

TRANSYLVANIA COUNTY SCHOOLS



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE
30, 2013

Annual Financial Report of the Transylvania County Schools

Brevard, North Carolina
For the Fiscal Year Ended June 30, 2013



Prepared by Business Services Department
Norris Barger, Director of Business Services

Transylvania County Schools

Annual Financial Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
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 the Transylvania County Board of Education, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Transylvania County Board of Education'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 of 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 financial statement 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 the Transylvania County Board of Education, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, and the Restricted Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages four through eight be presented to supplement the basic financial statements. Such information, although not a required 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 an opinion on the financial statements that collectively comprise the Transylvania County Board of Education's basic financial statements. The combining and individual non-major fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and budgetary 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 non-major fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013 on our consideration of the Transylvania County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transylvania County Board of Education's internal control over financial reporting and compliance.

Carland & Anderson, Inc.

Brevard, North Carolina
November 7, 2013

Annual Financial Report

Management's Discussion and Analysis

This section of the Transylvania County Schools (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2013. This information should be read in conjunction with the audited financial statements included in this report.

Financial and Economic Highlights

County funding is a major source of income for the Board; therefore the county's economic outlook directly affects that of the Board. The following factors have positively affected the economic outlook of Transylvania County.

The county's economic situation mirrored that of the state and country in 2013. The unemployment rate dropped slightly to 8.8% as of June 2013, compared to the state average of 9.3%. The county continues to enjoy an influx of retirees, which has supported the tax base through rough economic times. Because of conservative financial practices, the county was able continue its financial support of the school system with relatively minor harm to instructional programs.

The Board has absorbed the negative financial impact of the slow state and local economies through budget cuts and re-direction of resources. The Board anticipates a leveling of enrollment over the next several years but will need continued funding support to implement federal and state mandates.

Overview of the Financial Statements

The audited financial statements of the Transylvania County Schools consist of four components. They are as follows:

- ◆ *Independent Auditors' Report*
- ◆ *Management's Discussion and Analysis*
- ◆ *Basic Financial Statements*
- ◆ *Required supplemental section that presents combining and budgetary statements for governmental funds and budgetary statements for enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred inflows of resources, and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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The second type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund, and fiduciary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, a reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position – the difference between the Board's assets and the total of liabilities and deferred inflows of resources – is one way to measure the Board's financial health or position. Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating. To assess the Board's overall health, one must consider additional non-financial factors such as changes in the county's property tax base and the condition of its school buildings and other physical assets.

The Board's activities are divided into two categories in the government-wide statements:

- ◆ Governmental activities: Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and state and federal aid finance most of these activities.
- ◆ Business-type activities: The Board charges fees to help it cover the costs of certain services it provides. Child Nutrition is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds – not the Board as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by State law, such as the State Public School Fund. The Board established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants fund.

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Transylvania County Schools has three types of funds:

- ◆ *Governmental funds:* Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between them. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Restricted Grants Fund, and the Federal Grants Fund.
- ◆ *Proprietary funds:* Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same basis of accounting as the government-wide statements – full accrual. Transylvania County Schools has one proprietary fund – an enterprise fund – the Child Nutrition Fund.
- ◆ *Fiduciary fund:* The fiduciary fund is used to account for resources held for the benefit of parties outside the government. Transylvania County Schools has one fiduciary fund that accounts for five activities. The Bjerg Scholarship, Lollis Scholarship, New Century Scholarship, and Connestee Scholarship are funds managed for the benefit of graduating Transylvania County Schools students. The Wenzlick Trust is used to enrich Career and Technical Education programs.

Financial Analysis of the Schools as a Whole

Table I - Condensed Statement of Net Position as of June 30, 2013						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 5,347,687	\$ 5,776,946	\$ 319,230	\$ 380,418	\$ 5,666,917	\$ 6,157,364
Capital assets	<u>39,324,849</u>	<u>40,838,565</u>	<u>172,548</u>	<u>206,004</u>	<u>39,497,397</u>	<u>41,044,569</u>
Total assets	\$ 44,672,536	\$ 46,615,511	\$ 491,778	\$ 586,422	\$ 45,164,314	\$ 47,201,933
Current liabilities	1,189,270	1,139,075	17,930	21,378	1,207,200	1,160,453
Long-term liabilities	<u>1,714,382</u>	<u>1,857,778</u>	<u>67,264</u>	<u>54,053</u>	<u>1,781,646</u>	<u>1,911,831</u>
Total liabilities	\$ 2,903,652	\$ 2,996,853	\$ 85,194	\$ 75,431	\$ 2,988,846	\$ 3,072,284
Deferred inflows of resources	\$ 3,201	\$ 4,229	\$ 16,545	\$ 16,320	\$ 19,746	\$ 20,549
Net investment in capital assets	39,324,849	40,838,565	172,548	206,004	39,497,397	41,044,569
Restricted net position	1,252,248	1,058,151	-	-	1,252,248	1,058,151
Unrestricted net position (deficit)	<u>1,188,586</u>	<u>1,717,713</u>	<u>217,491</u>	<u>288,667</u>	<u>1,406,077</u>	<u>2,006,380</u>
Total net position	\$ 41,765,683	\$ 43,614,429	\$ 390,039	\$ 494,671	\$ 42,155,722	\$ 44,109,100

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Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities and deferred inflows of resources by \$42,155,722 as of June 30, 2013. The largest component of net position is net investment in capital assets of \$39,497,397. It comprises 93.7% of total net position.

The following table shows the revenues and expenses of the Board for the current fiscal year.

Table II - Condensed Statement of Revenues, Expenses, and Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	\$ 1,398,013	\$ 1,270,984	\$ 512,157	\$ 546,944	\$ 1,910,170	\$ 1,817,928
Operating grants and contributions	22,859,473	23,476,059	1,674,445	1,689,578	24,533,918	25,165,637
Capital grants and contributions	373,935	202,517	-	-	373,935	202,517
General revenues:						
Other revenues	<u>10,604,245</u>	<u>11,705,861</u>	<u>21,025</u>	<u>124,873</u>	<u>10,625,270</u>	<u>11,830,734</u>
Total revenues	35,235,666	36,655,421	2,207,627	2,361,395	37,443,293	39,016,816
EXPENDITURES						
Governmental activities:						
Instructional services	29,183,383	28,720,824	-	-	29,183,383	28,720,824
Support services	7,059,194	6,207,297	-	-	7,059,194	6,207,297
Ancillary services	107,862	117,813	-	-	107,862	117,813
Non-programmed charges	543,067	517,443	-	-	543,067	517,443
Business-type activities:						
Food service	-	-	<u>2,503,165</u>	<u>2,590,443</u>	<u>2,503,165</u>	<u>2,590,443</u>
Total expenditures	36,893,506	35,563,377	2,503,165	2,590,443	39,396,671	38,153,820
Transfers in (out)	<u>(190,906)</u>	<u>(112,655)</u>	<u>190,906</u>	<u>112,655</u>	-	-
Increase (decrease) in net position	(1,848,746)	979,389	(104,632)	(116,393)	(1,953,378)	862,996
Beginning net position	<u>43,614,429</u>	<u>42,635,040</u>	<u>494,671</u>	<u>611,064</u>	<u>44,109,100</u>	<u>43,246,104</u>
Ending net position	\$ 41,765,683	\$ 43,614,429	\$ 390,039	\$ 494,671	\$ 42,155,722	\$ 44,109,100

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Total governmental activities generated revenues of \$35.2 million while expenses and transfers out in this category totaled \$37.0 million for the year ended June 30, 2013. Comparatively, revenues were \$36.7 million and expenses totaled \$35.6 million for the year ended June 30, 2012. After transfers to the business-type activities, net position decreased by \$1,848,746 at June 30, 2013, compared to an increase of \$979,389 in 2012. Instructional expenses comprised 79.1% of total governmental-type expenses while support services made up 20.9% of those expenses for 2013. County funding comprised 29.4% of total governmental revenue. Most of the remaining governmental revenue for 2013 consisted of restricted State and federal money. Business-type activities generated revenue of \$2.21 million and had expenses of \$2.50 million. Net position decreased in the business-type activities by \$104,632, after transfers in from the governmental activities of \$190,906.

Capital Assets

The following is a summary of the capital assets, net of depreciation at year-end:

Table III - Summary of Capital Assets as of June 30, 2013						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 11,618,862	\$ 11,618,862	\$ -	\$ -	\$ 11,618,862	\$ 11,618,862
Buildings	47,973,070	47,942,396	-	-	47,973,070	47,942,396
Furniture and equipment	990,237	944,452	644,915	644,915	1,635,152	1,589,367
Vehicles	3,460,695	3,857,619	104,130	104,130	3,564,825	3,961,749
Accumulated depreciation	<u>(24,718,015)</u>	<u>(23,524,764)</u>	<u>(576,497)</u>	<u>(543,041)</u>	<u>(25,294,512)</u>	<u>(24,067,805)</u>
Total	\$ 39,324,849	\$ 40,838,565	\$ 172,548	\$ 206,004	\$ 39,497,397	\$ 41,044,569

Debt Outstanding

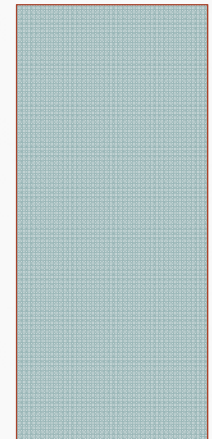
During the year the Board’s outstanding debt increased by \$143,396 reflecting the net change in liability for compensated absences.

Requests for Information

This report is intended to provide a summary of the financial condition of Transylvania County Schools. Questions or requests for additional information should be addressed to:

Norris Barger, Director of Business Services
 Transylvania County Schools
 225 Rosenwald Lane
 Brevard, NC 28712

Basic Financial Statements



Transylvania County Schools

Exhibit 1

Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,180,586	\$ 193,167	\$ 4,373,753
Accounts receivable (net)	1,029,870	3,446	1,033,316
Due from other governments	137,231	33,517	170,748
Inventories	-	89,100	89,100
Capital assets (Note 1)			
Land, improvements, and construction in progress	11,618,862	-	11,618,862
Other capital assets, net of depreciation	27,705,987	172,548	27,878,535
Total capital assets	39,324,849	172,548	39,497,397
Total assets	44,672,536	491,778	45,164,314
LIABILITIES			
Accounts payable	85,114	17,930	103,044
Due to other governments	65,376	-	65,376
Accrued salaries and wages payable	1,038,780	-	1,038,780
Long-term liabilities:			
Due in more than one year	1,714,382	67,264	1,781,646
Total liabilities	2,903,652	85,194	2,988,846
DEFERRED INFLOW OF RESOURCES	3,201	16,545	19,746
NET POSITION			
Net investment in capital assets	\$ 39,324,849	172,548	39,497,397
Restricted:			
Individual schools	463,986	-	463,986
Stabilization by state statute	133,169	-	133,169
School capital outlay	655,093	-	655,093
Unrestricted	1,188,586	217,491	1,406,077
Total net position	\$ 41,765,683	\$ 390,039	\$ 42,155,722

The notes to the financial statements are an integral part of this statement.

Transylvania County Schools

Exhibit 2

Statement of Activities

For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs:							
Regular	\$ 16,702,498	\$ -	\$ 12,739,022	\$ -	\$ (3,963,476)	\$ -	\$ (3,963,476)
Special	\$ 3,740,677	-	3,151,836	-	(588,841)	-	(588,841)
Alternative	\$ 2,021,989	-	1,857,255	-	(164,734)	-	(164,734)
School-based leadership	\$ 1,874,000	-	954,578	-	(919,422)	-	(919,422)
Co-curricular	\$ 416,615	-	-	-	(416,615)	-	(416,615)
School-based support	\$ 4,427,604	1,272,722	1,553,963	-	(1,600,919)	-	(1,600,919)
Support services:							
Regular	\$ 344,027	-	143,472	-	(200,555)	-	(200,555)
Special	\$ 114,010	-	43,174	-	(70,836)	-	(70,836)
Alternative	\$ 73,770	-	71,252	-	(2,518)	-	(2,518)
Technology	\$ 173,889	-	46,734	-	(127,155)	-	(127,155)
Operational	\$ 5,215,908	68,096	1,725,056	373,935	(3,048,821)	-	(3,048,821)
Financial and human resources	\$ 613,616	-	239,280	-	(374,336)	-	(374,336)
Accountability	\$ 9,158	-	-	-	(9,158)	-	(9,158)
Policy and leadership	\$ 514,816	-	178,483	-	(336,333)	-	(336,333)
Ancillary services:							
Community services	\$ 107,862	57,195	-	-	(50,667)	-	(50,667)
Non-programmed charges	\$ 543,067	-	155,368	-	(387,699)	-	(387,699)
Total governmental activities	\$ 36,893,506	1,398,013	22,859,473	373,935	(12,262,085)	-	(12,262,085)

(continued)

Business-type Activities:

Child nutrition	2,503,165	512,157	1,674,445	-	-	(316,563)	(316,563)
Total business-type activities	2,503,165	512,157	1,674,445	-	-	(316,563)	(316,563)
Total government-wide	<u>\$ 39,396,671</u>	<u>\$ 1,910,170</u>	<u>\$ 24,533,918</u>	<u>\$ 373,935</u>	<u>(12,262,085)</u>	<u>(316,563)</u>	<u>(12,578,648)</u>

General revenues:

Unrestricted county appropriations - operating	9,336,041	-	9,336,041
Unrestricted county appropriations - capital	1,000,000	-	1,000,000
Unrestricted federal grants - operating	149,301	-	149,301
Investment earnings, unrestricted	12,353	359	12,712
Miscellaneous, unrestricted	106,550	20,666	127,216
Transfers	(190,906)	190,906	-
Total general revenues and transfers	<u>10,413,339</u>	<u>211,931</u>	<u>10,625,270</u>
Change in net assets	(1,848,746)	(104,632)	(1,953,378)
Net position-beginning	43,614,429	494,671	44,109,100
Net position-ending	<u>\$ 41,765,683</u>	<u>\$ 390,039</u>	<u>\$ 42,155,722</u>

Transylvania County Schools

Exhibit 3

Balance Sheet Governmental Funds As of June 30, 2013

	Major Funds				Non-major Funds		Total Governmental Funds
	General	State Public School Fund	Capital Outlay	Restricted Grants Fund	Federal Grants Fund	Individual Schools	
ASSETS							
Cash and cash equivalents	\$ 2,528,192	\$ 3,201	\$ 606,731	\$ 578,476	\$ -	\$ 463,986	\$ 4,180,586
Accounts receivable	9,676	811,521	-	100,000	108,673	-	1,029,870
Due from other governments	16,658	-	113,738	6,835	-	-	137,231
Total assets	<u>\$ 2,554,526</u>	<u>\$ 814,722</u>	<u>\$ 720,469</u>	<u>\$ 685,311</u>	<u>\$ 108,673</u>	<u>\$ 463,986</u>	<u>\$ 5,347,687</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 85,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,114
Due to other governments	-	-	65,376	-	-	-	65,376
Accrued salaries and benefits payable	116,322	811,521	-	2,264	108,673	-	1,038,780
Total liabilities	<u>201,436</u>	<u>811,521</u>	<u>65,376</u>	<u>2,264</u>	<u>108,673</u>	<u>-</u>	<u>1,189,270</u>
Deferred inflows of resources	-	3,201	-	-	-	-	3,201
Fund balances:							
Restricted:							
Individual schools	-	-	-	-	-	463,986	463,986
Stabilization by state statute	26,334	-	-	106,835	-	-	133,169
School capital outlay	-	-	193,195	-	-	-	193,195
Assigned:							
Technology	-	-	-	576,212	-	-	576,212
Subsequent year's expenditures	1,090,722	-	461,898	-	-	-	1,552,620
Unassigned	1,236,034	-	-	-	-	-	1,236,034
Total fund balances	<u>2,353,090</u>	<u>-</u>	<u>655,093</u>	<u>683,047</u>	<u>-</u>	<u>463,986</u>	<u>4,155,216</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,554,526</u>	<u>\$ 814,722</u>	<u>\$ 720,469</u>	<u>\$ 685,311</u>	<u>\$ 108,673</u>	<u>\$ 463,986</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and thus not reported in the funds.

Long-term debt is not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

39,324,849

(1,714,382)

\$ 41,765,683

The notes to the financial statements are an integral part of this statement.

Transylvania County Schools

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2013

	Major Funds				Non-major Funds		Total Governmental Funds
	General	State Public School Fund	Capital Outlay	Restricted Grants Fund	Federal Grants Fund	Individual Schools	
REVENUES							
State of North Carolina	\$ -	\$ 19,534,305	\$ 373,694	\$ 110,866	\$ -	\$ -	\$ 20,018,865
U.S. Government	-	-	-	253,078	2,878,774	-	3,131,852
Transylvania County	9,323,041	-	1,000,000	13,000	-	-	10,336,041
Other	117,858	-	15,964	342,364	-	1,272,722	1,748,908
Total revenues	9,440,899	19,534,305	1,389,658	719,308	2,878,774	1,272,722	35,235,666
EXPENDITURES							
Current:							
Instructional programs	6,147,353	17,146,364	460,943	365,213	2,713,802	1,224,052	28,057,727
Support and development	3,492,648	2,297,035	874,226	53,793	100,510	-	6,818,212
Ancillary	-	-	-	104,180	-	-	104,180
Non-programmed charges	478,605	-	-	-	64,462	-	543,067
Total expenditures	10,118,606	19,443,399	1,335,169	523,186	2,878,774	1,224,052	35,523,186
Excess of revenues over (under) expenditures	(677,707)	90,906	54,489	196,122	-	48,670	(287,520)
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(100,000)	(90,906)	-	-	-	-	(190,906)
Net change in fund balance	(777,707)	-	54,489	196,122	-	48,670	(478,426)
Fund balances-beginning	3,130,797	-	600,604	486,925	-	415,316	4,633,642
Fund balances-ending	\$ 2,353,090	\$ -	\$ 655,093	\$ 683,047	\$ -	\$ 463,986	\$ 4,155,216

(continued)

Transylvania County Schools

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2013

Net changes in fund balances - total governmental funds	\$ (478,426)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,336,464)
Loss on disposal of assets	(177,252)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Net change in compensated absences	143,396
Total changes in net position of governmental activities	<u>\$ (1,848,746)</u>

Transylvania County Schools

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund and Annually Budgeted Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2013

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual Amounts	Variance	Original Budget	Final Budget	Actual Amounts	Variance
Revenues:								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 19,755,492	\$ 20,196,902	\$ 19,534,305	\$ (662,597)
Transylvania County	9,306,383	9,306,383	9,323,041	16,658	-	-	-	-
Other	117,000	117,000	117,858	858	-	-	-	-
Total revenues	9,423,383	9,423,383	9,440,899	17,516	19,755,492	20,196,902	19,534,305	(662,597)
Expenditures:								
Current:								
Instructional programs:								
Regular	3,935,278	3,669,278	3,231,241	438,037	12,385,326	12,490,175	12,328,908	161,267
Special	335,664	464,664	461,145	3,519	2,192,778	2,331,356	2,310,557	20,799
Alternative	35,032	47,032	43,994	3,038	585,701	585,701	390,949	194,752
School-based leadership	1,089,712	858,812	855,449	3,363	996,540	996,540	954,578	41,962
Co-curricular	351,124	321,124	320,326	798	-	-	-	-
School-based support	808,536	1,237,436	1,235,198	2,238	1,291,652	1,291,652	1,161,372	130,280
Total instructional programs	6,555,346	6,598,346	6,147,353	450,993	17,451,997	17,695,424	17,146,364	549,060
Support and development:								
Regular	380,833	188,833	184,924	3,909	137,900	137,900	118,045	19,855
Special	2,972	66,972	66,944	28	20,584	20,584	17,633	2,951
Technology	-	122,057	121,218	839	129,208	56,877	25,122	31,755
Operational	2,482,629	2,473,629	2,446,387	27,242	1,492,295	1,720,609	1,718,472	2,137
Financial and human resources	347,430	353,830	353,389	441	309,529	294,529	239,280	55,249
Accountability	15,532	9,132	8,846	286	-	-	-	-
Policy and leadership	383,379	318,379	310,940	7,439	125,681	179,681	178,483	1,198
Total support and development	3,612,775	3,532,832	3,492,648	40,184	2,215,197	2,410,180	2,297,035	113,145

Transylvania County Schools

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued)

General Fund and Annually Budgeted Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2013

Ancillary services	8,057	-	-	-	-	-	-	-
Non-programmed charges	438,000	483,000	478,605	4,395	-	-	-	-
Total expenditures	10,614,178	10,614,178	10,118,606	495,572	19,667,194	20,105,604	19,443,399	662,205
Revenues over (under) expenditures	(1,190,795)	(1,190,795)	(677,707)	513,088	88,298	91,298	90,906	(392)
Other financing sources (uses):								
Transfers to other funds	(100,000)	(100,000)	(100,000)	-	(88,298)	(91,298)	(90,906)	392
Appropriated fund balance	1,290,795	1,290,795	-	(1,290,795)	-	-	-	-
Total other financing sources (uses)	1,190,795	1,190,795	(100,000)	(1,290,795)	(88,298)	(91,298)	(90,906)	392
Revenues and other sources over expenditures and other uses	\$ -	\$ -	(777,707)	\$ (777,707)	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			3,130,797				-	
Fund balances, end of year			\$ 2,353,090				\$ -	

The notes to the financial statements are an integral part of this statement.

Transylvania County Schools

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund and Annually Budgeted Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2013

	Restricted Grants Fund			
	Original Budget	Final Budget	Actual Amounts	Variance
Revenues:				
State of North Carolina	\$ 122,450	\$ 127,450	\$ 110,866	\$ (16,584)
Federal government	84,651	84,651	253,078	168,427
Transylvania County	13,000	13,000	13,000	-
Golden Leaf Grant	-	200,000	200,000	-
Other	153,189	187,689	142,364	(45,325)
Total revenues	373,290	612,790	719,308	106,518
Expenditures:				
Current:				
Instructional programs:				
Regular	-	34,500	34,444	56
Special	-	-	-	-
Alternative	47,450	52,450	51,715	735
School-based leadership	-	-	-	-
Co-curricular	-	-	-	-
School-based support	112,440	312,440	279,054	33,386
Total instructional programs	159,890	399,390	365,213	34,177
Support and development:				
Student support	75,000	75,000	29,071	45,929
Regular	-	-	-	-
Special	-	-	-	-
Alternative	-	-	-	-
Technology	-	21,800	21,612	188
Operational	25,000	3,200	3,110	90
Financial and human resources	-	-	-	-
Accountability	-	-	-	-
Policy and leadership	-	-	-	-
Total support and development	100,000	100,000	53,793	46,207

Transylvania County Schools

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) General Fund and Annually Budgeted Major Special Revenue Funds For the Fiscal Year Ended June 30, 2013

Ancillary services	113,400	113,400	104,180	9,220
Non-programmed charges	-	-	-	-
Total expenditures	<u>373,290</u>	<u>612,790</u>	<u>523,186</u>	<u>89,604</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>196,122</u>	<u>196,122</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	196,122	<u>\$ 196,122</u>
Fund balances, beginning of year			<u>486,925</u>	
Fund balances, end of year			<u>\$ 683,047</u>	

The notes to the financial statements are an integral part of this statement.

Transylvania County Schools

Exhibit 6

Statement of Net Position

Proprietary Fund

As of June 30, 2013

	<u>Major Fund</u> <u>Child Nutrition</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 193,167
Due from other governments	33,517
Receivables (net)	3,446
Inventories	89,100
Total current assets	<u>319,230</u>
Noncurrent assets:	
Capital assets, net of depreciation	172,548
Total assets	<u>491,778</u>
LIABILITIES	
Current liabilities:	
Accounts payable	17,930
Total current liabilities	<u>17,930</u>
Noncurrent liabilities:	
Compensated absences	67,264
Total liabilities	<u>85,194</u>
DEFERRED INFLOW OF RESOURCES	16,545
NET POSITION	
Net investment in capital assets	172,548
Unrestricted	217,491
Total net position	<u>\$ 390,039</u>

The notes to the financial statements are an integral part of this statement.

Transylvania County Schools

Exhibit 7

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Fiscal Year Ended June 30, 2013

	<u>Major Fund</u> <u>Child Nutrition</u>
OPERATING REVENUES	
Food sales	\$ 512,157
Other	20,666
Total operating revenues	<u>532,823</u>
OPERATING EXPENSES	
Salaries and benefits	1,154,450
Contracted services	33,969
Materials and supplies	81,750
Food cost:	
Purchase of food	968,960
Donated commodities	118,335
Indirect costs	112,245
Depreciation	33,456
Total operating expenses	<u>2,503,165</u>
Operating income (loss)	<u>(1,970,342)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	1,456,027
Federal commodities	96,592
Federal and state grants	9,581
Interest earned	359
Indirect costs not paid	112,245
Total nonoperating revenue (expenses)	<u>1,674,804</u>
Income (loss) before contributions and transfers	(295,538)
Transfers from other funds	190,906
Change in net position	<u>(104,632)</u>
Total net position - beginning	494,671
Total net position - ending	<u>\$ 390,039</u>

The notes to the financial statements are an integral part of this statement.

Transylvania County Schools

Exhibit 8

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2013

	<u>Major Fund</u> <u>Child Nutrition</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 512,514
Cash paid for goods and services	(1,049,169)
Cash paid to employees for services	(1,050,333)
Other operating revenues	20,666
Net cash provided (used) by operating activities	<u>(1,566,322)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal, state, and local grants and reimbursements	<u>1,539,968</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>359</u>
 Net increase (decrease) in cash and cash equivalents	(25,995)
Balance - beginning	219,162
Balance - ending	<u>\$ 193,167</u>

(continued)

Transylvania County Schools

Exhibit 8

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2013

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	\$ (1,970,342)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	33,456
Donated commodities consumed	118,335
Salaries paid by State Public School Fund	90,906
Indirect costs not paid	112,245
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	132
(Increase) decrease in inventory	38,958
Increase (decrease) in accounts payable and accrued liabilities	(3,448)
Increase (decrease) in deferred inflows of resources	225
Increase (decrease) in long-term liabilities	13,211
Total adjustments	<u>404,020</u>
Net cash provided by operating activities	<u>\$ (1,566,322)</u>

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$90,906 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 7.

Indirect costs of \$112,245 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$96,592 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$118,335 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

Transylvania County Schools

Exhibit 9

Statement of Fiduciary Net Position

As of June 30, 2013

	<u>Private-Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 196,805
	<u>196,805</u>
Net Position	<u>\$ 196,805</u>

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2013

	<u>Private-Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	\$ 14,846
Deductions:	
Scholarships	(15,767)
Instructional costs	<u>(4,733)</u>
Change in net position	<u>(5,654)</u>
Beginning net position	<u>202,459</u>
Ending net position	<u>\$ 196,805</u>

Summary of Significant Accounting Policies

The accounting policies of Transylvania County Schools conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Transylvania County Schools (Board) is a Local Education Agency empowered by State law [Chapter 115C of the NC General Statutes] with the responsibility to oversee and control all activities related to public school education in Transylvania County, NC. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through 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 Board and for each function of the Board'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 are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board'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 funds are aggregated and reported as nonmajor funds. The fiduciary funds are presented separately.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal

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activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Board reports the following major governmental funds:

- ◆ *General Fund.* The General Fund is the local current expense fund mandated by state law. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.
- ◆ *State Public School Fund.* The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.
- ◆ *Capital Outlay Fund.* The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Transylvania County appropriations, restricted sales tax moneys, proceeds of Transylvania County bonds issued for public school construction, and lottery proceeds, as well as certain State assistance.
- ◆ *Restricted Grants Fund.* The Restricted Grants Fund accounts for all revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax revenues distributed using the ad valorem method pursuant to G.S. 105-472(b)(2), sales tax refunds, gifts and grants restricted as to use, trust funds, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received for prekindergarten programs, and special programs.

The Board reports the following nonmajor governmental funds:

- ◆ *Federal Grants Fund.* The Federal Grants Fund includes appropriations from the federal Department of Education for the current operating expenditures of the public school system.
- ◆ *Individual Schools Fund.* The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

The Board reports the following major enterprise fund:

- ◆ *Child Nutrition Fund.* The Child Nutrition Fund is used to account for the food service program within the school system.

The Board reports the following fiduciary fund:

- ◆ *Private-purpose Trust Fund* – The Connestee, Lollis, New Century Scholars, and Bjerg scholarships provide college tuition funds for the benefit of graduating students in the district. The Wenzlick Fund is used to account for endowment money under the control of the board for the enrichment of vocational education students in the district.

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C. Measurement Focus and 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 and 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 Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for 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. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement 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 Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue fund, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10%. The governing board must approve all amendments. During the year, several immaterial 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.

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E. Assets, Liabilities, and Fund Equity

Deposits and Investments:

All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board 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; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. The STIF consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

Cash and Cash Equivalents:

The Board pools money from several funds 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.

Inventories:

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets:

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The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

The Board capitalizes all expenditures for equipment costing \$5,000 or more with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Transylvania County holds title to certain properties, which are not reflected as capital assets in the financial statements of the Board. 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 gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	40
Equipment and furniture	12
Vehicles	7
Computer equipment	5

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes 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 not be recognized as revenue until then. The Board has one item that meets this criterion - prepaid items in the Enterprise Fund.

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the

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applicable governmental activities.

Compensated Absences:

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2013 is recorded in the government-wide and proprietary fund financial statements as the leave is earned.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net position/Fund Balances:

Net position - Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

Fund Balance - 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.

The governmental fund types classify fund balances as follows:

Nonspendable 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.
- ◆ Assets held for resale - portion of fund balance that is not an available resource because it represents the year-end balance of assets held for resale, which are not spendable resources.

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

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- ◆ Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].
- ◆ Restricted for School Capital Outlay- portion of fund balance that can only be used for School Capital Outlay. [G.S. 159-18 through 22]
- ◆ Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes approved by the Board (highest level of decision-making authority) and, in certain instances, by the County’s governing body. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

Assigned fund balance – portion of fund balance that the Board intends to use for specific purposes.

- ◆ 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 to modify the appropriations by resource or appropriation within funds up to \$100,000.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Detail Notes on All Funds

A. Excess of Expenditures Over Appropriations

During the fiscal year the Board reported expenditures within the Child Nutrition Fund that violated state law G.S. 115C-441 because they exceeded the amounts appropriated in the budget ordinance. These amounts were related to indirect cost calculated at yearend but not paid. Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

B. Assets

Deposits:

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all

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deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's 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 Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board 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 Board has no policy regarding custodial credit risk for deposits.

At June 30, 2013, the Board had deposits with financial institutions with a carrying amount of \$1,959,907 and with the State Treasurer of \$3,201. The bank balances with the financial institutions and the State Treasurer were \$2,012,114 and \$757,792, respectively. Of these balances, \$426,088 was covered by federal depository insurance and \$2,343,818 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments:

At June 30, 2013, the Board of Education had \$2,607,243 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2013. The Board has no policy for managing interest rate risk or credit risk.

Capital Assets:

Table I is a summary of changes in the Board's governmental capital assets.

Table I - Changes in Governmental Capital Assets				
	7/1/12 <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	6/30/13 <u>Balance</u>
Land and improvements	\$ 11,618,862	\$ -	\$ -	\$ 11,618,862
Buildings	47,942,396	30,674	-	47,973,070
Furniture and equipment	944,452	45,785	-	990,237
Vehicles	3,857,619	-	(396,924)	3,460,695
Accumulated depreciation	(23,524,764)	(1,412,923)	219,672	(24,718,015)
TOTAL	\$ 40,838,565	\$ (1,336,464)	\$ (177,252)	\$ 39,324,849

Table II is a summary of changes in the Board's Proprietary Fund capital assets.

Table II - Changes in Proprietary Capital Assets				
	7/1/12			6/30/13
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Furniture and equipment	\$ 644,915	\$ -	\$ -	\$ 644,915
Vehicles	104,130	-	-	104,130
Accumulated depreciation	(543,041)	(33,456)	-	(576,497)
TOTAL	\$ 206,004	\$ (33,456)	\$ -	\$ 172,548

C Liabilities

Pension Plan and Other Postemployment Obligations:

Teachers' and State Employees' Retirement System

Plan Description – The Board contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. 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 and the Board is required to contribute at an actuarially determined rate. The current rate is 8.33% of annual covered payroll. The contribution requirements of plan members and the Board are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2013, 2012, and 2011 were \$1,664,333, \$1,450,214, and \$974,969, respectively, equal to the required contributions for each year.

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Other Postemployment Benefits:

Healthcare Benefits

Plan Description - The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy - The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2013, 2012, and 2011, the School Board paid all annual required

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contributions to the Plan for postemployment healthcare benefits of \$1,058,939, \$974,606, and \$969,036, respectively. These contributions represented 5.3%, 5.0%, and 4.9%, of covered payroll, respectively.

Long-term Disability Benefits

Plan Description - Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy - An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one

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twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and are in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2013, 2012, and 2011, the Board paid all annual required contributions to the DIPNC for disability benefits of \$87,512, \$101,359, and \$102,836, respectively. These contributions represented 0.44%, 0.52%, and 0.52% of covered payroll, respectively.

Deferred Inflows of Resources:

Deferred inflows of resources in the Enterprise Fund represent prepaid lunch sales.

Risk Management:

The Board 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 Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory

Annual Financial Report

workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds.

The Board participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000. The Board has not obtained separate flood insurance coverage due to the limited likelihood of Board property sustaining flood damage. The Board has determined that other property coverage is adequate. The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

D. Financing Commitments

Long-Term Obligations:

Table III is a summary of changes in the Board's outstanding debt for the year ended June 30, 2013. Amounts represent accrued vacation pay.

Table III - Changes in Long-term Debt				
	7/1/12 Balance	Additions	Deletions	6/30/13 Balance
Compensated absences	\$ 1,857,778	\$ -	\$ 143,396	\$ 1,714,382
TOTAL	\$ 1,857,778	\$ -	\$ 143,396	\$ 1,714,382

Interfund Balances and Activity:

Transfers of \$90,906 were made from the State Public School Fund to the Child Nutrition Fund for administrative costs as of June 30, 2013. Also, transfers of \$100,000 were made from the Local Current Expense Fund to the Child Nutrition Fund for general appropriation.

Significant Contingencies

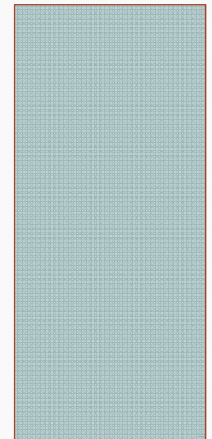
A. Federal and State Assisted Programs

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

A. Subsequent Events

Subsequent events have been evaluated through November 7, 2013, which is the date the financial statements were available to be issued.

Combining and Individual Statements and Schedules



Transylvania County Schools

Combining Balance Sheet Nonmajor Governmental Funds As of June 30, 2013

	Federal Grants		Total Nonmajor Governmental Funds
	Fund	Individual Schools	
ASSETS			
Cash and cash equivalents	\$ -	\$ 463,986	\$ 463,986
Accounts receivable	108,673	-	108,673
Total assets	\$ 108,673	\$ 463,986	\$ 572,659
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued salaries and benefits payable	\$ 108,673	\$ -	\$ 108,673
Total liabilities	108,673	-	108,673
Fund balances:			
Restricted:			
Individual schools	-	463,986	463,986
Stabilization by state statute	-	-	-
Unassigned	-	-	-
Total fund balances	-	463,986	463,986
Total liabilities and fund balances	\$ 108,673	\$ 463,986	\$ 572,659

Transylvania County Schools

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

	Federal Grants Fund	Individual Schools	Total Nonmajor Governmental Funds
Revenues:			
U.S. Government	\$ 2,878,774	\$ -	\$ 2,878,774
Other	-	1,272,722	1,272,722
Total revenues	<u>2,878,774</u>	<u>1,272,722</u>	<u>4,151,496</u>
Expenditures:			
Instructional programs:			
Regular	292,681	1,224,052	1,516,733
Special	841,279	-	841,279
Alternative	1,466,306	-	1,466,306
School-based support	113,536	-	113,536
Total instructional programs	<u>2,713,802</u>	<u>1,224,052</u>	<u>3,937,854</u>
Support and development:			
Regular	243	-	243
Special	25,541	-	25,541
Alternative	71,252	-	71,252
Operational	3,474	-	3,474
Total support and development	<u>100,510</u>	<u>-</u>	<u>100,510</u>
Non-program charges	64,462	-	-
Total expenditures	<u>2,878,774</u>	<u>1,224,052</u>	<u>4,038,364</u>
Excess of revenues over expenditures	-	48,670	48,670
Fund balance - beginning	-	415,316	415,316
Fund balance - ending	<u>\$ -</u>	<u>\$ 463,986</u>	<u>\$ 463,986</u>

Transylvania County Schools

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Federal Grants Fund

For the Fiscal Year Ended June 30, 2013

	2013		
	Budget	Actual	Variance
Revenues:			
Vocational Education Program Improvement	\$ 53,858	\$ 48,051	\$ (5,807)
EHA Preschool Grant	81,283	45,421	(35,862)
ECIA Title 1 Low Income	2,020,679	1,470,313	(550,366)
EHA Title VI-B Handicapped	1,170,716	816,496	(354,220)
Improving Teacher Quality	330,622	250,849	(79,773)
American Recovery and Reinvestment Act	3,795	103	(3,692)
Other	475,899	247,541	(228,358)
Total revenues	<u>4,136,852</u>	<u>2,878,774</u>	<u>(1,258,078)</u>
Expenditures:			
Instructional programs:			
Regular	348,631	292,681	55,950
Special	864,539	841,279	23,260
Alternative	2,017,691	1,466,306	551,385
School-based support	153,370	113,536	39,834
Total instructional programs	<u>3,384,231</u>	<u>2,713,802</u>	<u>670,429</u>
Support and development:			
Regular	300	243	57
Special	70,888	25,541	45,347
Alternative	71,392	71,252	140
Operational	8,615	3,474	5,141
Financial and Human Resources	4,000	-	4,000
Total support and development	<u>155,195</u>	<u>100,510</u>	<u>54,685</u>
Non-program charges	<u>597,426</u>	<u>64,462</u>	<u>532,964</u>
Total expenditures	<u>4,136,852</u>	<u>2,878,774</u>	<u>1,258,078</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning		-	
Fund balance - ending		<u>\$ -</u>	

Transylvania County Schools

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Capital Outlay Fund

For the Fiscal Year Ended June 30, 2013

	2013		
	Budget	Actual	Variance
Revenues:			
State of North Carolina:			
Public School Building Capital Fund	\$ 430,000	\$ 358,000	\$ (72,000)
Sales taxes and grants	13,000	15,694	2,694
Total State of North Carolina	443,000	373,694	(69,306)
Transylvania County:			
County appropriations	1,000,000	1,000,000	-
Total Transylvania County	1,000,000	1,000,000	-
Other:			
Disposition of school fixed assets	18,500	15,936	(2,564)
Miscellaneous	500	28	(472)
Total Other	19,000	15,964	(3,036)
Total Revenues	1,462,000	1,389,658	(72,342)
Expenditures:			
Instructional programs:			
Regular	89,085	73,845	15,240
Co-curricular	82,408	82,067	341
School-based support	404,575	305,031	99,544
Total instructional programs	576,068	460,943	115,125
Support services:			
Operational	1,022,792	866,408	156,384
Policy and leadership	8,650	7,818	832
Total support services	1,031,442	874,226	157,216

(continued)

Transylvania County Schools

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Capital Outlay Fund

For the Fiscal Year Ended June 30, 2013

Total expenditures	<u>1,607,510</u>	<u>1,335,169</u>	<u>272,341</u>
Excess of revenues over expenditures	<u>(145,510)</u>	<u>54,489</u>	<u>199,999</u>
Other financing sources (uses):			
Fund balance appropriated	<u>145,510</u>	<u>-</u>	<u>(145,510)</u>
Total other financing sources	<u>145,510</u>	<u>-</u>	<u>(145,510)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>54,489</u>	<u>\$ 54,489</u>
Fund balance - beginning		<u>600,604</u>	
Fund balance - ending		<u>\$ 655,093</u>	

Transylvania County Schools

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

Child Nutrition Fund

For the Fiscal Year Ended June 30, 2013

	2013		Variance
	Budget	Actual	
Operating revenues, food sales		\$ 512,157	
Other		20,666	
Total operating revenues	\$ 592,225	532,823	\$ (59,402)
Operating expenditures:			
Salaries and benefits		1,141,239	
Contracted services		33,969	
Materials and supplies		81,750	
Purchase of food		930,002	
Donated commodities		118,335	
Indirect costs		112,245	
Total operating expenditures	2,352,632	2,417,540	(64,908)
Nonoperating revenues (expenditures):			
Federal reimbursements		1,456,027	
Federal commodities		96,592	
Federal grants		9,581	
Interest earned		359	
Total nonoperating revenues (expenditures)	1,660,407	1,562,559	(97,848)
Excess of revenues over (under) expenditures before other financing sources	(100,000)	(322,158)	(222,158)
Other financing sources (uses):			
Transfers from other funds	100,000	190,906	90,906
Excess of revenues and other sources over (under) expenditures	\$ -	\$ (131,252)	\$ (131,252)

Transylvania County Schools

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

Child Nutrition Fund

For the Fiscal Year Ended June 30, 2013

Reconciliation of modified accrual to full accrual basis:

Excess of revenues and other sources over (under) expenditures	\$ (131,252)
Reconciling items:	
Depreciation	(33,456)
Indirect cost not paid	112,245
(Increase) decrease in accrued vacation pay	(13,211)
Increase (decrease) in inventory	(38,958)
Change in net assets (full accrual)	<u>\$ (104,632)</u>