,764 from net capital assets plus the surplus of \$43,496 reported for fiscal year 2013.

Transylvania County's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,377,088	\$ 3,091,115	\$ 1,260,906	\$ 1,368,697	\$ 4,637,994	\$ 4,459,812
Operating grants and contributions	6,975,417	6,596,670	19,967	21,043	6,995,384	6,617,713
Capital grants and contributions	97,466	80,163	-	-	97,466	80,163
General revenues:						
Property taxes	26,009,209	25,964,830	-	-	26,009,209	25,964,830
Other taxes	7,116,889	6,669,204	-	-	7,116,889	6,669,204
Grants and contributions unrestricted to specific programs	359,204	382,922	-	-	359,204	382,922
Interest	55,827	47,970	1,353	1,662	57,180	49,632
Total revenues	\$ 43,991,100	\$ 42,832,874	\$ 1,282,226	\$ 1,391,402	\$ 45,273,326	\$ 44,224,276
Expenses:						
General government	\$ 4,427,635	\$ 5,083,686	\$ -	\$ -	\$ 4,427,635	\$ 5,083,686
Public safety	13,441,859	12,979,401	-	-	13,441,859	12,979,401
Transportation	448,838	450,591	-	-	448,838	450,591
Economic and physical development	974,391	959,314	-	-	974,391	959,314
Human services	8,316,088	8,169,147	-	-	8,316,088	8,169,147
Cultural and recreation	1,965,938	1,847,675	-	-	1,965,938	1,847,675
Education	10,971,497	12,201,671	-	-	10,971,497	12,201,671
Interest on long-term debt	456,240	551,526	-	-	456,240	551,526
Landfill	-	-	1,673,967	1,708,329	1,673,967	1,708,329
Total expenses	\$ 41,002,486	\$ 42,243,011	\$ 1,673,967	\$ 1,708,329	\$ 42,676,453	\$ 43,951,340
Increase in net position before transfers	\$ 2,988,614	\$ 589,863	\$ (391,741)	\$ (316,927)	\$ 2,596,873	\$ 272,936
Transfers	\$ (435,237)	\$ (449,009)	\$ 435,237	\$ 449,009	\$ -	\$ -
Increase in net position	\$ 2,553,377	\$ 140,854	\$ 43,496	\$ 132,082	\$ 2,596,873	\$ 272,936
Net position, July 1	\$ 49,541,151	\$ 49,400,297	\$ 6,026,092	\$ 5,894,010	\$ 55,567,243	\$ 55,294,307
Prior period adjustment	\$ (50,778)	\$ -	\$ -	\$ -	\$ (50,778)	\$ -
Net position, June 30	\$ 52,043,750	\$ 49,541,151	\$ 6,069,588	\$ 6,026,092	\$ 58,113,338	\$ 55,567,243

Governmental activities – At the end of fiscal year 2013, the County's governmental activities reported a net position of \$52,043,750 - \$2,502,599, or 5.0 percent higher than the prior year. Although the increase in revenues highlighted on page 9 and reductions of costs in some areas contributed to this surplus, a more significant factor was 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 \$4,199,398 dropped directly to net position. 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 in the budget for governmental funds. With no revenues budgeted to cover them, they reduced net position by \$1,774,743. Please refer to Exhibit E on page 23 for a complete list of reporting differences and their impact.

The total net position grew by \$2,412,523 more in fiscal year 2013 than it had in the prior year. Compared to fiscal year 2012's results, revenues were \$1,158,226 higher and expenses were \$1,240,525 lower. Program revenues rose by \$682,023, with \$396,050 attributable to grants and contributions and \$285,973 attributable to charges for services. Additional funding for Social Services programs and the greater use of education lottery proceeds accounted for most of increase in grants and contributions. The majority of the increase in charges for service was derived from ambulance fees, building and permitting fees, and jail fees for housing inmates for the State Misdemeanant Confinement Program and for other counties. General revenues, likewise, rose by \$476,203, led by a 5.3 percent improvement in sales taxes that generated \$278,876. Expenses in fiscal year 2013 were less due primarily to a \$1,230,174 decrease in spending for education versus the prior year when the County completed a \$1.3 million Career and Technical Education facility. The decrease represented a return to the normal level for appropriations for the local school system. Abnormally favorable experience with health insurance claims was responsible for approximately 75 percent of the \$656,051 reduction in general government expenses. Most of the remainder resulted from a non-recurring adjustment made in fiscal year 2012 to the accrual for compensated absences. In all other functions, except transportation where there was a headcount reduction, fiscal year 2013 expenses exceeded the prior year's by a total of \$740,986. A three percent pay raise given all full-time employees was the single greatest contributing factor. In addition, operating expenses in public safety rose by almost \$250,000, due in part to the higher inmate population and higher utility costs. Interest on long-term debt fell by \$95,286 as the County continues to redeem its general obligations bonds. The transfer to business-type activities was also somewhat lower - by \$13,772 - than in the previous year.

In fiscal year 2013, charges for services, grants, and contributions covered 25.5 percent of the expenses of governmental activities and comprised 23.8 percent of total revenues. In fiscal year 2012, these external revenue sources supported 23.1 percent of the cost of governmental activities and made up 22.8 percent of total revenues.

Business-type activities – Transylvania County's business-type activities also reported an increase in net position – of \$43,496 or 0.7 percent - to close the year with a balance of \$6,069,588. The factors that generated this addition are discussed on page 10.

The growth in net position for business-type activities in fiscal year 2013 was \$88,586 less than the previous year's, primarily because of a \$107,791 decrease in charges for services. Following a substantial improvement of 10.7 percent in fiscal year 2012, solid waste tonnage dropped off by 7.6 percent. Reductions in expenses partially offset the unfavorable impact of the reduction in volume. Through tipping and recycling fees, users of the solid waste facility paid 79.8 percent of operating expenses (excluding closure and post-closure care costs) in fiscal year 2013, versus 86.9 percent in fiscal year 2012, and contributed over 98.0 percent both years to the landfill's total operating revenues. Transfers from governmental activities supplemented these revenues. Please refer to the analysis of the Proprietary Fund on page 13 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, unassigned fund balance can be a meaningful measure of a government's net resources available for spending during the next fiscal year.

The County's governmental funds types are divided into two categories: major and nonmajor. The General Fund is always considered a major fund; no other funds met the criteria for this classification in fiscal year 2013. The nonmajor governmental funds consist of 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 \$21,963,860, with \$40,893 non-spendable and \$2,879,695 restricted for stabilization by State statute. Another \$407,887 is restricted by general statutes for technological enhancements in the Register of Deed's office (\$121,965), for court facilities (\$91,467), and by grant requirements and other external restrictions. Of the remainder, \$2,012,140 is committed by the Board of Commissioners for post-employment health benefits for employees (\$1,279,340) and pension payments for retired law enforcement officers (\$732,800). An additional \$4,320,436 is assigned for specific uses, including \$1,311,619 for fiscal year 2014 expenditures, \$1,019,523 for employee health insurance, \$978,731 for accrued vacation, and \$500,000 for space needs. The rest of the fund balance, \$12,302,809, or 56.0 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 30.7 percent and total fund balance represents 54.8 percent of expenditures and transfers for fiscal year 2013. The comparable figures for fiscal year 2012, respectively, are 29.4 percent and 53.6 percent.

The General Fund balance grew during fiscal year 2013 by \$925,068 (4.4 percent), versus an increase of \$711,292 (3.5 percent) in fiscal year 2012. Operations generated a surplus of \$1,614,031. Actual revenues exceeded projections, with the majority of funding sources greater than budgeted as explained further on the next page. Of even more significance, though, were actual expenditures, particularly for compensation and benefits that came in substantially below budgeted levels. Plan design changes to the County's health insurance coverage combined with improved claims experience produced savings of \$421,566, and salaries and fringes were nearly \$295,000 less than anticipated due to retirements and resignations throughout the organization. In addition, department heads continued to be conservative in their use of funds and spent approximately \$200,000 less than appropriated on items such as supplies, travel and training, and outside services. Lower costs for human services programs and unspent grant funds had a favorable impact on spending as well. This operating surplus, however, was reduced \$688,963 by other financing transactions, which included a \$435,237 transfer to the Solid Waste Fund and a \$218,703 transfer to the Capital Projects Fund for renovations to court facilities. Because of the net gain of \$925,068, the County avoided using reserves as originally planned and was instead able to build fund balance.

On the other hand, the combined fund balances of the nonmajor governmental funds dropped by \$793,097 to a total of \$2,420,809. The net decrease was attributable primarily to the withdrawal of funds from the General Capital Projects Fund for the new animal shelter. The remaining balance of \$1,121,482 in this fund is committed for Information Technology enhancements and renovations to County buildings. The

County's only other Capital Projects Fund, the Qualified Zone Academy Bond Fund, reported a restricted ending balance of \$25,479. The balances in the special revenue funds increased overall by \$115,049 to end the year at \$897,488, consisting of \$471,357 in the Occupancy Tax Fund; \$111,671 in the Fire Districts Fund; \$312,820 in the Emergency Telephone System Fund; and \$1,640 in the Community Development Block Grant Fund. Thanks to the growing tourism industry, the Occupancy Tax Fund balance rose by \$95,007; changes in the other funds were relatively insignificant. All of the balances in the special revenue funds are restricted for the purposes for which they were collected. The \$376,360 ending balance in the permanent fund, which was established for the maintenance of a County recreation facility, was slightly lower than the prior year's, reflecting the use of funds for an evaluation of the Silvermont mansion and grounds and development of a preservation plan. A portion of this balance is restricted; the remainder is assigned. Of the combined fund balances of the nonmajor governmental funds; 42.6 percent is restricted, 46.3 percent is committed, and 11.1 percent is assigned.

As of June 30, 2013, Transylvania County's governmental funds reported a total ending balance of \$24,384,669 - \$131,971 more than the prior year.

General Fund Budgetary Highlights: During the fiscal year, Transylvania County found it necessary to revise the General Fund budget for several reasons, most notably to: (1) recognize new funding from external sources and other funds, (2) withdraw funds from reserves for designated uses, and (3) roll forward appropriations made in fiscal year 2012. The amendments approved in fiscal year 2013 increased the General Fund's original budget by \$1,343,352, or 3.3 percent, and included adjustments made for the following:

- \$309,266 received in additional funding and grants, including \$210,007 for various social services and public health programs
- \$203,067 collected in additional fees for services, such as housing inmates in the State Misdemeanant Confinement program and from other counties (almost \$100,000), provision of school resource officers, Register of Deeds transactions, and parks and recreation activities
- \$218,703 appropriated from fund balance restricted for court facilities to renovate the courthouse to allow more space for court-related functions
- \$152,210 withdrawn from the fund balance assigned to compensated absences for vacations cashed out in lieu of leave taken or paid out to terminated employees

Compared to the final budget, actual fiscal year 2013 operating revenues were favorable by \$1,202,070, or 3.0 percent. Local option sales taxes exceeded projections by \$470,390, with \$267,960 attributable to Medicaid Hold Harmless funds and \$202,430 to sales taxes, which improved more than the 2 percent anticipated. Restricted intergovernmental revenues were \$434,851 over budget, driven by increases in federal funding for administration of social services programs (\$241,048), federal support for foster care, and Medicaid cost settlements. Fees for services provided by the County such as ambulance transports, housing inmates from other jurisdictions, immunizations, and environmental health tests generated \$252,681 more than expected. In spite of higher current year collections, ad valorem tax revenues overall ended \$3,175 below budget due to lower receipts of prior year property taxes and interest. No significant variances were reported in any of the other revenues sources, which surpassed budget by a combined total of \$47,323.

Actual expenditures finished the year \$1,260,497, or 3.1 percent, below the final budget, mainly because of lower than expected spending for general government, human services, and public safety. As mentioned earlier, health insurance related costs were considerably less than estimated, which accounted for over half of the \$698,176 in unused appropriations for general government. Of the \$288,905 favorable variance in human services, \$106,658 may be traced back to reductions in payments for social

services programs, primarily special assistance for adults and subsidized child care. Most of the remainder - approximately \$100,000 – resulted from lapsed salaries following retirements and resignations. Lower personnel costs in the sheriff’s office and communications, likewise, helped keep public safety expenditures \$163,071 below budget. Lapsed salaries and unspent grant funds made up the bulk of the differences between actual and budgeted expenditures in transportation, economic and physical development, and culture and recreation. As noted above, miscellaneous savings realized throughout County departments also contributed to the positive results. Actual educational expenditures and debt service were on budget.

Because of these favorable operational results, 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. As mentioned earlier, the Solid Waste Fund gained \$43,496 in net position during fiscal year 2013. This growth reflected the net impact of the \$435,237 transfer from the General Fund, an operating loss of \$413,061, and miscellaneous revenues of \$21,320. Actual operating revenues fell \$110,544, or 8.0%, short of fiscal year 2013 projections as solid waste tonnage dropped below the improved level attained in fiscal year 2012. Actual operating expenses were slightly favorable to budget mainly because of lower diesel prices and contract services that were planned but not needed during the year. However, the recognition of \$303,679 in depreciation and \$93,095 for landfill closure and post-closure costs added significantly to the operating loss. While only \$28,803 of the \$435,237 transfer from the General Fund was originally intended to supplement landfill revenues, \$391,741 had to be used for this purpose, leaving the remaining \$43,496 to be added to net position.

Capital Asset and Debt Administration

Capital assets: Transylvania County’s capital assets for its governmental and business–type activities as of June 30, 2013, totaled \$43,532,908 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, furniture and fixtures, park facilities, and vehicles. During fiscal year 2013, the County invested \$2,007,287 in capital assets, which included the following major items:

- Constructed a new animal shelter and purchased furniture, fixtures, and equipment for the facility - \$1,009,994 (project in progress at year-end)
- Renovated the courthouse - \$156,388 (project in progress at year-end)
- Purchased replacement vehicles for the sheriff’s office, emergency medical services, animal control, public health, social services, transportation, and administration - \$408,804
- Purchased equipment for emergency medical services - \$135,007

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,369,585	\$ 3,369,585	\$ 1,069,096	\$ 1,069,096	\$ 4,438,681	\$ 4,438,681
Landfill Cells	-	-	1,810,482	1,977,360	1,810,482	1,977,360
Buildings	30,764,824	31,585,202	35,150	46,252	30,799,974	31,631,454
Improvements to buildings and land	969,032	986,486	254,006	262,542	1,223,038	1,249,028
Machinery and equipment	2,185,030	2,303,620	357,779	402,322	2,542,809	2,705,942
Vehicles and motor equipment	1,263,637	1,165,894	15,223	39,928	1,278,860	1,205,822
Construction in progress	1,377,250	196,635	61,814	61,814	1,439,064	258,449
Total	\$ 39,929,358	\$ 39,607,422	\$ 3,603,550	\$ 3,859,314	\$ 43,532,908	\$ 43,466,736

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, 2013, Transylvania County had total bonded debt outstanding of \$8,076,424, 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	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 6,885,000	\$ 8,770,000	\$ -	\$ -	\$ 6,885,000	\$ 8,770,000
General Obligation Bonds-Premium	14,254	17,366	-	-	14,254	17,366
Qualified Zone Academy Bonds	203,836	239,851	-	-	203,836	239,851
Qualified School Construction Bonds	973,334	1,081,482	-	-	973,334	1,081,482
Total Bonded Debt Outstanding	8,076,424	10,108,699	-	-	8,076,424	10,108,699
Installment Financing	2,030,001	2,223,334	-	-	2,030,001	2,223,334
Capital Lease	61,638	33,920	-	-	61,638	33,920
Total	\$ 10,168,063	\$ 12,365,953	\$ -	\$ -	\$ 10,168,063	\$ 12,365,953

Transylvania County's total debt decreased by \$2,197,890 – 17.8 percent – during the year. The County paid \$193,333 on an installment financing agreement for the public safety facility and retired \$2,032,275 in debt for general obligation, qualified zone academy, and qualified school construction bonds, all of which were issued to finance major school capital projects. The only new debt assumed during fiscal year 2013 was a five-year capital lease for \$45,248 for equipment for emergency medical services. Payments applied during the year to this and a similar capital lease totaled \$17,530.

As mentioned in the financial highlights section of this document, Standard and Poor's raised the County's bond rating in June of 2011 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 \$469,904,998, versus the County's current outstanding debt of \$10,168,063.

Additional information regarding Transylvania County's long-term debt can be found in note 3. B. of the Notes, beginning on page 52 of this report.

Economic Factors and Next Year's Budgets and Rates

- March 2013's unemployment rate for Transylvania County was 9.8 percent, compared to the State rate of 8.9 percent and the County's rate of 10.2 percent in March 2012.
- The seven month total of sales taxes received by the County through mid-April 2013 was 4.7 percent higher than the total for the same period in fiscal year 2012.
- During the first nine months of fiscal year 2013, new construction declined overall from fiscal year 2012 levels, with the number of permits for both residential units and commercial buildings dropping by a total of 15.5%.
- Due to the sluggish level of activity in construction and real estate development, no growth was projected in the property tax base for fiscal year 2014.

These factors, along with uncertainty about State and federal funds, were taken into consideration in the development of Transylvania County's fiscal year 2014 budget. However, as mentioned in the transmittal letter, the need to invest in the community to attract new businesses was also taken into consideration. Consequently, the final budget included not only adequate funding to preserve the variety and quality of services offered by local government, but also funding to begin implementing a three-year plan to provide amenities and incentives to promote economic development in the county.

Governmental Activities: The Board of Commissioners adopted a General Fund budget for fiscal year 2014 of \$44,371,558, versus fiscal year 2013's original budget of \$39,946,404.

Revenues – Total revenues from operations and other financing sources for fiscal year 2014 were projected to be \$4,125,212, or 10.6 percent, higher than fiscal year 2013's original budget. The majority of this increase was attributable to raising the ad valorem tax rate from \$.3949 to \$.4369 per \$100 valuation, to generate \$2,520,000 more in property tax receipts. In addition, with the implementation of the State's Tax and Tag Together system, the County budgeted for the collection of 16 months' worth of motor vehicle taxes in fiscal year 2014, creating a one-time boost of approximately \$300,000. Based on

recent upward trend, it was assumed that sales taxes would continue to improve and exceed the fiscal year 2013 level by \$336,000, with an additional \$201,600 expected to come from an increase in Medicaid Hold Harmless funds, per State calculations. Intergovernmental revenues were also estimated to go up by approximately \$349,000, though the major contributors - greater drawdowns of lottery proceeds and a Parks and Recreation Trust Fund (PARTF) grant – will be offset by associated expenditures. Led by ambulance transport and jail fees, charges from sales and services were likewise projected to grow by \$367,000. Compared to fiscal year 2013's actual revenues, fiscal year 2014's revenues excluding transfers from other funds are estimated to be 5.6 percent higher.

Expenditures – Budgeted expenditures approved for fiscal year 2014, including transfers, were 11.1 percent, \$4,425,154, more than fiscal year 2013's original budget. To achieve the objectives mentioned above, the fiscal year 2014 budget included \$785,000 for economic development initiatives. The budget also addressed staffing shortages in functions in which escalating demand for services has strained the ability to provide them. Just under \$500,000 was appropriated for eleven new positions, job reclassifications, and additional part-time hours throughout the organization, and \$300,000 was allocated for merit increases for full-time employees. In anticipation of rising medical care costs, the County estimated \$305,000 more would be required to meet health insurance obligations. Approximately a third of this amount, however, was designated for an Employee Wellness Center, which is expected to reduce claims costs in the future. The fiscal year 2014 budget also allowed \$287,000 more for capital outlays, the largest of which was for the next phase of a park partially funded by the PARTF grant. Due mainly to the capital needs of the local school system and Blue Ridge Community College, appropriations for Education rose by \$1,459,000, including lottery proceeds. Because of these factors plus \$150,000 worth of State-mandated changes, \$148,000 for replacement computers and new Information Technology software, and a number of miscellaneous items; all governmental functions saw an increase in their budgets versus fiscal year 2013 except for Debt Service. It continued to decrease along with the County's debt burden. The transfer to the Solid Waste Fund grew by \$148,000 to supplement funds available for additional capital acquisitions planned for the year. Expenditures and transfers budgeted for fiscal year 2014 are 10.8% higher than those actually incurred in fiscal year 2013.

To balance the General Fund budget for fiscal year 2014, the Commissioners appropriated \$1,181,342 from fund balance, which represents 9.6 percent of the unassigned fund balance as of June 30, 2013.

Business-type Activities. The fiscal year 2014 budget for the Solid Waste Fund was \$108,459, or 5.9 percent, more than fiscal year 2013's original budget. Operating revenues were projected to cover 85.5 percent of operating expenses, including capital items. A transfer from the General Fund will be applied to the remaining expenses, with the balance set aside for the construction of the next cell and landfill closure and post-closure care costs.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be submitted to the Director of Finance, Transylvania County, 21 East Main Street, Brevard, NC 28712.

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**BASIC
FINANCIAL
STATEMENTS**

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TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and investments	\$ 22,855,402	\$ 2,547,064	\$ 25,402,466
Taxes receivable, net	79,799	-	79,799
Accounts receivable, net	2,998,828	94,245	3,093,073
Inventories	30,265	-	30,265
Prepaid items	10,628	-	10,628
Cash and investments, restricted	134,924	3,311,863	3,446,787
Total current assets	<u>26,109,846</u>	<u>5,953,172</u>	<u>32,063,018</u>
Capital assets:			
Land and other non-depreciable assets	4,746,835	1,130,910	5,877,745
Depreciable assets, net	<u>35,182,523</u>	<u>2,472,640</u>	<u>37,655,163</u>
Capital assets, net	<u>39,929,358</u>	<u>3,603,550</u>	<u>43,532,908</u>
Total assets	<u>66,039,204</u>	<u>9,556,722</u>	<u>75,595,926</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,367,964	77,182	1,445,146
Prepaid fees	129,393	-	129,393
Accrued interest payable	145,030	-	145,030
Non-current liabilities:			
Due within one year	3,075,059	27,872	3,102,931
Due in more than one year	<u>9,129,987</u>	<u>3,382,080</u>	<u>12,512,067</u>
Total liabilities	<u>13,847,433</u>	<u>3,487,134</u>	<u>17,334,567</u>
Deferred Inflows of Resources:			
Prepaid taxes	<u>148,021</u>	-	<u>148,021</u>
Net Position:			
Net investment in capital assets	37,837,719	3,603,550	41,441,269
Restricted for:			
Stabilization by State statute	2,998,828	-	2,998,828
Register of Deeds	123,706	-	123,706
Court facilities	91,467	-	91,467
Public safety	117,231	-	117,231
Fire departments	111,671	-	111,671
Emergency telephone system	252,818	-	252,818
Economic & tourism development	413,866	-	413,866
Health department programs	12,474	-	12,474
Social services	45,844	-	45,844
Recreation programs & facilities	117,854	-	117,854
Historical preservation	7,678	-	7,678
Qualified School Construction Bonds	25,479	-	25,479
Unrestricted	<u>9,887,115</u>	<u>2,466,038</u>	<u>13,340,206</u>
Total net position	<u>\$ 52,043,750</u>	<u>\$ 6,069,588</u>	<u>\$ 58,113,338</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, 2013**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 4,427,635	\$ 275,477	\$ 98,555	\$ -
Public safety	13,441,859	2,528,476	422,546	-
Transportation	448,838	7,202	269,173	-
Economic and physical development	974,391	21,240	65,063	7,686
Human services	8,316,088	422,732	5,480,830	-
Cultural and recreational	1,965,938	121,961	95,126	89,780
Education	10,971,497	-	544,124	-
Interest and fees	456,240	-	-	-
Total governmental activities	<u>41,002,486</u>	<u>3,377,088</u>	<u>6,975,417</u>	<u>97,466</u>
Business-Type Activities:				
Solid Waste	<u>1,673,967</u>	<u>1,260,906</u>	<u>19,967</u>	<u>-</u>
Total primary government	<u>\$ 42,676,453</u>	<u>\$ 4,637,994</u>	<u>\$ 6,995,384</u>	<u>\$ 97,466</u>

General Revenues:

Taxes:

- Ad valorem taxes
- Local option sales taxes
- Deed stamp excise tax
- Real estate transfer tax
- Occupancy tax

- Unrestricted intergovernmental revenues
- Investment earnings, unrestricted
- Total general revenues excluding transfers

Transfers

Total general revenues and transfers

Change in net position

Net Position:

- 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 Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (4,053,603)	\$ -	\$ (4,053,603)
(10,490,837)	-	(10,490,837)
(172,463)	-	(172,463)
(880,402)	-	(880,402)
(2,412,526)	-	(2,412,526)
(1,659,071)	-	(1,659,071)
(10,427,373)	-	(10,427,373)
(456,240)	-	(456,240)
<u>(30,552,515)</u>	<u>-</u>	<u>(30,552,515)</u>
-	<u>(393,094)</u>	<u>(393,094)</u>
<u>(30,552,515)</u>	<u>(393,094)</u>	<u>(30,945,609)</u>
26,009,209	-	26,009,209
6,122,549	-	6,122,549
142,543	-	142,543
372,961	-	372,961
478,836	-	478,836
359,204	-	359,204
55,827	1,353	57,180
33,541,129	1,353	33,542,482
<u>(435,237)</u>	<u>435,237</u>	<u>-</u>
<u>33,105,892</u>	<u>436,590</u>	<u>33,542,482</u>
<u>2,553,377</u>	<u>43,496</u>	<u>2,596,873</u>
49,541,151	6,026,092	55,567,243
(50,778)	-	(50,778)
<u>49,490,373</u>	<u>6,026,092</u>	<u>55,516,465</u>
<u>\$ 52,043,750</u>	<u>\$ 6,069,588</u>	<u>\$ 58,113,338</u>

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<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>
Assets:			
Cash and investments	\$ 20,649,207	\$ 2,206,195	\$ 22,855,402
Taxes receivable, net	69,919	9,880	79,799
Accounts receivable, net	2,879,695	119,133	2,998,828
Inventories	30,265	-	30,265
Prepaid items	10,628	-	10,628
Cash and investments, restricted	-	134,924	134,924
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 23,639,714</u>	<u>\$ 2,470,132</u>	<u>\$ 26,109,846</u>
Liabilities, Deferred Inflows, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,344,887	\$ 23,077	\$ 1,367,964
Prepaid fees	129,393	-	129,393
Total liabilities	<u>1,474,280</u>	<u>23,077</u>	<u>1,497,357</u>
Deferred Inflows of Resources:			
Property taxes receivable	69,919	9,880	79,799
Prepaid taxes	131,655	16,366	148,021
Total deferred inflows of resources	<u>201,574</u>	<u>26,246</u>	<u>227,820</u>
Fund Balances:			
Non-spendable:			
Inventories	30,265	-	30,265
Prepaid items	10,628	-	10,628
Restricted:			
Stabilization for State statute	2,879,695	119,133	2,998,828
Restricted, all other	407,887	912,201	1,320,088
Committed	2,012,140	1,121,482	3,133,622
Assigned	4,320,436	267,993	4,588,429
Unassigned	12,302,809	-	12,302,809
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>21,963,860</u>	<u>2,420,809</u>	<u>24,384,669</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 23,639,714</u>	<u>\$ 2,470,132</u>	<u>\$ 26,109,846</u>

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Total Governmental Funds</u>
Total fund balances	\$ 24,384,669
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,929,358
Advance funding of pension obligation in the government-wide statements, but not reported in the fund statements	
Liabilities for earned, but deferred, revenues in fund statements	79,799
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	(10,106,425)
Capital lease	(61,638)
Compensated absences	(978,731)
Other post-employment benefits	(482,386)
Law Enforcement Officers' Special Separation Allowance	(575,866)
Interest payable	<u>(145,030)</u>
Net position of governmental activities	<u>\$ 52,043,750</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, 2013

	<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>
Revenues:			
Ad valorem taxes	\$ 23,781,655	\$ 2,277,159	\$ 26,058,814
Local option sales taxes	6,122,549	-	6,122,549
Other taxes and licenses	515,504	478,836	994,340
Unrestricted intergovernmental revenues	359,204	-	359,204
Restricted intergovernmental revenues	6,644,095	372,627	7,016,722
Permits and fees	386,593	-	386,593
Sales and services	2,919,548	14,469	2,934,017
Donations and grants	20,582	300	20,882
Interest earned on investments	46,264	6,451	52,715
Miscellaneous	91,757	-	91,757
Total revenues	<u>40,887,751</u>	<u>3,149,842</u>	<u>44,037,593</u>
Expenditures:			
Current:			
General government	4,391,102	-	4,391,102
Public safety	10,196,118	2,622,020	12,818,138
Transportation	472,815	-	472,815
Economic and physical development	563,412	410,133	973,545
Human services	8,166,218	-	8,166,218
Cultural and recreational	1,775,600	24,666	1,800,266
Intergovernmental:			
Education	10,970,419	1,078	10,971,497
Capital outlay	-	1,184,016	1,184,016
Debt service:			
Principal repayments	2,240,026	-	2,240,026
Interest	498,010	-	498,010
Total expenditures	<u>39,273,720</u>	<u>4,241,913</u>	<u>43,515,633</u>
Revenues over (under) expenditures	<u>1,614,031</u>	<u>(1,092,071)</u>	<u>521,960</u>
Other Financing Sources (Uses):			
Capital lease obligations issued	45,248	-	45,248
Transfers in	21,420	320,394	341,814
Transfers out	(755,631)	(21,420)	(777,051)
Total other financing sources (uses)	<u>(688,963)</u>	<u>298,974</u>	<u>(389,989)</u>
Net change in fund balances	925,068	(793,097)	131,971
Fund Balances:			
Beginning of year - July 1	<u>21,038,792</u>	<u>3,213,906</u>	<u>24,252,698</u>
End of year - June 30	<u>\$ 21,963,860</u>	<u>\$ 2,420,809</u>	<u>\$ 24,384,669</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, 2013

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)	\$ 131,971
Property tax revenues in the Statement of Activities earned in prior periods are reported as revenues in the governmental funds statement.	(49,605)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	44,882
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	49,660
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.	1,959,372
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,634,498)
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.	(2,938)
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.	2,240,026
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.	(140,245)
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	<u>(45,248)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 2,553,377</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 23,784,830	\$ 23,784,830	\$ 23,781,655	\$ (3,175)
Local option sales taxes	5,652,159	5,652,159	6,122,549	470,390
Other taxes and licenses	463,740	513,480	515,504	2,024
Unrestricted intergovernmental revenues	380,000	380,000	359,204	(20,796)
Restricted intergovernmental revenues	5,861,158	6,209,244	6,644,095	434,851
Permits and fees	339,510	336,318	386,593	50,275
Sales and services	2,485,944	2,666,867	2,919,548	252,681
Investment earnings	34,300	34,300	46,264	11,964
Donations	18,706	20,306	20,582	276
Miscellaneous	30,237	88,177	91,757	3,580
Total revenues	<u>39,050,584</u>	<u>39,685,681</u>	<u>40,887,751</u>	<u>1,202,070</u>
Expenditures:				
Current:				
General government	4,975,136	5,089,278	4,391,102	698,176
Public safety	10,012,972	10,359,189	10,196,118	163,071
Transportation	505,909	506,606	472,815	33,791
Economic and physical development	525,837	595,226	563,412	31,814
Human services	8,130,941	8,455,123	8,166,218	288,905
Cultural and recreational	1,777,133	1,820,266	1,775,600	44,666
Intergovernmental:				
Education	10,865,761	10,970,419	10,970,419	-
Debt service:				
Principal retirement	2,222,496	2,240,697	2,240,026	671
Interest and fees	497,413	497,413	498,010	(597)
Total expenditures	<u>39,513,598</u>	<u>40,534,217</u>	<u>39,273,720</u>	<u>1,260,497</u>
Revenues over (under) expenditures	<u>(463,014)</u>	<u>(848,536)</u>	<u>1,614,031</u>	<u>2,462,567</u>
Other Financing Sources (Uses):				
Capital lease obligations issued	-	45,248	45,248	-
Transfers in	21,420	41,420	21,420	(20,000)
Transfers out	(432,806)	(755,539)	(755,631)	(92)
Appropriated fund balance	874,400	1,517,407	-	(1,517,407)
Total other financing sources (uses)	<u>463,014</u>	<u>848,536</u>	<u>(688,963)</u>	<u>(1,537,499)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	925,068	<u>\$ 925,068</u>
Fund Balance:				
Beginning of year - July 1			<u>21,038,792</u>	
End of year - June 30			<u>\$ 21,963,860</u>	

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 2,547,064
Accounts receivable, net	94,245
Total current assets	<u>2,641,309</u>
Non-current assets:	
Restricted cash and investments	3,311,863
Land and other non-depreciable assets	1,130,910
Depreciable assets, net of depreciation	2,472,640
Total non-current assets	<u>6,915,413</u>
Total assets	<u>9,556,722</u>
Liabilities and Net Position:	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	77,182
Current portion of compensated absences	27,872
Total current liabilities	<u>105,054</u>
Non-current liabilities:	
Accrued landfill closure and post-closure care costs	3,357,786
OPEB	19,375
Compensated absences	4,919
Total non-current liabilities	<u>3,382,080</u>
Total liabilities	<u>3,487,134</u>
Net Position:	
Net investment in capital assets	3,603,550
Unrestricted	2,466,038
Total net position	<u>\$ 6,069,588</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 POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 1,260,906
Operating Expenses:	
Landfill operations:	
Salaries and employee benefits	810,343
Other operating expenses	466,850
Landfill closure and post-closure care costs	93,095
Depreciation	303,679
Total operating expenses	<u>1,673,967</u>
Operating income (loss)	<u>(413,061)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	1,353
Other non-operating revenues	19,967
Total non-operating revenues (expenses)	<u>21,320</u>
Income (loss) before transfers	(391,741)
Transfers In (Out):	
Transfers in (out)	<u>435,237</u>
Change in net position	43,496
Net Position:	
Beginning of year - July 1	<u>6,026,092</u>
End of year - June 30	<u>\$ 6,069,588</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, 2013

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,260,148
Cash paid for goods and services	(467,601)
Cash paid to employees for services	(804,904)
Net cash provided (used) by operating activities	<u>(12,357)</u>
Cash Flows from Non-Capital Financing Activities:	
Solid waste disposal tax	17,034
Proceeds from insurance claims	2,933
Interfund transfer in (out)	435,237
Net cash provided (used) by non-capital financing activities	<u>455,204</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(47,915)</u>
Net cash provided (used) by capital and related financing activities	<u>(47,915)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>1,353</u>
Net increase (decrease) in cash and cash equivalents	396,285
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>5,462,642</u>
End of year - June 30	<u>\$ 5,858,927</u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (413,061)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	303,679
Landfill closure and post-closure care costs	93,095
(Increase) decrease in accounts receivable	(758)
Increase (decrease) in accounts payable and accrued liabilities	(618)
Increase (decrease) in OPEB	4,229
Increase (decrease) in accrued compensated absences	<u>1,077</u>
Net cash provided (used) by operating activities	<u>\$ (12,357)</u>

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 48,531
Accounts receivable and accrued revenues	9,676
Total assets	<u>\$ 58,207</u>
Liabilities:	
Intergovernmental payables	\$ 18,745
Miscellaneous liabilities	39,462
Total liabilities	<u>\$ 58,207</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, 2013

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 Position 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 except for interfund services provided and used which are not eliminated in the process of consolidation. 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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

general revenues.

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.

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, 2013

- **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, the \$6.20 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, and the donations received by the Sheriff's Office for the COPs 4 Kids program, a program co-sponsored with the City of Brevard Police Department, and the DARE and SHIELD Camps, which are conducted by Sheriff Office employees.

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, 2013

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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 position 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 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 General Capital Projects Fund, and the Community Development Block Grant Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change 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, Deferred Inflows and Outflows, 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, 2013

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, 2013 \$3,311,863 was restricted.

Governmental Activities. The restricted cash of \$108,367 in the Silvermont Reserve Fund represent funds restricted by donors. The restricted assets of \$26,557 in the Schools QZAB Fund 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, 2012.

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. The cost

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has no items that meet this criterion.

In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

not be recognized as revenue until then. The County has two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

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 Position.

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

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position 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 intact.

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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Register of Deeds – portion of fund balance that is restricted by revenue source for register of deeds.

Restricted for Court Facilities – portion of fund balance that is restricted by revenue source for court facilities.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as law enforcement and EMS.

Restricted for Fire Departments – portion of fund balance restricted by revenue source for fire protection.

Restricted for Emergency Telephone System – portion of fund balance restricted by revenue source for E-911 communications.

Restricted for Economic and Tourism Development – portion of fund balance restricted by revenue source for economic development and tourism.

Restricted for Health Department Programs – portion of fund balance restricted by revenue source for public health programs.

Restricted for Social Services – portion of fund balance restricted by revenue source for social services programs.

Restricted for Recreation Programs & Facilities – portion of fund balance restricted by revenue source for use for parks, libraries, arts and other related activities.

Restricted for Historical Preservation – portion of fund balance restricted by revenue source for use for historical preservation activities.

Restricted for Qualified School Construction Bonds – portion of fund balance restricted by revenue source to support public education.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Restricted fund balance at June 30, 2013 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
Restricted, all other:					
Register of Deeds	\$ 123,706	\$ -	\$ -	\$ -	\$ 123,706
Court facilities	91,467	-	-	-	91,467
Public safety	117,231	-	-	-	117,231
Fire departments	-	111,671	-	-	111,671
Emergency telephone system	-	252,818	-	-	252,818
Economic and tourism development	-	413,866	-	-	413,866
Health department programs	12,474	-	-	-	12,474
Social services	45,844	-	-	-	45,844
Recreation programs and facilities	9,487	-	-	108,367	117,854
Historical preservation	7,678	-	-	-	7,678
Qualified School Construction Bonds	-	-	25,479	-	25,479
Total	<u>\$ 407,887</u>	<u>\$ 778,355</u>	<u>\$ 25,479</u>	<u>\$ 108,367</u>	<u>\$ 1,320,088</u>

Committed Fund Balance

This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Retiree Health Insurance – represents the portion of fund balance committed by the governing body for retiree health insurance.

Committed for Law Enforcement Officers' Separation Allowance – represents the portion of fund balance committed by the governing body for law enforcement officers' separation allowance.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Purpose</u>	<u>General Fund</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total</u>
Committed:			
Retiree health insurance	\$ 1,279,340	\$ 1,121,482	\$ 2,400,822
Law Enforcement Officers' Separation Allowance	732,800	-	732,800
Total	<u>\$ 2,012,140</u>	<u>\$ 1,121,482</u>	<u>\$ 3,133,622</u>

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 Employee Health Insurance – portion of fund balance that has been budgeted by the Board for self-insurance.

Assigned for Accrued Vacation – portion of fund balance that has been budgeted by the Board for compensated absences.

Assigned for Space Needs – portion of fund balance that has been budgeted by the Board for space needs.

Assigned for Special Projects – portion of fund balance that has been budgeted by the Board for special projects.

Assigned for Storm Water Control – portion of fund balance budgeted by the Board for storm water control.

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

Assigned for Environmental Protection – portion of fund balance budgeted by the Board for stream bank stabilization.

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Assigned fund balance at June 30, 2013 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Total</u>
Assigned:			
Subsequent year's expenditures	\$ 1,311,619	\$ -	\$ 1,311,619
Employee health insurance	1,019,523	-	1,019,523
Accrued vacation	978,731	-	978,731
Space needs	500,000	-	500,000
Special projects	17,770	-	17,770
Storm water control	246,102	-	246,102
Economic development	206,316	-	206,316
Environmental protection	34,245	-	34,245
Human services programs	6,130	-	6,130
Recreation facilities	-	267,993	267,993
Total	<u>\$ 4,320,436</u>	<u>\$ 267,993</u>	<u>\$ 4,588,429</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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 21,963,860
Less:	
Prepays	(10,628)
Inventories	(30,265)
Stabilization for State statute	<u>(2,879,695)</u>
Total available fund balance	<u>\$ 19,043,272</u>

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 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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The 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.

At June 30, 2013, the County's deposits had a carrying amount of \$11,346,007 and a bank balance of \$11,769,506. Of the bank balance, \$516,396 was covered by federal depository insurance and \$11,253,110 by collateral held under the Pooling Method. Cash on hand was \$4,057 at June 30, 2013.

Investments

At June 30, 2013, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-3 Years</u>
NC Capital Management Trust Cash Portfolio	<u>\$17,547,720</u>	N/A	N/A

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

Credit Risk. The County has no formal policy on managing credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2013. The County's investment in NC Capital Management Trust Term Portfolio is unrated.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

Year Ended			
June 30	Tax	Interest	Total
2010	\$ 851,896	\$ 221,248	\$ 1,073,144
2011	853,509	142,024	995,533
2012	1,004,870	80,390	1,085,260
2013	1,483,740	-	1,483,740
Total	<u>\$ 4,194,015</u>	<u>\$ 443,662</u>	<u>\$ 4,637,677</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Receivables

Receivables at Exhibit A at June 30, 2013 were as follows:

	<u>Accounts Receivable</u>	<u>Taxes Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 83,256	\$ 181,488	\$ 2,796,439	\$ 3,061,183
Other governmental	<u>59,131</u>	<u>19,808</u>	<u>60,002</u>	<u>138,941</u>
Total receivables	142,387	201,296	2,856,441	3,200,124
Allowance for doubtful accounts	<u>-</u>	<u>(121,497)</u>	<u>-</u>	<u>(121,497)</u>
Total governmental activities	<u>\$ 142,387</u>	<u>\$ 79,799</u>	<u>\$ 2,856,441</u>	<u>\$ 3,078,627</u>
Business-Type Activities:				
Solid waste	<u>\$ 77,888</u>	<u>\$ -</u>	<u>\$ 16,357</u>	<u>\$ 94,245</u>
Total business-type activities	<u>\$ 77,888</u>	<u>\$ -</u>	<u>\$ 16,357</u>	<u>\$ 94,245</u>

Due from other governments consisted of the following:

Governmental Activities:	
Local option sales tax	\$ 1,516,657
Sales taxes receivable	151,598
State and federal funding	1,016,142
Other	112,042
NC 911 PSAP funds	<u>60,002</u>
Total governmental activities	<u>\$ 2,856,441</u>
Business-Type Activities:	
Tire recycling	\$ 11,000
White goods	2,588
Solid waste disposal tax	<u>2,769</u>
Total business-type activities	<u>\$ 16,357</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Capital Assets

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

	<u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2013</u>
Non-Depreciable Assets:					
Land	\$ 3,369,585	\$ -	\$ -	\$ -	\$ 3,369,585
Construction in progress	196,635	1,180,615	-	-	1,377,250
Total non-depreciable assets	<u>3,566,220</u>	<u>1,180,615</u>	<u>-</u>	<u>-</u>	<u>4,746,835</u>
Depreciable Assets:					
Buildings	38,179,791	35,407	-	-	38,215,198
Improvements	1,439,421	49,240	-	-	1,488,661
Equipment	5,928,540	285,306	-	(2,093)	6,211,753
Vehicles	3,785,179	408,804	(29,382)	2,093	4,166,694
Total depreciable assets	<u>49,332,931</u>	<u>778,757</u>	<u>(29,382)</u>	<u>-</u>	<u>50,082,306</u>
Less Accumulated Depreciation:					
Buildings	6,594,589	855,785	-	-	7,450,374
Improvements	452,935	66,694	-	-	519,629
Equipment	3,624,920	403,896	-	(45)	4,028,771
Vehicles	2,619,285	308,123	(26,444)	45	2,901,009
Total accumulated depreciation	<u>13,291,729</u>	<u>1,634,498</u>	<u>(26,444)</u>	<u>-</u>	<u>14,899,783</u>
Depreciable assets, net	<u>36,041,202</u>	<u>(855,741)</u>	<u>(2,938)</u>	<u>-</u>	<u>35,182,523</u>
Capital assets, net	<u>\$ 39,607,422</u>	<u>\$ 324,874</u>	<u>\$ (2,938)</u>	<u>\$ -</u>	<u>\$ 39,929,358</u>

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

General government	\$ 207,102
Public safety	987,284
Transportation	21,969
Human services	163,460
Cultural and recreational	254,683
Total depreciation expense	<u>\$ 1,634,498</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>June 30, 2013</u>
Solid Waste:					
Non-Depreciable Assets:					
Land	\$ 1,069,096	\$ -	\$ -	\$ -	\$ 1,069,096
Construction in progress	<u>61,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,814</u>
Total non-depreciable assets	<u>1,130,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,130,910</u>
Depreciable Assets:					
Buildings	277,497	-	-	-	277,497
Land improvements	626,476	16,227	-	-	642,703
Equipment	1,975,427	31,688	-	-	2,007,115
Vehicles	798,345	-	-	-	798,345
Landfill cells - Woodruff	<u>8,205,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,205,437</u>
Total depreciable assets	<u>11,883,182</u>	<u>47,915</u>	<u>-</u>	<u>-</u>	<u>11,931,097</u>
Less Accumulated Depreciation:					
Buildings	231,245	11,102	-	-	242,347
Land improvements	363,934	24,763	-	-	388,697
Equipment	1,573,105	76,231	-	-	1,649,336
Vehicles	758,417	24,705	-	-	783,122
Landfill cells - Woodruff	<u>6,228,077</u>	<u>166,878</u>	<u>-</u>	<u>-</u>	<u>6,394,955</u>
Total accumulated depreciation	<u>9,154,778</u>	<u>\$ 303,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>9,458,457</u>
Total depreciable assets, net	<u>2,728,404</u>				<u>2,472,640</u>
Capital assets, net	<u>\$ 3,859,314</u>				<u>\$ 3,603,550</u>

Construction Commitments

As of June 30, 2013 the government has one active construction project for a new animal shelter. Through June 30, 2013, \$1,009,994 has been spent to-date on the project, which has a total budgeted cost of \$1,144,757 and is expected to be completed during fiscal year 2014. The remaining \$367,256 shown in construction in progress is for renovations to County buildings.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2013 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Insurance Claims Incurred, But Not Reported</u>	<u>Total</u>
Governmental Activities:				
General	\$ 648,915	\$ 495,680	\$ 200,292	\$ 1,344,887
Other governmental	<u>23,077</u>	<u>-</u>	<u>-</u>	<u>23,077</u>
Total governmental activities	<u>\$ 671,992</u>	<u>\$ 495,680</u>	<u>\$ 200,292</u>	<u>\$ 1,367,964</u>
Business-Type Activities:				
Solid Waste	<u>\$ 55,738</u>	<u>\$ 21,444</u>	<u>\$ -</u>	<u>\$ 77,182</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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$1,568,092, \$1,538,233, and \$1,491,883 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, 2013

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, 2012, the Separation Allowance's membership consisted of 56 active plan members and 4 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 \$42,975 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, 2013, the County has committed \$732,800 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, 2011 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 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. 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, 2011 was 19 years.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 109,189
Interest on net pension obligation	25,798
Adjustment to annual required contribution	<u>(32,109)</u>
Annual pension cost	102,878
Employer contributions made	<u>42,975</u>
Increase (decrease) in net pension obligation	59,903
Net Pension Obligation:	
Beginning of year - July 1	<u>515,963</u>
End of year - June 30	<u>\$ 575,866</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 111,589	17.42%	\$ 445,911
2012	103,095	32.05%	515,963
2013	102,878	41.77%	575,866

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,029,483, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,029,483. However, as mentioned earlier, the County has committed \$732,800 to date for this purpose, as reflected in committed fund balance.

The covered payroll (annual payroll of active employees covered by the plan) was \$2,381,678, and the ratio of the UAAL to the covered payroll was 43.23 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 were \$126,950, 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 3 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, 2013, the County's required and actual contributions were \$3,796.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2010, the date of the latest actuarial valuation:

	General	Law
	Employees	Enforcement Officers
Retirees and dependents receiving benefits	15	-
Active plan members	38	16
Total	<u>53</u>	<u>16</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, 2013, the County has committed \$1,279,340 for the payment of future retiree health benefits.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The current ARC rate is 12.07% of annual covered payroll. For the current year, the County contributed \$241,163, or 9.03% 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 12.08% and 12.08% of covered payroll, respectively. Contributions made by retirees were \$22,325; 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	\$ 322,509
Interest on net OPEB obligation	12,900
Adjustments to annual required contribution	<u>(9,675)</u>
Annual OPEB cost (expense)	325,734
Contributions made	<u>(241,163)</u>
Increase (decrease) in net OPEB obligation	84,571
Net OPEB obligation:	
Beginning of year - July 1	<u>417,190</u>
End of year - June 30	<u>\$501,761</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 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>
2010	\$ 186,824	44.65%	\$ 192,536
2011	187,291	45.93%	293,797
2012	324,122	61.93%	417,190
2013	325,734	74.04%	501,761

Funding 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 and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,457,710. The County's fund balance, however, shows \$1,279,340 in funds committed for this purpose. The covered payroll (annual payroll of active employees covered by the plan) was \$2,670,975, and the ratio of the UAAL to the covered payroll was 129.5 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, 2010 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 3.00 % 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 a closed basis. The remaining amortization period at December 31, 2010 was 25 years.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 \$3,357,786 reported as landfill closure and post-closure care liability at June 30, 2013 represents a cumulative amount reported to date based on the use of 78.6520% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$911,382 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 2013. The County is scheduled to close the portion of the Woodruff Road Landfill Facility that is currently being utilized by September 21, 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, 2013, the County had funds in the North Carolina Capital Management Trust of \$2,930,864 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, 2013

Deferred Outflows and Inflows of Resources

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at June 30, 2013 is composed of the following elements:

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes (General Fund)	\$ -	\$ 131,655
Prepaid taxes (Special Revenue Fund)	-	16,366
Taxes receivable, net (General Fund)	69,919	-
Taxes receivable, net (Special Revenue Fund)	<u>9,880</u>	<u>-</u>
Total	<u>\$ 79,799</u>	<u>\$ 148,021</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 \$59.1 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, 2013

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

	2013	2012
Unpaid claims, beginning	\$ 288,243	\$ 299,456
Incurred claims	2,285,207	2,320,279
Claim payments	(2,373,158)	(2,331,492)
Unpaid claims, ending	\$ 200,292	\$ 288,243

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 Finance Director, County Manager, and Tax Collector are individually bonded for \$200,000 each. In addition, the Register of Deeds is bonded for \$50,000, and the Sheriff is bonded for \$25,000. All other County employees who are not required to be bonded individually have fidelity coverage through the Crime Section of the County's liability insurance policy referenced above.

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

Capital Leases

The County has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

For Transylvania County, the first agreement was executed on July 28, 2011 for the lease of Emergency Medical Services Equipment and requires five annual payments of \$8,480. The first capital lease is zero percent interest. The second agreement was executed on July 18, 2012, for the lease of Emergency Medical Services Equipment and requires five annual payments of \$9,721. The second capital lease is 3.5% interest. Under the terms of both agreements, the County has a buyout option for \$1 at the end of the lease term.

At June 30, 2013, the County leased equipment valued at:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Emergency Medical Service Equipment	\$ 87,648	\$ 26,010	\$ 61,638

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

For Transylvania County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year Ending June 30	Amount
2014	\$ 18,201
2015	18,201
2016	18,201
2017	9,721
Total minimum lease payments	64,324
Less: amount representing interest	2,686
Present value of the minimum lease payments	<u>\$ 61,638</u>

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, 2013 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. \$6,885,000

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Year Ending June 30	Principal	Interest	Total
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	780,000	52,000	832,000
2018	520,000	20,800	540,800
Total	<u>\$ 6,885,000</u>	<u>\$ 719,700</u>	<u>\$ 7,604,700</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, 2013 totaled \$203,836.

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

Year Ending June 30	Principal
2014	\$ 36,015
2015	167,821
Total	<u>\$ 203,836</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, 2013 totaled \$973,334.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 108,148	\$ 20,343	\$ 128,491
2015	108,148	18,082	126,230
2016	108,148	15,822	123,970
2017	108,148	13,562	121,710
2018	108,148	11,301	119,449
2019-2022	432,594	22,603	455,197
Total	<u>\$ 973,334</u>	<u>\$ 101,713</u>	<u>\$ 1,075,047</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, 2013 totaled \$2,030,001.

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 193,333	\$ 83,194	\$ 276,527
2015	193,333	74,977	268,310
2016	193,333	66,760	260,093
2017	193,333	58,544	251,877
2018	193,333	50,327	243,660
2019-2023	966,667	128,385	1,095,052
2024	96,669	1,541	98,210
Total	<u>\$ 2,030,001</u>	<u>\$ 463,728</u>	<u>\$ 2,493,729</u>

At June 30, 2013, the County had a legal debt margin of \$469,904,998.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013:

	<u>July 01, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation debt	\$ 8,770,000	\$ -	\$ 1,885,000	\$ 6,885,000	\$ 1,885,000
Premium - general obligation debt	17,366	-	3,112	14,254	3,112
Qualified Zone Academy debt	239,851	-	36,015	203,836	36,015
Qualified School Construction debt	1,081,482	-	108,148	973,334	108,148
Installment financing	2,223,334	-	193,333	2,030,001	193,333
Capital lease	33,920	45,248	17,530	61,638	17,530
LEO	515,963	59,903	-	575,866	-
OPEB	402,044	309,447	229,105	482,386	-
Compensated absences	<u>1,028,391</u>	<u>800,207</u>	<u>849,867</u>	<u>978,731</u>	<u>831,921</u>
Total	<u>\$ 14,312,351</u>	<u>\$ 1,214,805</u>	<u>\$ 3,322,110</u>	<u>\$ 12,205,046</u>	<u>\$ 3,075,059</u>
Business-Type Activities:					
OPEB	\$ 15,146	\$ 16,287	\$ 12,058	\$ 19,375	\$ -
Accrued landfill closure and post-closure care costs	3,264,691	93,095	-	3,357,786	-
Compensated absences	<u>31,714</u>	<u>37,167</u>	<u>36,090</u>	<u>32,791</u>	<u>27,872</u>
Total	<u>\$ 3,311,551</u>	<u>\$ 146,549</u>	<u>\$ 48,148</u>	<u>\$ 3,409,952</u>	<u>\$ 27,872</u>

Compensated absences, pension obligations, and other post-employment benefits have typically been liquidated in the General Fund. Compensated absences are accounted for on an LIFO basis, assuming that employees are taking leave time as it is earned.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

C. Net Investment in Capital Assets

The total net investment in capital assets as of June 30, 2013, is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 39,929,358	\$ 3,603,550
Less: capital debt		
Gross debt	10,168,063	-
Less:		
School debt related to assets to which the County does not hold title	(8,076,424)	-
Net capital debt	2,091,639	-
Net investment in capital assets	\$ 37,837,719	\$ 3,603,550

D. Interfund Balances and Activity

Transfers from/to other funds at June 30, 2013 consist of the following:

From the General Fund to the General Capital Projects Fund for the construction of a new animal shelter and renovations to the courthouse	\$ 318,703
From the General Fund to the Emergency Telephone System Fund for eligible expenditures charged to the Emergency Telephone System Fund	1,691
From the General Fund to the Solid Waste Fund to supplement other funding sources	435,237
Total transfers from General Fund to other funds	\$ 755,631
From the General Capital Projects Fund to the General Fund for the purchase of Information Technology software & hardware	\$ 21,420
Total transfers from other funds to General Fund	\$ 21,420

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 167,194	\$ -
Medicaid	23,082,559	12,901,448
WIC	421,299	-
Adoption Assistance	260,911	68,976
Foster Care	107,059	37,184
Total	<u>\$ 24,039,022</u>	<u>\$ 13,007,608</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

7. Change in Accounting Principle/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. Bond issuance costs, which were previously deferred and were not amortized must be included in current expenditures. Previously deferred bond issuance costs totaling \$ 50,778 were not recognized as an expenditure. As a result, beginning net position of the Governmental Activities decreased from \$49,541,151 to \$49,490,373.

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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, 2013

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)			
12/31/2005	\$ -	\$ 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%
12/31/2011	-	958,383	958,383	0.00%	2,242,232	42.74%
12/31/2012	-	1,029,483	1,029,483	0.00%	2,381,678	43.23%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage of ARC Contributed
2013	\$ 109,189	39.36%
2012	107,400	30.77%
2011	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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

*For the actuarial accrued liability to be reported as being funded, the County would have to place funds in an irrevocable trust. Please note that, while the County has not established an irrevocable trust, each year the County does commit funds equal to the actuarially calculated annual required contribution. To date, the County shows \$732,800 of its fund balance as committed for this purpose.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 2,732,561	\$ 2,732,561	0.00%	\$ 2,961,340	92.3%
12/31/2010	-	3,457,710	3,457,710	0.00%	2,670,975	129.5%

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%
2012	322,509	62.24%
2013	322,509	74.78%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	25 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	2018

* Includes inflation at 3.00%

*For the actuarial accrued liability to be reported as being funded, the County would have to place funds in an irrevocable trust. Please note that, while the County has not established an irrevocable trust, each year the County does commit funds equal to the actuarially calculated annual required contribution. To date, the County shows \$1,279,340 of its fund balance as committed for this purpose.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

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TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 23,666,930	\$ 23,688,062	\$ 21,132
Penalties and interest	117,900	93,593	(24,307)
Total	<u>23,784,830</u>	<u>23,781,655</u>	<u>(3,175)</u>
Local Option Sales Taxes:			
Article 39 and 44	2,305,278	2,394,976	89,698
Article 40, one-half of one percent	1,746,583	1,809,713	63,130
Article 42, one-half of one percent	1,268,990	1,318,592	49,602
Medicaid hold harmless	331,308	599,268	267,960
Total	<u>5,652,159</u>	<u>6,122,549</u>	<u>470,390</u>
Other Taxes and Licenses:			
Deed stamp excise tax	141,444	142,543	1,099
Real estate transfer tax	372,036	372,961	925
Total	<u>513,480</u>	<u>515,504</u>	<u>2,024</u>
Unrestricted Intergovernmental Revenues:			
Payments in lieu of taxes - outside sources	200,000	204,443	4,443
ABC profit distribution	58,000	38,130	(19,870)
Video programming services tax	122,000	116,631	(5,369)
Total	<u>380,000</u>	<u>359,204</u>	<u>(20,796)</u>
Restricted Intergovernmental Revenues:			
State grants	1,400,236	1,457,776	57,540
Federal grants	4,642,133	5,010,271	368,138
Court facility fees	36,500	31,592	(4,908)
Other restricted funds	130,375	144,456	14,081
Total	<u>6,209,244</u>	<u>6,644,095</u>	<u>434,851</u>
Permits and Fees:			
Register of Deeds	79,068	80,408	1,340
Building permits	257,250	306,185	48,935
Total	<u>336,318</u>	<u>386,593</u>	<u>50,275</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sales and Services:			
Rents, concessions, and fees	1,260,998	1,397,104	136,106
Ambulance fees	1,215,717	1,334,864	119,147
Recreation Department	61,902	59,167	(2,735)
Town of Rosman	2,250	2,594	344
City of Brevard	126,000	125,819	(181)
Total	<u>2,666,867</u>	<u>2,919,548</u>	<u>252,681</u>
Investment Earnings	<u>34,300</u>	<u>46,264</u>	<u>11,964</u>
Miscellaneous:			
Joint Historical Preservation	-	309	309
Donations	20,306	20,582	276
County Recovery Fund	237	177	(60)
Other	87,940	91,271	3,331
Total	<u>108,483</u>	<u>112,339</u>	<u>3,856</u>
Total revenues	<u>39,685,681</u>	<u>40,887,751</u>	<u>1,202,070</u>
Expenditures:			
General Government:			
Governing Board:			
Salaries and employee benefits	77,227	77,146	81
Other operating expenditures	80,045	79,979	66
Total	<u>157,272</u>	<u>157,125</u>	<u>147</u>
Administration:			
Salaries and employee benefits	318,222	317,502	720
Other operating expenditures	672,141	586,819	85,322
Capital outlay	28,000	21,636	6,364
Total	<u>1,018,363</u>	<u>925,957</u>	<u>92,406</u>
Elections:			
Salaries and employee benefits	270,783	256,625	14,158
Other operating expenditures	149,927	145,253	4,674
Capital outlay	6,202	-	6,202
Total	<u>426,912</u>	<u>401,878</u>	<u>25,034</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
150th Celebration:			
Other operating expenditures	2,100	681	1,419
Finance:			
Salaries and employee benefits	369,612	362,138	7,474
Other operating expenditures	75,025	74,742	283
Total	<u>444,637</u>	<u>436,880</u>	<u>7,757</u>
Taxes:			
Salaries and employee benefits	770,995	727,700	43,295
Other operating expenditures	208,788	200,216	8,572
Total	<u>979,783</u>	<u>927,916</u>	<u>51,867</u>
Legal:			
Contracted services	36,000	27,608	8,392
Register of Deeds:			
Salaries and employee benefits	246,990	245,391	1,599
Other operating expenditures	255,646	251,898	3,748
Total	<u>502,636</u>	<u>497,289</u>	<u>5,347</u>
Public Buildings:			
Salaries and employee benefits	557,070	541,158	15,912
Other operating expenditures	364,225	356,984	7,241
Capital outlay	89,235	87,084	2,151
Total	<u>1,010,530</u>	<u>985,226</u>	<u>25,304</u>
Court Facilities:			
Other operating expenditures	32,000	31,584	416
Capital outlay	11,475	11,450	25
Total	<u>43,475</u>	<u>43,034</u>	<u>441</u>
Information Technology:			
Salaries and employee benefits	290,238	290,689	(451)
Other operating expenditures	78,179	68,721	9,458
Capital outlay	17,520	17,208	312
Total	<u>385,937</u>	<u>376,618</u>	<u>9,319</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Project Management:			
Salaries and employee benefits	71,233	70,596	637
Other operating expenditures	1,900	670	1,230
Total	<u>73,133</u>	<u>71,266</u>	<u>1,867</u>
Self Insurance:			
Claims cost	2,409,591	2,054,059	355,532
Employee premiums/cobra payments	(469,204)	(486,787)	17,583
Administrative costs	718,181	672,476	45,705
County portion of premiums charged	(2,650,068)	(2,650,161)	93
Reserve	127,887	-	127,887
Retiree insurance	(127,887)	(25,967)	(101,920)
Total	<u>8,500</u>	<u>(436,380)</u>	<u>444,880</u>
457 Contributions:			
Other operating expenditures	-	(23,996)	23,996
Total general government	<u>5,089,278</u>	<u>4,391,102</u>	<u>698,176</u>
Public Safety:			
Sheriff and Jail:			
Salaries and employee benefits	5,023,617	4,961,118	62,499
Other operating expenditures	1,316,480	1,302,213	14,267
Capital outlay	141,000	157,230	(16,230)
Total	<u>6,481,097</u>	<u>6,420,561</u>	<u>60,536</u>
Emergency Management:			
Salaries and employee benefits	225,171	224,744	427
Other operating expenditures	40,359	33,590	6,769
Total	<u>265,530</u>	<u>258,334</u>	<u>7,196</u>
Fire:			
Contracted services	89,562	76,418	13,144
Rescue Units:			
Contracted services	131,400	131,400	-

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Emergency Medical Services:			
Salaries and employee benefits	1,491,966	1,492,235	(269)
Other operating expenditures	257,459	251,200	6,259
Capital outlay	265,575	264,207	1,368
Total	<u>2,015,000</u>	<u>2,007,642</u>	<u>7,358</u>
Medical Examiner:			
Contracted services	<u>23,000</u>	<u>14,700</u>	<u>8,300</u>
Emergency Communications:			
Salaries and employee benefits	609,061	586,646	22,415
Other operating expenditures	<u>151,390</u>	<u>126,328</u>	<u>25,062</u>
Total	<u>760,451</u>	<u>712,974</u>	<u>47,477</u>
Animal Control:			
Salaries and employee benefits	158,010	158,269	(259)
Other operating expenditures	43,143	32,161	10,982
Capital outlay	<u>25,000</u>	<u>24,968</u>	<u>32</u>
Total	<u>226,153</u>	<u>215,398</u>	<u>10,755</u>
Inspections:			
Salaries and employee benefits	329,318	324,253	5,065
Other operating expenditures	25,660	23,548	2,112
Capital outlay	<u>12,018</u>	<u>10,890</u>	<u>1,128</u>
Total	<u>366,996</u>	<u>358,691</u>	<u>8,305</u>
Total public safety	<u>10,359,189</u>	<u>10,196,118</u>	<u>163,071</u>
Transportation:			
Salaries and employee benefits	304,571	293,501	11,070
Other operating expenditures	143,285	130,830	12,455
Capital outlay	<u>58,750</u>	<u>48,484</u>	<u>10,266</u>
Total transportation	<u>506,606</u>	<u>472,815</u>	<u>33,791</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits	161,648	178,954	(17,306)
Other operating expenditures	<u>26,220</u>	<u>5,315</u>	<u>20,905</u>
Total	<u>187,868</u>	<u>184,269</u>	<u>3,599</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic Development:			
Operating expenditures	86,567	74,111	12,456
Total	<u>86,567</u>	<u>74,111</u>	<u>12,456</u>
Cooperative Extension:			
Salaries and employee benefits	140,826	139,981	845
Other operating expenditures	29,194	16,574	12,620
Total	<u>170,020</u>	<u>156,555</u>	<u>13,465</u>
Soil and Water Conservation:			
Salaries and employee benefits	114,628	113,587	1,041
Other operating expenditures	36,143	34,890	1,253
Total	<u>150,771</u>	<u>148,477</u>	<u>2,294</u>
Total economic and physical development	<u>595,226</u>	<u>563,412</u>	<u>31,814</u>
Human Services:			
Health:			
Administration:			
Salaries and employee benefits	1,586,268	1,560,523	25,745
Other operating expenditures	386,038	323,208	62,830
Capital outlay	17,500	18,096	(596)
Total	<u>1,989,806</u>	<u>1,901,827</u>	<u>87,979</u>
Mental Health:			
Contracted services:			
Community Mental Health Services	99,261	99,261	-
Total	<u>99,261</u>	<u>99,261</u>	<u>-</u>
Social Services:			
Administration:			
Salaries and employee benefits	2,673,785	2,623,494	50,291
Other operating expenditures	296,415	288,708	7,707
Capital outlay	18,939	19,174	(235)
Total	<u>2,989,139</u>	<u>2,931,376</u>	<u>57,763</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Assistance:			
Special assistance to adults:			
County participation only	269,000	214,706	54,294
Medicaid program:			
County participation only	873	(69)	942
Medicaid transportation	170,000	155,065	14,935
Title III programs:			
Other operating expenditures	19,575	20,039	(464)
Other assistance:			
Other program expenditures	1,601,433	1,564,482	36,951
Total	<u>2,060,881</u>	<u>1,954,223</u>	<u>106,658</u>
Child Development:			
Salaries and employee benefits	677,808	651,672	26,136
Other operating expenditures	89,868	92,726	(2,858)
Capital outlay	5,141	-	5,141
Total	<u>772,817</u>	<u>744,398</u>	<u>28,419</u>
Total social services	<u>5,822,837</u>	<u>5,629,997</u>	<u>192,840</u>
Veteran's Service Officer:			
Salaries and employee benefits	17,649	17,614	35
Other operating expenditures	2,580	1,994	586
Total	<u>20,229</u>	<u>19,608</u>	<u>621</u>
Other Services:			
Transylvania vocational services	25,312	25,312	-
Juvenile crime prevention	102,690	98,678	4,012
Western Carolina Community Action	3,240	3,240	-
Children's Center	37,720	37,212	508
HCCBG	287,228	284,283	2,945
Other services	66,800	66,800	-
Total	<u>522,990</u>	<u>515,525</u>	<u>7,465</u>
Total human services	<u>8,455,123</u>	<u>8,166,218</u>	<u>288,905</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Cultural and Recreational:			
Parks and Recreation:			
Salaries and employee benefits	389,402	382,190	7,212
Other operating expenditures	160,041	138,321	21,720
Total	<u>549,443</u>	<u>520,511</u>	<u>28,932</u>
Library:			
Salaries and employee benefits	913,183	896,721	16,462
Other operating expenditures	226,335	228,941	(2,606)
Capital outlay	95,280	94,931	349
Total	<u>1,234,798</u>	<u>1,220,593</u>	<u>14,205</u>
Other:			
Brevard College	30,000	30,000	-
Transylvania Parks Commission	1,555	1,595	(40)
Other	2,970	1,401	1,569
Heart of Brevard	1,500	1,500	-
Total	<u>36,025</u>	<u>34,496</u>	<u>1,529</u>
Total cultural and recreational	<u>1,820,266</u>	<u>1,775,600</u>	<u>44,666</u>
Education:			
Public schools - current	9,323,041	9,323,041	-
Public schools - daycare	13,000	13,000	-
Public schools - distribution of lottery proceeds	358,000	358,000	-
Public schools - capital outlay	1,000,000	1,000,000	-
Blue Ridge Community College	276,378	276,378	-
Total education	<u>10,970,419</u>	<u>10,970,419</u>	<u>-</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal retirement	2,240,697	2,240,026	671
Interest and fees	497,413	498,010	(597)
Total	<u>2,738,110</u>	<u>2,738,036</u>	<u>74</u>
Total expenditures	<u>40,534,217</u>	<u>39,273,720</u>	<u>1,260,497</u>
Revenues over (under) expenditures	<u>(848,536)</u>	<u>1,614,031</u>	<u>2,462,567</u>
Other Financing Sources (Uses):			
Capital lease obligations issued	45,248	45,248	-
Transfers in:			
Capital project funds	41,420	21,420	(20,000)
Transfers out:			
Capital project funds	(318,703)	(318,703)	-
Special revenue funds	(1,599)	(1,691)	(92)
Enterprise funds	(435,237)	(435,237)	-
Appropriated fund balance	<u>1,517,407</u>	<u>-</u>	<u>(1,517,407)</u>
Total other financing sources (uses)	<u>848,536</u>	<u>(688,963)</u>	<u>(1,537,499)</u>
Net change in fund balance	<u>\$ -</u>	<u>925,068</u>	<u>\$ 925,068</u>
Fund Balance:			
Beginning of year - July 1		<u>21,038,792</u>	
End of year - June 30		<u>\$ 21,963,860</u>	

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

CAPITAL PROJECTS FUND

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

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, 2013

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
Assets:				
Cash and investments	\$ 809,317	\$ 1,128,638	\$ 268,240	\$ 2,206,195
Accounts receivable, net	119,133	-	-	119,133
Taxes receivable, net	9,880	-	-	9,880
Cash and investments, restricted	-	26,557	108,367	134,924
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 938,330</u>	<u>\$ 1,155,195</u>	<u>\$ 376,607</u>	<u>\$ 2,470,132</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 14,596</u>	<u>\$ 8,234</u>	<u>\$ 247</u>	<u>\$ 23,077</u>
Total liabilities	<u>14,596</u>	<u>8,234</u>	<u>247</u>	<u>23,077</u>
Deferred Inflows of Resources:				
Property taxes receivable	9,880	-	-	9,880
Prepaid taxes	16,366	-	-	16,366
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>26,246</u>	<u>-</u>	<u>-</u>	<u>26,246</u>
Fund Balances:				
Stabilization for State statute	119,133	-	-	119,133
Restricted, all other	778,355	25,479	108,367	912,201
Committed	-	1,121,482	-	1,121,482
Assigned	-	-	267,993	267,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>897,488</u>	<u>1,146,961</u>	<u>376,360</u>	<u>2,420,809</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 938,330</u>	<u>\$ 1,155,195</u>	<u>\$ 376,607</u>	<u>\$ 2,470,132</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
Revenues:				
Ad valorem taxes	\$ 2,277,159	\$ -	\$ -	\$ 2,277,159
Other taxes and licenses	478,836	-	-	478,836
Sales and services	14,469	-	-	14,469
Restricted intergovernmental revenues	372,627	-	-	372,627
Donations and grants	-	300	-	300
Interest earned on investments	1,667	2,767	2,017	6,451
Total revenues	<u>3,144,758</u>	<u>3,067</u>	<u>2,017</u>	<u>3,149,842</u>
Expenditures:				
Current:				
Public safety	2,621,267	753	-	2,622,020
Economic and physical development	410,133	-	-	410,133
Education	-	1,078	-	1,078
Cultural and recreational	-	-	24,666	24,666
Capital outlay	-	1,184,016	-	1,184,016
Total expenditures	<u>3,031,400</u>	<u>1,185,847</u>	<u>24,666</u>	<u>4,241,913</u>
Revenues over (under) expenditures	<u>113,358</u>	<u>(1,182,780)</u>	<u>(22,649)</u>	<u>(1,092,071)</u>
Other Financing Sources (Uses):				
Transfers in	1,691	318,703	-	320,394
Transfers out	-	(21,420)	-	(21,420)
Total other financing sources (uses)	<u>1,691</u>	<u>297,283</u>	<u>-</u>	<u>298,974</u>
Net change in fund balances	115,049	(885,497)	(22,649)	(793,097)
Fund Balances:				
Beginning of year - July 1	<u>782,439</u>	<u>2,032,458</u>	<u>399,009</u>	<u>3,213,906</u>
End of year - June 30	<u>\$ 897,488</u>	<u>\$ 1,146,961</u>	<u>\$ 376,360</u>	<u>\$ 2,420,809</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	<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>
Assets:					
Cash and investments	\$ 422,752	\$ 128,037	\$ 256,888	\$ 1,640	\$ 809,317
Accounts receivable	59,131	-	60,002	-	119,133
Taxes receivable, net	-	9,880	-	-	9,880
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 481,883</u>	<u>\$ 137,917</u>	<u>\$ 316,890</u>	<u>\$ 1,640</u>	<u>\$ 938,330</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ 10,526	\$ -	\$ 4,070	\$ -	\$ 14,596
Total liabilities	<u>10,526</u>	<u>-</u>	<u>4,070</u>	<u>-</u>	<u>14,596</u>
Deferred Inflows of Resources:					
Property taxes receivable	-	9,880	-	-	9,880
Prepaid taxes	-	16,366	-	-	16,366
Total deferred inflows of resources	<u>-</u>	<u>26,246</u>	<u>-</u>	<u>-</u>	<u>26,246</u>
Fund Balances:					
Restricted:					
Stabilization for State statute	59,131	-	60,002	-	119,133
Restricted, all other	412,226	111,671	252,818	1,640	778,355
Total fund balances	<u>471,357</u>	<u>111,671</u>	<u>312,820</u>	<u>1,640</u>	<u>897,488</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 481,883</u>	<u>\$ 137,917</u>	<u>\$ 316,890</u>	<u>\$ 1,640</u>	<u>\$ 938,330</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, 2013**

	<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>
Revenues:					
Ad valorem taxes	\$ -	\$ 2,277,159	\$ -	\$ -	\$ 2,277,159
Other taxes and licenses	478,836	-	-	-	478,836
Sales and services	14,469	-	-	-	14,469
Restricted intergovernmental	-	-	364,941	7,686	372,627
Investment earnings	802	505	360	-	1,667
Total revenues	<u>494,107</u>	<u>2,277,664</u>	<u>365,301</u>	<u>7,686</u>	<u>3,144,758</u>
Expenditures:					
Public safety	-	2,327,021	294,246	-	2,621,267
Economic and physical development	<u>399,100</u>	<u>-</u>	<u>-</u>	<u>11,033</u>	<u>410,133</u>
Total expenditures	<u>399,100</u>	<u>2,327,021</u>	<u>294,246</u>	<u>11,033</u>	<u>3,031,400</u>
Revenues over (under) expenditures	95,007	(49,357)	71,055	(3,347)	113,358
Other Financing Sources (Uses):					
Transfers in	<u>-</u>	<u>-</u>	<u>1,691</u>	<u>-</u>	<u>1,691</u>
Net change in fund balances	95,007	(49,357)	72,746	(3,347)	115,049
Fund Balances:					
Beginning of year - July 1	<u>376,350</u>	<u>161,028</u>	<u>240,074</u>	<u>4,987</u>	<u>782,439</u>
End of year - June 30	<u>\$ 471,357</u>	<u>\$ 111,671</u>	<u>\$ 312,820</u>	<u>\$ 1,640</u>	<u>\$ 897,488</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ 400,400	\$ 478,836	\$ 78,436
Sales and services	14,600	14,469	(131)
Investment earnings	700	802	102
Total revenues	<u>415,700</u>	<u>494,107</u>	<u>78,407</u>
Expenditures:			
Economic and physical development	<u>515,700</u>	<u>399,100</u>	<u>116,600</u>
Revenues over (under) expenditures	(100,000)	95,007	195,007
Other Financing Sources (Uses):			
Appropriated fund balance	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net change in fund balance	<u>\$ -</u>	<u>95,007</u>	<u>\$ 95,007</u>
Fund Balance:			
Beginning of year - July 1		<u>376,350</u>	
End of year - June 30		<u>\$ 471,357</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,252,771	\$ 2,258,452	\$ 5,681
Prior year	-	8,531	8,531
Penalties and interest	-	10,176	10,176
Investment earnings	-	505	505
Total revenues	<u>2,252,771</u>	<u>2,277,664</u>	<u>24,893</u>
Expenditures:			
Public safety:			
Brevard Fire District	271,780	271,780	-
Rosman Fire District	333,101	333,101	-
Little River Fire District	324,055	324,055	-
Connestee Falls Fire District	507,802	507,802	-
Cedar Mountain Fire District	120,804	120,804	-
Lake Toxaway Fire District	564,657	564,657	-
Balsam Grove Fire District	92,097	92,097	-
North Transylvania Fire District	112,725	112,725	-
Total expenditures	<u>2,327,021</u>	<u>2,327,021</u>	<u>-</u>
Revenues over (under) expenditures	(74,250)	(49,357)	24,893
Other Financing Sources (Uses):			
Appropriated fund balance	<u>74,250</u>	<u>-</u>	<u>(74,250)</u>
Net change in fund balance	<u>\$ -</u>	<u>(49,357)</u>	<u>\$ (49,357)</u>
Fund Balance:			
Beginning of year - July 1		<u>161,028</u>	
End of year - June 30		<u>\$ 111,671</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 360,013	\$ 364,941	\$ 4,928
Investment earnings	-	360	360
Total revenues	<u>360,013</u>	<u>365,301</u>	<u>5,288</u>
Expenditures:			
Public safety:			
Phone and furniture	28,200	17,300	10,900
Software	138,526	124,102	14,424
Training	3,750	1,625	2,125
Implemental functions	146,685	146,291	394
Special projects	-	4,928	(4,928)
Total expenditures	<u>317,161</u>	<u>294,246</u>	<u>22,915</u>
Revenues over (under) expenditures	<u>42,852</u>	<u>71,055</u>	<u>28,203</u>
Other Financing Sources (Uses):			
Transfer in	1,599	1,691	92
Transfers out	(44,451)	-	44,451
Total other financing sources (uses)	<u>(42,852)</u>	<u>1,691</u>	<u>44,543</u>
Net change in fund balance	<u>\$ -</u>	<u>72,746</u>	<u>\$ 72,746</u>
Fund Balance:			
Beginning of year - July 1		<u>240,074</u>	
End of year - June 30		<u>\$ 312,820</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, 2013

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental revenues:					
CDBG #08-C-0968 2003 Scattered Site Housing Project	\$ 400,000	\$ 400,000	\$ -	\$ 400,000	\$ -
CDBG #08-C-1375 2005 Scattered Site Housing Project	400,000	400,000	-	400,000	-
CDBG #08-C-1839 2008 Scattered Site Housing Project	400,000	391,776	(3,314)	388,462	(11,538)
CDBG #08-C-1849 Small Business & Entrepreneurial Assistance Grant	250,000	122,942	-	122,942	(127,058)
CDBG #09-E-2041 Gaia Herbs Building Reuse Project	116,000	116,000	-	116,000	-
CDBG #09-E-2327 2011 Scattered Site Housing Project	400,000	-	11,000	11,000	(389,000)
Investment earnings	-	145	-	145	145
Total revenues	<u>1,966,000</u>	<u>1,430,863</u>	<u>7,686</u>	<u>1,438,549</u>	<u>(527,451)</u>
Expenditures:					
Economic and physical development:					
CDBG #08-C-0968 2003 Scattered Site Housing Project	400,000	400,308	-	400,308	308
CDBG #08-C-1375 2005 Scattered Site Housing Project	400,000	398,011	-	398,011	(1,989)
CDBG #08-C-1839 2008 Scattered Site Housing Project	400,000	388,376	-	388,376	(11,624)
CDBG #08-C-1849 Small Business & Entrepreneurial Assistance Grant	250,000	123,181	-	123,181	(126,819)
CDBG #09-E-2041 Gaia Herbs Building Reuse Project	116,000	116,000	-	116,000	-
CDBG #09-E-2327 2011 Scattered Site Housing Project	<u>400,000</u>	<u>-</u>	<u>11,033</u>	<u>11,033</u>	<u>(388,967)</u>
Total expenditures	<u>1,966,000</u>	<u>1,425,876</u>	<u>11,033</u>	<u>1,436,909</u>	<u>(529,091)</u>
Net change in fund balance	\$ -	\$ 4,987	(3,347)	\$ 1,640	\$ 1,640
Fund Balance:					
Beginning of year - July 1			<u>4,987</u>		
End of year - June 30			\$ <u>1,640</u>		

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	Schools QZAB Fund	General Capital Projects Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ -	\$ 1,128,638	\$ 1,128,638
Cash and investments, restricted	<u>26,557</u>	<u>-</u>	<u>26,557</u>
Total assets	<u>\$ 26,557</u>	<u>\$ 1,128,638</u>	<u>\$ 1,155,195</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 1,078</u>	<u>\$ 7,156</u>	<u>\$ 8,234</u>
Total liabilities	<u>1,078</u>	<u>7,156</u>	<u>8,234</u>
Fund Balances:			
Restricted for:			
Education	25,479	-	25,479
Committed	<u>-</u>	<u>1,121,482</u>	<u>1,121,482</u>
Total fund balances	<u>25,479</u>	<u>1,121,482</u>	<u>1,146,961</u>
Total liabilities and fund balances	<u>\$ 26,557</u>	<u>\$ 1,128,638</u>	<u>\$ 1,155,195</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, 2013**

	Schools QZAB Fund	General Capital Projects Fund	Total
Revenues:			
Donations and grants	\$ -	\$ 300	\$ 300
Interest earned on investments	-	2,767	2,767
Total revenues	<u>-</u>	<u>3,067</u>	<u>3,067</u>
Expenditures:			
Current:			
Public safety	-	753	753
Capital outlay	-	1,184,016	1,184,016
Education	1,078	-	1,078
Total expenditures	<u>1,078</u>	<u>1,184,769</u>	<u>1,185,847</u>
Revenues over (under) expenditures	<u>(1,078)</u>	<u>(1,181,702)</u>	<u>(1,182,780)</u>
Other Financing Sources (Uses):			
Transfers in	-	318,703	318,703
Transfers out	-	(21,420)	(21,420)
Total other financing sources (uses)	<u>-</u>	<u>297,283</u>	<u>297,283</u>
Net change in fund balances	(1,078)	(884,419)	(885,497)
Fund Balances:			
Beginning of year - July 1	<u>26,557</u>	<u>2,005,901</u>	<u>2,032,458</u>
End of year - June 30	<u>\$ 25,479</u>	<u>\$ 1,121,482</u>	<u>\$ 1,146,961</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Bond expenditures	\$ 1,200	\$ 1,078	\$ 122
Revenues over (under) expenditures	(1,200)	(1,078)	(122)
Other Financing Sources (Uses):			
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>
Fund Balance:			
Beginning of year - July 1		<u>26,557</u>	
End of year - June 30		<u>\$ 25,479</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, 2013

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Donations and grants	\$ 373,757	\$ 58,066	\$ 300	\$ 58,366	\$ (315,391)
Investment earnings	<u>14,581</u>	<u>532,353</u>	<u>2,767</u>	<u>535,120</u>	<u>520,539</u>
Total revenues	<u>388,338</u>	<u>590,419</u>	<u>3,067</u>	<u>593,486</u>	<u>205,148</u>
Expenditures:					
Capital outlay	4,782,279	2,607,664	1,184,016	3,791,680	990,599
Expensed architectural fees	<u>-</u>	<u>93,512</u>	<u>753</u>	<u>94,265</u>	<u>(94,265)</u>
Total expenditures	<u>4,782,279</u>	<u>2,701,176</u>	<u>1,184,769</u>	<u>3,885,945</u>	<u>896,334</u>
Revenues over (under) expenditures	<u>(4,393,941)</u>	<u>(2,110,757)</u>	<u>(1,181,702)</u>	<u>(3,292,459)</u>	<u>1,101,482</u>
Other Financing Sources (Uses):					
Transfers in from General Fund	3,695,794	3,377,091	318,703	3,695,794	-
Transfers to General Fund	<u>(501,827)</u>	<u>(460,407)</u>	<u>(21,420)</u>	<u>(481,827)</u>	<u>20,000</u>
Total other financing sources (uses)	<u>3,193,967</u>	<u>2,916,684</u>	<u>297,283</u>	<u>3,213,967</u>	<u>20,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,199,974)</u>	<u>805,927</u>	<u>(884,419)</u>	<u>(78,492)</u>	<u>1,121,482</u>
Appropriated fund balance	<u>1,199,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,199,974)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 805,927</u>	<u>(884,419)</u>	<u>\$ (78,492)</u>	<u>\$ (78,492)</u>
Fund Balance:					
Beginning of year - July 1			<u>2,005,901</u>		
End of year - June 30			<u>\$ 1,121,482</u>		

PERMANENT FUND

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

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

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TRANSYLVANIA COUNTY, NORTH CAROLINA

**PERMANENT FUND - SILVERMONT RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 2,400	\$ 2,017	\$ (383)
Expenditures:			
Silvermont maintenance	30,000	24,666	5,334
Revenues over (under) expenditures	(27,600)	(22,649)	4,951
Other Financing Sources (Uses):			
Appropriated fund balance	27,600	-	(27,600)
Net change in fund balance	<u>\$ -</u>	(22,649)	<u>\$ (22,649)</u>
Fund Balance:			
Beginning of year - July 1		<u>399,009</u>	
End of year - June 30		<u>\$ 376,360</u>	

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ENTERPRISE FUND

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

Solid Waste Fund – This fund 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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services			
Solid waste charges	\$ 1,240,000	\$ 1,111,956	\$ (128,044)
Recycling	129,000	148,035	19,035
Other operating revenues	2,450	915	(1,535)
Total operating revenues	<u>1,371,450</u>	<u>1,260,906</u>	<u>(110,544)</u>
Non-operating revenues:			
Investment earnings	1,220	1,353	133
Miscellaneous revenue	20,933	19,967	(966)
Total non-operating revenues	<u>22,153</u>	<u>21,320</u>	<u>(833)</u>
Total revenues	<u>1,393,603</u>	<u>1,282,226</u>	<u>(111,377)</u>
Expenditures:			
Landfill administration and operations:			
Salaries and employee benefits	809,651.00	805,037.00	4,614
Other operating expenditures	503,525.00	466,850	36,675
Capital outlay	109,230	47,915	61,315
Total expenditures	<u>1,422,406</u>	<u>1,319,802</u>	<u>102,604</u>
Revenues over (under) expenditures	<u>(28,803)</u>	<u>(37,576)</u>	<u>(8,773)</u>
Other Financing Sources (Uses):			
Transfers - General Fund	435,237	435,237	-
Contingency	(406,434)	-	406,434
Total other financing sources (uses)	<u>28,803</u>	<u>435,237</u>	<u>406,434</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 397,661</u>	<u>\$ 397,661</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 397,661	
Reconciling items:			
Capital outlay capitalized		47,915	
Increase in OPEB		(4,229)	
Increase in compensated absences payable		(1,077)	
Increase in closure and post-closure care costs		(93,095)	
Depreciation		<u>(303,679)</u>	
Change in net position		<u>\$ 43,496</u>	

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AGENCY FUNDS

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

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, the \$6.20 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, and the donations received by the Sheriff's Office for the COPS 4 Kids program, a program co-sponsored with the City of Brevard Police Department, and the DARE and SHIELD Camps, which are conducted by Sheriff Office employees

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TRANSYLVANIA COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 16,991	\$ 151,711	\$ 148,604	\$ 20,098
Liabilities:				
Miscellaneous liabilities	\$ 16,991	\$ 151,711	\$ 148,604	\$ 20,098
Fines and Forfeitures:				
Assets:				
Cash and investments	\$ 7,755	\$ 84,166	\$ 91,921	\$ -
Accounts receivable and accrued revenues	10,180	9,676	10,180	9,676
Total assets	<u>\$ 17,935</u>	<u>\$ 93,842</u>	<u>\$ 102,101</u>	<u>\$ 9,676</u>
Liabilities:				
Intergovernmental payables - Transylvania County Board of Education	\$ 17,935	\$ 93,842	\$ 102,101	\$ 9,676
Motor Vehicle Fees:				
Assets:				
Cash and investments	\$ 981	\$ 9,477	\$ 9,355	\$ 1,103
Liabilities:				
Miscellaneous liabilities	\$ 981	\$ 9,477	\$ 9,355	\$ 1,103
Total liabilities	<u>\$ 981</u>	<u>\$ 9,477</u>	<u>\$ 9,355</u>	<u>\$ 1,103</u>
Dare Camp:				
Assets:				
Cash and investments	\$ 2,220	\$ 2,574	\$ 4,270	\$ 524
Liabilities:				
Intergovernmental payables - Transylvania County	\$ -	\$ 144	\$ -	\$ 144
Miscellaneous liabilities	2,220	2,574	4,414	380
Total liabilities	<u>\$ 2,220</u>	<u>\$ 2,718</u>	<u>\$ 4,414</u>	<u>\$ 524</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
SHIELD Camp:				
Assets:				
Cash and investments	\$ 12,782	\$ 18,787	\$ 16,654	\$ 14,915
Liabilities:				
Intergovernmental payables - Transylvania County	\$ 3,383	\$ 1,618	\$ -	\$ 5,001
Miscellaneous liabilities	9,399	17,169	16,654	9,914
Total liabilities	<u>\$ 12,782</u>	<u>\$ 18,787</u>	<u>\$ 16,654</u>	<u>\$ 14,915</u>
Cops 4 Kids:				
Assets:				
Cash and investments	\$ 5,251	\$ 21,537	\$ 17,718	\$ 9,070
Liabilities:				
Intergovernmental payables - Miscellaneous liabilities	\$ 5,251	\$ 21,537	\$ 17,718	\$ 9,070
Register of Deeds:				
Assets:				
Cash and investments	\$ 2,313	\$ 31,533	\$ 31,025	\$ 2,821
Accounts receivable and accrued revenues	105	-	105	-
Total assets	<u>\$ 2,418</u>	<u>\$ 31,533</u>	<u>\$ 31,130</u>	<u>\$ 2,821</u>
Liabilities:				
Intergovernmental payables - State of North Carolina	\$ 2,418	\$ 31,533	\$ 31,130	\$ 2,821
Total-All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 48,293	\$ 319,785	\$ 319,547	\$ 48,531
Accounts receivable and accrued revenues	10,285	9,676	10,285	9,676
Total assets	<u>\$ 58,578</u>	<u>\$ 329,461</u>	<u>\$ 329,832</u>	<u>\$ 58,207</u>
Liabilities:				
Intergovernmental payables	\$ 24,717	\$ 136,614	\$ 142,586	\$ 18,745
Miscellaneous liabilities	33,861	192,991	187,390	39,462
Total liabilities	<u>\$ 58,578</u>	<u>\$ 329,605</u>	<u>\$ 329,976</u>	<u>\$ 58,207</u>

OTHER SCHEDULES

This section contains additional information on property taxes and transfers.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

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TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2013	\$ -	\$ 23,704,178	\$ 23,627,172	\$ 77,006
2012	88,319	-	65,419	22,900
2011	29,417	-	7,576	21,841
2010	14,296	-	2,027	12,269
2009	4,974	-	1,525	3,449
2008	12,110	-	1,064	11,046
2007	13,319	-	987	12,332
2006	15,311	-	2,964	12,347
2005	4,828	-	1,316	3,512
2004	5,831	-	1,045	4,786
2003	11,434	-	11,434	-
Total	<u>\$ 199,839</u>	<u>\$ 23,704,178</u>	<u>\$ 23,722,529</u>	<u>181,488</u>

Less allowance for uncollectible ad valorem taxes receivable:

General Fund 111,569

Ad Valorem Taxes Receivable, Net:

General Fund \$ 69,919

Reconciliation of Collections and Credits with Revenues:

Ad valorem taxes - General Fund \$ 23,781,655

Reconciling items:

Interest (77,530)

Tax refunds 3,867

Abatements - prior years 7,130

Advertising (2,667)

Taxes written off 10,074

Total collections and credits \$ 23,722,529

TRANSYLVANIA COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2013

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
County-wide:					
Property tax	\$ 6,002,359,675	\$ 0.3949	\$ 23,703,383	\$ 22,700,797	\$ 1,002,586
Late list penalties	-		13,355	13,355	-
Total original levy	<u>6,002,359,675</u>		<u>23,716,738</u>	<u>22,714,152</u>	<u>1,002,586</u>
Discoveries:					
Current year taxes	1,736,929		6,859	6,859	-
Prior year taxes	<u>1,993,447</u>		<u>7,890</u>	<u>7,890</u>	<u>-</u>
Total discoveries	<u>3,730,376</u>		<u>14,749</u>	<u>14,749</u>	<u>-</u>
Abatements and Discounts	<u>(5,176,783)</u>		<u>(27,309)</u>	<u>(11,084)</u>	<u>(16,225)</u>
Total property valuation	<u>\$ 6,000,913,268</u>				
Net Levy			23,704,178	22,717,817	986,361
Uncollected taxes at June 30, 2013			<u>77,006</u>	<u>43,645</u>	<u>33,361</u>
Current Year's Taxes Collected			<u>\$ 23,627,172</u>	<u>\$ 22,674,172</u>	<u>\$ 953,000</u>
Current Levy Collection Percentage			<u>99.68%</u>	<u>99.81%</u>	<u>96.62%</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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities				
Net investment in capital assets	\$ 9,988,250	\$ 13,773,087	\$ 19,969,409	\$ 20,369,159
Restricted	877,435	1,256,692	1,257,831	1,697,216
Unrestricted	8,043,490	8,560,294	11,723,898	16,158,930
Total governmental activities net position	<u>\$ 18,909,175</u>	<u>\$ 23,590,073</u>	<u>\$ 32,951,138</u>	<u>\$ 38,225,305</u>
Business-Type Activities				
Net investment in capital assets	\$ 4,357,971	\$ 3,945,072	\$ 3,378,918	\$ 2,792,276
Restricted				
Unrestricted	(1,244,471)	(1,215,349)	(795,452)	194,584
Total business-type activities net position	<u>\$ 3,113,500</u>	<u>\$ 2,729,723</u>	<u>\$ 2,583,466</u>	<u>\$ 2,986,860</u>
Primary Government				
Net investment in capital assets	\$ 14,346,221	\$ 17,718,159	\$ 23,348,327	\$ 23,161,435
Restricted	877,435	1,256,692	1,257,831	1,697,216
Unrestricted	6,799,019	7,344,945	10,928,446	16,353,514
Total primary government net position	<u>\$ 22,022,675</u>	<u>\$ 26,319,796</u>	<u>\$ 35,534,604</u>	<u>\$ 41,212,165</u>

TABLE 1

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 24,185,021	\$ 35,138,758	\$ 38,280,736	\$ 37,965,115	\$ 37,350,168	\$ 37,837,719
1,794,717	1,091,782	1,491,646	4,337,434	4,211,048	4,318,916
16,912,463	8,613,469	8,759,642	7,097,748	7,979,935	9,887,115
<u>\$ 42,892,201</u>	<u>\$ 44,844,009</u>	<u>\$ 48,532,024</u>	<u>\$ 49,400,297</u>	<u>\$ 49,541,151</u>	<u>\$ 52,043,750</u>
\$ 4,939,310	\$ 4,624,518	\$ 4,366,733	\$ 4,085,921	\$ 3,859,314	\$ 3,603,550
(1,090,548)	(92,919)	1,016,654	1,808,089	2,166,778	2,466,038
<u>\$ 3,848,762</u>	<u>\$ 4,531,599</u>	<u>\$ 5,383,387</u>	<u>\$ 5,894,010</u>	<u>\$ 6,026,092</u>	<u>\$ 6,069,588</u>
\$ 29,124,331	\$ 39,763,276	\$ 42,647,469	\$ 42,051,036	\$ 41,209,482	\$ 41,441,269
1,794,717	1,091,782	1,491,646	4,337,434	4,211,048	4,318,916
15,821,915	8,520,550	9,776,296	8,905,837	10,146,713	12,353,153
<u>\$ 46,740,963</u>	<u>\$ 49,375,608</u>	<u>\$ 53,915,411</u>	<u>\$ 55,294,307</u>	<u>\$ 55,567,243</u>	<u>\$ 58,113,338</u>

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

UNAUDITED

	2004	2005	2006
Expenses			
Governmental Activities:			
General government	\$ 3,753,997	\$ 4,356,272	\$ 4,566,521
Public safety	7,549,974	7,972,158	8,306,170
Transportation	97,957	103,255	356,525
Economic and physical development	950,117	1,411,719	3,696,917
Human services	8,741,038	9,045,258	8,858,593
Cultural and recreational	1,215,723	1,149,713	1,322,900
Education	7,248,509	7,618,423	8,702,160
Interest on long-term obligations	1,180,734	1,106,923	1,034,391
Total governmental activities expenses	<u>\$ 30,738,049</u>	<u>\$ 32,763,721</u>	<u>\$ 36,844,177</u>
Business-Type Activities:			
Landfill	\$ 1,514,363	\$ 1,939,662	\$ 2,524,570
Total governmental activities expenses	<u>\$ 1,514,363</u>	<u>\$ 1,939,662</u>	<u>\$ 2,524,570</u>
Total primary government expenses	<u>\$ 32,252,412</u>	<u>\$ 34,703,383</u>	<u>\$ 39,368,747</u>
Program Revenues			
Governmental Activities:			
Charges for Services:			
General government	\$ 913,288	\$ 679,241	\$ 730,655
Public safety	1,620,895	1,618,968	1,894,494
Transportation	-	-	-
Economic and physical development	107,213	-	-
Human services	505,408	395,941	638,343
Cultural and recreational	58,858	61,783	74,981
Education	-	198,733	-
Operating Grants and Contributions:			
General government	12,467	9,366	17,033
Public safety	411,849	630,181	248,510
Transportation	201,891	71,184	80,412
Economic and physical development	123,673	840,253	2,992,009
Human services	4,370,408	4,771,482	4,414,362
Cultural and recreational	169,348	115,575	12,429
Education	174,007	12,611	322,070
Capital Grants and Contributions:			
General government	-	57,921	80,857
Economic and physical development	101,946	-	-
Cultural and recreational	-	434,460	3,019,745
Education	-	-	6,094
Total governmental activities program revenues	<u>\$ 8,771,251</u>	<u>\$ 9,897,699</u>	<u>\$ 14,531,994</u>

TABLE 2

	2007	2008	2009	2010	2011	2012	2013
\$	5,472,674	\$ 4,985,239	\$ 5,042,645	\$ 4,617,015	\$ 5,155,747	\$ 5,083,686	\$ 4,427,635
	9,051,987	10,399,235	11,042,467	11,777,713	12,386,788	12,979,401	13,441,859
	378,991	364,740	358,399	509,565	396,460	450,591	448,838
	1,502,285	1,594,400	1,531,068	1,663,553	1,096,501	959,314	974,391
	9,308,209	9,522,922	9,448,473	8,094,451	8,069,619	8,169,147	8,316,088
	1,699,971	1,814,530	1,968,016	1,560,709	1,904,003	1,847,675	1,965,938
	9,564,457	10,900,358	10,449,456	10,400,587	10,822,954	12,201,671	10,971,497
	959,451	636,426	907,694	668,751	609,131	551,526	456,240
\$	37,938,025	\$ 40,217,850	\$ 40,748,218	\$ 39,292,344	\$ 40,441,203	\$ 42,243,011	\$ 41,002,486
\$	2,372,572	\$ 1,458,440	\$ 1,678,773	\$ 1,418,346	\$ 1,624,898	\$ 1,708,329	\$ 1,673,967
\$	2,372,572	\$ 1,458,440	\$ 1,678,773	\$ 1,418,346	\$ 1,624,898	\$ 1,708,329	\$ 1,673,967
\$	40,310,597	\$ 41,676,290	\$ 42,426,991	\$ 40,710,690	\$ 42,066,101	\$ 43,951,340	\$ 42,676,453
\$	547,176	\$ 1,403,077	\$ 1,055,880	\$ 269,938	\$ 767,315	\$ 334,456	\$ 275,477
	1,452,371	1,405,633	1,444,322	2,099,928	2,461,457	2,174,330	2,528,476
	-	-	-	-	-	-	7,202
	-	-	11,467	6,712	31,791	22,638	21,240
	798,598	376,346	548,544	526,525	527,094	455,869	422,732
	42,173	40,176	98,220	95,713	94,967	103,822	121,961
	-	-	-	-	-	-	-
	217,053	361,235	39,379	56,527	40,283	52,247	98,555
	890,735	629,245	1,089,375	416,927	438,525	414,376	422,546
	-	219,801	341,357	234,881	278,738	272,129	269,173
	1,401,118	686,949	459,808	169,696	65,711	70,882	65,063
	3,666,631	4,833,149	5,063,846	5,293,382	4,973,824	5,331,406	5,480,830
	247,177	146,458	120,228	438,486	171,688	91,846	95,126
	546,646	124,754	137,268	137,842	161,664	363,784	544,124
	4,760	50,695	-	-	-	-	-
	-	-	-	475,799	42,249	80,163	7,686
	141,404	-	-	-	-	-	89,780
	-	-	-	-	-	-	-
\$	9,955,842	\$ 10,277,518	\$ 10,409,694	\$ 10,222,356	\$ 10,055,306	\$ 9,767,948	\$ 10,449,971

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

UNAUDITED

	2004	2005	2006
Business-Type Activities:			
Charge for services - landfill	\$ 1,275,719	\$ 1,466,228	\$ 1,394,442
Operating grants and contributions - landfill	-	-	-
Capital grants and contributions - landfill	-	-	-
Total business-type activities program revenues	\$ 1,275,719	\$ 1,466,228	\$ 1,394,442
Total primary government program revenues	\$ 10,046,970	\$ 11,363,927	\$ 15,926,436
Net (Expense)/Revenue			
Governmental activities	\$ (21,966,798)	\$ (22,866,022)	\$ (22,312,183)
Business-type activities	(238,644)	(473,434)	(1,130,128)
Total primary government net (expense)/revenue	\$ (22,205,442)	\$ (23,339,456)	\$ (23,442,311)
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Property taxes	\$ 19,160,255	\$ 18,577,018	\$ 21,714,091
Local option sales tax	6,847,773	6,973,895	7,603,939
Other taxes and licenses	1,089,108	1,222,898	1,675,570
Grants and contributions not restricted	214,673	218,655	233,423
Investment earnings	261,103	524,310	1,000,240
Miscellaneous	10,425	30,142	326,985
Transfers	(1,208,678)	-	(881,000)
Total Governmental Activities	\$ 26,374,659	\$ 27,546,918	\$ 31,673,248
Business-Type Activities:			
Investment earnings	\$ 31,494	\$ 49,143	\$ 89,958
Miscellaneous	-	40,514	12,913
Transfers	1,208,678	-	881,000
Total business-type activities	\$ 1,240,172	\$ 89,657	\$ 983,871
Total primary government	\$ 27,614,831	\$ 27,636,575	\$ 32,657,119
Change in Net Position			
Governmental activities	\$ 4,407,861	\$ 4,680,896	\$ 9,361,065
Business-type activities	1,001,528	(383,777)	(146,257)
Total primary government	\$ 5,409,389	\$ 4,297,119	\$ 9,214,808

TABLE 2

2007	2008	2009	2010	2011	2012	2013
\$ 1,504,980	\$ 1,593,221	\$ 1,383,173	\$ 1,334,337	\$ 1,224,466	\$ 1,368,697	\$ 1,260,906
-	-	12,728	19,469	19,389	21,043	19,967
-	107,343	-	-	-	-	-
\$ 1,504,980	\$ 1,700,564	\$ 1,395,901	\$ 1,353,806	\$ 1,243,855	\$ 1,389,740	\$ 1,280,873
\$ 11,460,822	\$ 11,978,082	\$ 11,805,595	\$ 11,576,162	\$ 11,299,161	\$ 11,157,688	\$ 11,730,844
\$ (27,982,183)	\$ (29,940,332)	\$ (30,338,524)	\$ (29,069,988)	\$ (30,385,897)	\$ (32,475,063)	\$ (30,552,515)
(867,592)	242,124	(282,872)	(64,540)	(381,043)	(318,589)	(393,094)
\$ (28,849,775)	\$ (29,698,208)	\$ (30,621,396)	\$ (29,134,528)	\$ (30,766,940)	\$ (32,793,652)	\$ (30,945,609)
\$ 22,672,983	\$ 23,582,218	\$ 24,437,262	\$ 25,974,123	\$ 25,709,393	\$ 25,964,830	\$ 26,009,209
8,145,834	8,234,107	6,720,265	5,239,883	5,540,551	5,820,469	6,122,549
1,694,466	1,440,731	763,293	811,378	774,223	848,735	994,340
241,239	260,889	520,299	506,354	365,566	382,922	359,204
1,605,838	1,544,020	672,317	138,015	75,710	47,970	55,827
26,532	45,263	74,920	99,025	30,570	-	-
(1,130,492)	(500,000)	(902,556)	(908,570)	(888,077)	(449,009)	(435,237)
\$ 33,256,400	\$ 34,607,228	\$ 32,285,800	\$ 31,860,208	\$ 31,607,936	\$ 32,615,917	\$ 33,105,892
\$ 140,494	\$ 119,778	\$ 49,630	\$ 5,471	\$ 3,589	1,662	1,353
-	-	13,523	2,287	-	-	-
1,130,492	500,000	902,556	908,570	888,077	449,009	435,237
\$ 1,270,986	\$ 619,778	\$ 965,709	\$ 916,328	\$ 891,666	\$ 450,671	\$ 436,590
\$ 34,527,386	\$ 35,227,006	\$ 33,251,509	\$ 32,776,536	\$ 32,499,602	\$ 33,066,588	\$ 33,542,482
\$ 5,274,217	\$ 4,666,896	\$ 1,947,276	\$ 2,790,220	\$ 1,222,039	\$ 140,854	\$ 2,553,377
403,394	861,902	682,837	851,788	510,623	132,082	43,496
\$ 5,677,611	\$ 5,528,798	\$ 2,630,113	\$ 3,642,008	\$ 1,732,662	\$ 272,936	\$ 2,596,873

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

UNAUDITED

	2004	2005	2006	2007
Property tax	\$ 19,160,255	\$ 18,577,018	\$ 21,714,091	\$ 22,672,983
Local option sales tax	6,847,773	6,973,895	7,603,939	8,145,834
Other taxes and licenses	1,089,108	1,222,898	1,675,570	1,694,466
Total	<u>\$ 27,097,136</u>	<u>\$ 26,773,811</u>	<u>\$ 30,993,600</u>	<u>\$ 32,513,283</u>

TABLE 3

2008		2009		2011		2012		2013	
\$	23,582,218	\$	24,437,262	\$	25,709,393	\$	25,964,830	\$	26,009,209
	8,234,107		6,720,265		5,540,551		5,820,469		6,122,549
	1,440,731		763,293		774,223		848,735		994,340
\$	33,257,056	\$	31,920,820	\$	32,024,167	\$	32,634,034	\$	33,126,098

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

UNAUDITED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 13,639,169	\$ 20,510,489	\$ 21,491,749	\$ 17,116,364	\$ 5,529,966	\$ 4,771,176	\$ 3,851,813	\$ -	\$ -	\$ -
Designated	5,622,089	2,184,769	2,105,874	3,042,494	3,064,060	3,180,255	5,223,495	-	-	-
Unreserved and undesignated	7,926,117	4,377,022	6,145,790	10,524,826	8,575,637	9,758,729	10,261,746	-	-	-
Non-spendable	-	-	-	-	-	-	-	13,007	16,215	40,893
Restricted	-	-	-	-	-	-	-	3,414,041	3,309,254	3,287,582
Committed	-	-	-	-	-	-	-	1,463,248	1,637,499	2,012,140
Assigned	-	-	-	-	-	-	-	3,547,977	4,513,591	4,320,436
Unassigned	-	-	-	-	-	-	-	11,889,227	11,562,233	12,302,809
Total general fund	<u>\$27,187,375</u>	<u>\$27,072,280</u>	<u>\$29,743,413</u>	<u>\$30,683,684</u>	<u>\$17,169,663</u>	<u>\$17,710,160</u>	<u>\$19,337,054</u>	<u>\$20,327,500</u>	<u>\$21,038,792</u>	<u>\$21,963,860</u>
All other governmental funds										
Reserved	\$ 168,108	\$ 896,945	\$ 3,088,738	\$ 1,255,698	\$ 14,258,269	\$ 6,515,367	\$ 2,915,498	\$ -	\$ -	\$ -
Designated for subsequent years	1,788,497	473,350	2,772,265	224,052	280,286	161,944	90,700	-	-	-
Unreserved and undesignated, reported in:										
Special revenue funds	604,352	492,127	870,888	1,193,880	1,205,703	557,518	852,935	-	-	-
Capital projects funds	1,854,273	2,337,442	(3,128,502)	3,280,163	2,796,275	26,564	2,014,826	-	-	-
Permanent fund	158,200	199,706	231,235	273,870	252,424	266,928	279,602	-	-	-
Restricted	-	-	-	-	-	-	-	2,084,397	928,351	1,031,334
Committed	-	-	-	-	-	-	-	2,494,240	2,005,876	1,121,482
Assigned	-	-	-	-	-	-	-	291,042	289,852	267,993
Unassigned	-	-	-	-	-	-	-	(3,170)	(10,173)	-
Total all other governmental funds	<u>\$ 4,573,430</u>	<u>\$ 4,399,570</u>	<u>\$ 3,834,624</u>	<u>\$ 6,227,663</u>	<u>\$ 18,792,957</u>	<u>\$ 7,528,321</u>	<u>\$ 6,153,561</u>	<u>\$ 4,876,509</u>	<u>\$ 3,213,906</u>	<u>\$ 2,420,809</u>

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

UNAUDITED

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes:				
Property	\$ 18,930,038	\$ 18,899,554	\$ 21,747,101	\$ 22,785,337
Sales	6,847,773	6,973,895	7,603,939	8,145,834
Other	1,177,514	1,318,894	1,675,570	1,694,466
Intergovernmental	6,995,503	7,825,317	9,759,300	7,091,932
Permits and fees	520,916	475,629	560,452	681,158
Sales and services	1,255,516	1,148,395	1,296,000	2,007,284
Donations and grants	-	-	-	-
Investment earnings	261,103	608,142	1,136,247	1,688,093
Miscellaneous	125,583	487,187	2,943,137	334,452
Total revenues	<u>\$ 36,113,946</u>	<u>\$ 37,737,013</u>	<u>\$ 46,721,746</u>	<u>\$ 44,428,556</u>
Expenditures				
General government	\$ 3,664,853	\$ 4,457,415	\$ 4,644,586	\$ 5,555,278
Public safety	7,491,625	7,889,570	8,142,194	9,196,175
Economic development	946,704	1,410,642	1,563,634	1,499,832
Human services	8,722,587	8,976,222	9,120,233	9,556,843
Culture and recreation	1,060,833	1,106,312	1,270,693	1,494,744
Education	7,248,509	7,618,423	8,702,160	9,564,457
Capital outlay	583,822	3,876,297	8,050,961	719,161
Debt Service:				
Principal	1,506,015	1,561,015	1,601,015	1,666,015
Interest	1,194,893	1,127,408	1,055,820	982,313
Bond issuance cost	-	-	-	-
Total expenditures	<u>\$ 32,419,841</u>	<u>\$ 38,023,304</u>	<u>\$ 44,151,296</u>	<u>\$ 40,234,818</u>
Excess of revenues over (under) expenditures	\$ 3,694,105	\$ (286,291)	\$ 2,570,450	\$ 4,193,738
Other Financing Sources (Uses)				
Capital lease obligations issued	-	-	-	-
Transfers in	701,854	4,381,595	7,987,805	3,897,037
Transfers out	(1,943,339)	(4,414,402)	(8,907,205)	(5,086,937)
Bond proceeds	-	-	-	-
Proceeds from financing	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Proceeds from sale of assets	27,532	30,142	117,637	51,157
Proceeds from law suit	-	-	337,500	-
Total other financing sources (uses)	<u>\$ (1,213,953)</u>	<u>\$ (2,665)</u>	<u>\$ (464,263)</u>	<u>\$ (1,138,743)</u>
Net change in fund balances	<u>\$ 2,480,152</u>	<u>\$ (288,956)</u>	<u>\$ 2,106,187</u>	<u>\$ 3,054,995</u>
Capital asset expenditures	<u>\$ 583,822</u>	<u>\$ 3,876,297</u>	<u>\$ 6,508,430</u>	<u>\$ 1,713,907</u>
Debt service as a percentage of non-capital expenditures	<u>8.5%</u>	<u>7.9%</u>	<u>7.1%</u>	<u>6.9%</u>

TABLE 5

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 23,639,386	\$ 24,448,844	\$ 25,943,353	\$ 25,788,102	\$ 25,942,280	\$ 26,058,814
8,234,107	6,720,265	5,239,883	5,540,551	5,820,469	6,122,549
1,440,731	763,293	811,378	774,223	848,735	994,340
7,299,455	7,727,445	7,602,085	6,536,112	7,024,402	7,375,926
588,976	382,955	372,047	340,518	327,956	386,593
2,772,465	2,620,231	2,613,934	3,463,380	2,663,364	2,934,017
50,695	22,443	50	23,320	23,676	20,882
1,632,630	714,057	172,950	72,598	44,858	52,715
121,115	191,117	220,499	69,559	111,472	91,757
<u>\$ 45,779,560</u>	<u>\$ 43,590,650</u>	<u>\$ 42,976,179</u>	<u>\$ 42,608,363</u>	<u>\$ 42,807,212</u>	<u>\$ 44,037,593</u>
\$ 5,265,368	\$ 4,981,840	\$ 4,464,852	\$ 4,869,425	\$ 4,807,780	\$ 4,391,102
10,294,586	11,621,984	11,917,256	11,910,027	12,132,089	12,817,385
1,599,827	1,523,660	1,660,458	1,094,476	958,080	973,545
9,760,521	9,728,524	8,653,766	8,284,399	8,435,813	8,639,033
1,598,213	1,858,012	1,839,077	1,846,950	1,741,432	1,800,266
10,900,358	10,449,456	10,400,587	10,822,954	12,201,671	10,971,497
4,236,863	13,490,731	2,553,303	270,781	238,416	1,184,769
1,706,015	2,032,681	2,144,348	2,287,496	2,270,976	2,240,026
905,710	646,781	702,038	638,937	565,657	498,010
86,843	-	-	-	-	-
<u>\$ 46,354,304</u>	<u>\$ 56,333,669</u>	<u>\$ 44,335,685</u>	<u>\$ 42,025,445</u>	<u>\$ 43,351,914</u>	<u>\$ 43,515,633</u>
\$ (574,744)	\$ (12,743,019)	\$ (1,359,506)	\$ 582,918	\$ (544,702)	\$ 521,960
-	-	-	-	42,400	45,248
16,881,080	921,127	340,422	811,804	160,828	341,814
(17,441,441)	(1,881,699)	(1,248,992)	(1,699,881)	(609,837)	(777,051)
15,810,000	-	-	-	-	-
-	2,900,000	1,297,778	-	-	-
(15,668,890)	-	-	-	-	-
45,263	74,920	19,120	18,553	-	-
-	-	-	-	-	-
<u>\$ (373,988)</u>	<u>\$ 2,014,348</u>	<u>\$ 408,328</u>	<u>\$ (869,524)</u>	<u>\$ (406,609)</u>	<u>\$ (389,989)</u>
<u>\$ (948,732)</u>	<u>\$ (10,728,671)</u>	<u>\$ (951,178)</u>	<u>\$ (286,606)</u>	<u>\$ (951,311)</u>	<u>\$ 131,971</u>
<u>\$ 5,171,929</u>	<u>\$ 14,891,453</u>	<u>\$ 4,146,581</u>	<u>\$ 906,651</u>	<u>\$ 862,657</u>	<u>\$ 1,959,372</u>
<u>6.6%</u>	<u>6.5%</u>	<u>7.1%</u>	<u>7.1%</u>	<u>6.7%</u>	<u>6.6%</u>

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

UNAUDITED

Fiscal Year	Assessed Real Property				Business & Personal Property
	Residential Property	Commercial Property	Industrial Property	Present-Use Value Property	
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
2012	4,836,410,339	644,224,921	19,543,080	35,363,310	131,701,081
2013	4,812,488,501	646,077,963	19,543,080	36,920,380	121,121,343

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>Sales Assessment Ratio</u>
\$ 241,741,806	\$ 90,801,903	\$ 3,610,615,139	\$ 0.4800	\$ 3,960,310,562	91.17%
243,046,468	91,674,837	3,626,133,905	0.4800	3,928,213,525	92.31%
256,279,819	94,873,485	3,724,038,517	0.5400	4,541,510,387	82.00%
281,028,678	102,736,690	3,858,582,620	0.5400	5,030,090,757	76.71%
290,866,014	103,348,541	4,030,401,292	0.5400	5,056,330,814	79.71%
284,380,776	104,032,339	4,146,664,737	0.5400	4,163,318,009	99.60%
263,874,984	108,960,742	5,965,665,900	0.3949	5,999,865,131	99.43%
242,266,720	107,930,454	5,964,781,434	0.3949	6,039,061,895	98.77%
242,374,009	111,182,488	6,020,799,228	0.3949	6,023,811,134	99.95%
252,868,748	113,441,884	6,002,461,899	0.3949	5,846,363,981	102.67%

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

UNAUDITED

	2004	2005	2006	2007
Transylvania County	\$ 0.4800	\$ 0.4800	\$ 0.5400	\$ 0.5400
<u>Municipality Rates:</u>				
City of Brevard	0.4950	0.4950	0.4950	0.4950
Town of Rosman	0.4600	0.4600	0.4600	0.4600
<u>Fire Districts:</u>				
Etowah-Horseshoe	0.0380	0.0322	0.0316	0.0305
Brevard	0.0255	0.0250	0.0248	0.0257
Rosman	0.0486	0.0690	0.0740	0.0758
Little River	0.0600	0.0776	0.0797	0.0797
Connestee Falls	0.0440	0.0562	0.0604	0.0604
Cedar Mountain	0.0793	0.0928	0.1015	0.1059
Lake Toxaway	0.0228	0.0299	0.0305	0.0305
Balsam Grove	0.1012	0.1391	0.1391	0.1391
North Transylvania	0.0843	0.1268	0.1242	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

	2008	2009	2010 (1)	2011	2012	2013
\$	0.5400	\$ 0.5400	\$ 0.3949	\$ 0.3949	\$ 0.3949	\$ 0.3949
	0.4950	0.4950	0.3875	0.4325	0.4325	0.4325
	0.4600	0.4600	0.4100	0.4100	0.4100	0.4100
	0.0291	-	-	-	-	-
	0.0301	0.0331	0.0269	0.0269	0.0269	0.0316
	0.0756	0.0877	0.0626	0.0626	0.0649	0.0685
	0.0797	0.0797	0.0577	0.0577	0.0577	0.0577
	0.0649	0.0697	0.0494	0.0494	0.0512	0.0512
	0.1059	0.1150	0.0802	0.0756	0.0756	0.0756
	0.0323	0.0359	0.0275	0.0287	0.0287	0.0302
	0.1391	0.1391	0.0968	0.0968	0.0968	0.0968
	0.1242	0.1242	0.0911	0.0911	0.0911	0.0911

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

UNAUDITED

Taxpayer	Type of Business	Fiscal Year 2013		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Corp	Electric utility	\$ 50,652,662	1	0.84%
Citizens/Comporium Telephone	Communications utility	34,984,317	2	0.58%
Excelsior Packaging Group	Flexible packaging manufacturing	22,643,129	3	0.38%
Brevard Retirement Investors	Retirement home facilities	22,498,210	4	0.37%
Haywood Electric Memb Corp	Electric utility	20,492,940	5	0.34%
159 Babcock Company LLC	Real estate development	17,870,570	6	0.30%
Davidson River Village LLC	Real estate development	15,371,140	7	0.26%
Lake Toxaway Company	Real estate development	15,112,170	8	0.25%
Ingles Markets, Inc	Retail grocery store	14,990,592	9	0.25%
French Broad Place LLC	Real estate development	14,110,390	10	0.24%
Sapphire Lakes Inc	Real estate development			
AGFA Corporation	X-ray film production			
Ecusta Division-P.H. Glatfelter Co	Paper manufacturing			
Sterling Billiard Manufacturing Co. Inc	Recreation equipment			
Coats American, Inc	Textiles Manufacturing			
Totals		\$ 228,726,120		3.81%

Source: Transylvania County Tax Department

TABLE 8

Fiscal Year 2004		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$ 37,143,069	4	1.04%
37,378,223	3	1.04%
11,720,050	8	
11,470,023	9	0.32%
9,827,621	10	0.27%
14,705,180	6	0.41%
43,000,000	2	1.20%
64,540,731	1	1.80%
20,000,000	5	0.56%
13,342,919	7	0.37%
\$ 263,127,816		7.01%

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

TABLE 9

UNAUDITED

Fiscal Year Ended June 30	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 17,276,640	\$ 16,812,337	97.31%	\$ 459,517	\$ 17,271,854	99.97%
2005	17,323,399	17,014,243	98.22%	305,644	17,319,887	99.98%
2006	20,092,815	19,707,116	98.08%	373,352	20,080,468	99.94%
2007	20,727,898	20,575,914	99.27%	139,652	20,715,566	99.94%
2008	21,651,249	21,543,523	99.50%	96,680	21,640,203	99.95%
2009	22,365,367	22,248,962	99.48%	112,956	22,361,918	99.98%
2010	23,646,198	23,572,169	99.69%	61,760	23,633,929	99.95%
2011	23,615,556	23,496,491	99.50%	97,224	23,593,715	99.91%
2012	23,668,341	23,580,022	99.63%	65,419	23,645,441	99.90%
2013	23,704,178	23,627,172	99.68%		23,627,172	99.68%

Source: Transylvania County Tax Department

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

UNAUDITED

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	General Obligation Bonds-Premium	Other Bonds	Installment Financing Contract	Capital Lease	Other Bonds
2004	\$ 22,740,000	\$ -	\$ 527,970	\$ -	\$ -	\$ -
2005	21,215,000	-	491,956	-	-	-
2006	19,650,000	-	455,941	-	-	-
2007	18,020,000	-	419,926	-	-	-
2008	16,460,000	-	383,911	-	-	-
2009	14,560,000	26,702	347,897	2,803,332	-	-
2010	12,645,000	23,590	1,609,659	2,610,000	-	-
2011	10,695,000	20,478	1,465,496	2,416,667	-	-
2012	8,770,000	17,366	1,321,333	2,223,334	33,920	-
2013	6,885,000	14,254	1,177,170	2,030,001	61,638	-

(1) Information not yet available for 2013

TABLE 10

	Total Primary Government	Percentage of Personal Income (1)	Per Capita
\$	23,267,970	3.24%	790
	21,706,956	2.89%	731
	20,105,941	2.38%	673
	18,439,926	2.10%	607
	16,843,911	1.77%	548
	17,737,931	1.74%	572
	16,888,249	1.63%	543
	14,597,641	1.43%	441
	12,365,953	1.23%	372
	10,168,063		306

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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			
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	1.05%	0.18%	324
2012	8,770,000	17,366	-	8,787,366	0.87%	0.15%	264
2013	6,685,000	14,254	-	6,699,254		0.11%	202

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 2012 personal income not available to calculate fiscal year 2013.

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

UNAUDITED

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 287,026	\$ 287,748	\$ 297,598
Total net debt applicable to debt limit	<u>23,257</u>	<u>21,720</u>	<u>20,112</u>
Legal debt margin	<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>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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 306,056	\$ 319,586	\$ 331,061	\$ 475,559	\$ 477,794	\$ 479,109	\$ 480,073
18,446	16,849	17,711	16,865	14,598	12,366	10,168
<u>\$ 287,610</u>	<u>\$ 302,737</u>	<u>\$ 313,350</u>	<u>\$ 458,694</u>	<u>\$ 463,196</u>	<u>\$ 466,743</u>	<u>\$ 469,905</u>
<u>6.0%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>3.5%</u>	<u>3.1%</u>	<u>2.6%</u>	<u>2.1%</u>

Legal Debt Margin Calculation for Fiscal Year 2013

Total assessed value	<u>\$ 6,000,913</u>
Debt limit (8% of total assessed value)	<u>\$ 480,073</u>
Amount of debt applicable to debt limit:	
Total bonded debt	\$ 8,076
Installment contracts	2,030
Capital leases	62
Total amount of debt applicable to debt limit	<u>\$ 10,168</u>
Legal debt margin	<u>\$ 469,905</u>

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

TABLE 13

UNAUDITED

Fiscal Year Ended June 30	Population(1)	Personal Income (2)	Per Capita Personal Income (2)	Public School Enrollment(3)	Unemployment Rate(4)	Number of Building Permits Issued(5)
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	1,023,272	30,937	3,554	8.80%	86
2012	33,275	1,007,674	30,703	3,531	9.60%	78
2013	33,188			3,567	8.80%	71

Data Sources:

- (1) Population projections from the N.C. Planning Office, using the 2012 certified number for 2013, which is the latest certified figure available.
- (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	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Transylvania County Board of Education	492	1	4.0%	500	2	4.5%
Transylvania Health System, Inc.	435	2	3.6%	530	1	4.7%
Transylvania County Government	335	3	2.7%	301	3	2.7%
Ingles Markets, Inc	179	4	1.5%	140	9	1.3%
Brevard College	175	5	1.4%	228	4	2.0%
Gaia Herbs	158	6	1.3%	-		
M-B Industries	126	7	1.0%	208	5	1.9%
The Oaks Retirement Home	122	8	1.0%	110	10	1.0%
Brian Center	93	9	0.8%	150	8	1.3%
City of Brevard	91	10	0.7%	-		
Wal-Mart Associates Inc.	-			187	7	1.7%
Transylvania Vocational Services	-			150	6	1.3%

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

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

UNAUDITED

Function	2004	2005	2006	2007	2008
Governmental Activities					
General government	45	46	47	45	46
Public safety	110	111	113	116	126
Transportation	9	9	9	9	9
Economic and physical development	4	4	3	3	3
Environmental protection	2	2	2	2	2
Human services	92	94	92	92	93
Cultural and recreation	21	28	30	32	32
Total governmental activities	283	294	296	299	311
Business-Type Activities					
Solid waste	18	19	18	18	18
Total business-type activities	18	19	18	18	18
Total all	301	313	314	317	329

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
48	50	46	49	48
131	130	130	137	139
9	9	9	9	9
3	3	2	2	2
2	2	2	2	2
94	95	90	90	90
<u>27</u>	<u>27</u>	<u>27</u>	<u>29</u>	<u>29</u>
314	316	306	318	319
<u>19</u>	<u>19</u>	<u>17</u>	<u>16</u>	<u>16</u>
19	19	17	16	16
<u>333</u>	<u>335</u>	<u>323</u>	<u>334</u>	<u>335</u>

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

UNAUDITED

Function/Program	2004	2005	2006	2007	2008
General Government					
Registered voters	22,235	21,406	22,336	21,880	22,203
Number of tax bills (excl motor vehicles)	29,556	29,666	30,017	30,139	30,856
Public safety					
Crime rate/1000 citizens (calendar year)	17.12	13.35	13.71	17.04	18.11
911 calls	24,506	27,085	28,896	30,629	32,585
Building permits issued*	1,309	1,238	1,297	1,238	1,215
Planning					
Subdivisions approved	3	6	14	12	12
Culture and recreation					
Library material circulation	241,340	243,966	259,873	303,650	314,667
Solid waste					
Tons disposed	28,928	28,302	26,732	28,090	28,912

* Includes permits for renovations, alterations, remodels, and mobile homes as well as new construction.

TABLE 16

2009	2010	2011	2012	2013
22,926	23,516	23,224	24,070	24,028
30,650	30,615	30,207	30,159	30,136
18.20	22.42	19.22	17.82	N/A
35,142	44,361	47,944	49,045	48,094
1,036	1,133	1,160	1,034	1,070
24	18	3	0	3
329,208	340,378	352,980	361,519	353,015
23,828	22,328	19,495	21,578	19,935

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

UNAUDITED

Function/Program	2004	2005	2006	2007	2008	2009	2010
Public Safety:							
Sheriff department							
Stations	1	1	1	1	1	1	1
Patrol vehicles	51	49	54	61	64	64	66
Culture and Recreation:							
Libraries	1	1	1	1	1	1	1
Parks	4	4	4	4	4	4	4
Acreage	55	55	55	55	55	55	55
Athletic fields	6	6	6	7	7	7	7
Recreation centers	1	1	1	1	1	1	1

TABLE 17

2011	2012	2013
1	1	1
66	66	66
1	1	1
6	6	6
74	74	74
7	9	9
1	1	1

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