

**TRANSYLVANIA COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

**TRANSYLVANIA COUNTY
NORTH CAROLINA**

Comprehensive Annual Financial Report

For the Year Ended June 30, 2016

Prepared by the Finance Department

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**TRANSYLVANIA COUNTY
NORTH CAROLINA**

JUNE 30, 2016

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COUNTY MANAGER
Jaime Laughter

FINANCE DIRECTOR
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TRANSYLVANIA COUNTY, NORTH CAROLINA

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INTRODUCTORY SECTION

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BOARD OF COMMISSIONERS
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Larry Chapman, Vice-Chair
Jason Chappell
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Kelvin Phillips



COUNTY MANAGER
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November 15, 2016

The Board of Commissioners
Transylvania County
North Carolina

The Comprehensive Annual Financial Report of Transylvania County for the fiscal year ended June 30, 2016, 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 Uniform Guidance, **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 the 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, 2015 was 33,745. 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 31% of the annual funding for the school system. Including debt service on school bonds, the amount appropriated for education represents 30% of the County's annual budget. Another 25% is allocated to public safety and 21% to 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, Transylvania County 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. Consensus-building 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 typically in mid-June. In accordance with North Carolina General Statutes, the Board of Commissioners adopts the budget no earlier than ten 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. These sectors were impacted to varying degrees by the Great Recession of 2008, but all are now showing signs of recovery. As of June 30, 2016, the county's unemployment rate was 4.8%, well below the prior year-end rate of 6.0% and less than the statewide average of 5.1%.

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, paddling, fishing, and other outdoor activities. In recent years the County has been dubbed the Cycling

Capital of the South, having been recognized in international publications as one of the top mountain biking places in North America and having served as the hub for several road cycling events. The County is also home to 17 summer camps that host youth from all over the United States and other countries. Transylvania County has gained 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 dynamic 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. VisitNC.com reported that in 2015 travel and tourism contributed \$88.9 million to the local economy - 2.8% more than in 2014 - including \$16.5 million in payrolls and \$7.5 million in tax revenues. Local occupancy tax receipts that grew by 14.9% from FY 15 to FY 16 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 was more insulated from the national recession than other sectors. The number of people working for health care providers and related facilities peaked at approximately 1,550 a few years ago. In 2011 Transylvania Regional Hospital (TRH) strengthened its long-term financial position by becoming an affiliate of Mission Health System, the sixth largest health system in North Carolina. However, as a result of the consolidation of some services and administrative functions, the headcount at the local facility was reduced in 2014. Nevertheless, with 407 employees, TRH is still the county's largest private sector employer and has an annual payroll in excess of \$18 million. Both Blue Ridge Community Health Services and DaVita, Inc. opened facilities in Transylvania County in 2012 and along with numerous medical offices and long-term care facilities provide additional jobs in health-related services. Educational institutions are another vital component of this sector. Founded here in 1853, Brevard College is a private four-year liberal arts college, recently ranked 22nd in Southern regional colleges in the 2017 edition of U.S. News Best Colleges. Enrollment has grown 13% over the past five years to its fall 2016 level of 705, and the number of faculty and staff is currently 230. The local economic impact of Brevard College is estimated to be \$35 million annually. The Transylvania County School system has almost 500 employees and is the largest single employer in the county. In addition, Blue Ridge Community College's local campus, a charter school, and several private and church-affiliated schools offer other educational options and employment opportunities. Agencies representing all levels of government are also included in the human services sector and, according to the U.S. Bureau of Labor Statistics (BLS), provide approximately 800 jobs locally. The County anticipates this sector of the economy to remain relatively constant.

Compared to FY 15, Transylvania County's taxable retail sales grew by 8.8%, making this the sixth consecutive year retail sales have improved. All but one of the six major business groups tracked by the State reported increases in sales in FY 16 – automotive, food, furniture, general merchandise, and lumber and building supplies. The only decrease occurred in purchases of apparel and was less than 2.0%. In addition to several pharmacy and grocery store chains, major “big box” stores, fast food franchises, and building and home improvement stores, the retail sector includes a number of successful locally owned shops, specialty businesses, restaurants, and art galleries. One of these recently announced plans to expand its business, more than doubling its size and transitioning from a general merchandise and footwear store to a full service outdoor outfitter. A new 4,500 square-foot, mixed-use building in Brevard is nearing completion and will add more space for retail ventures in the downtown area. Based on data from the BLS website, just over 18% of the local labor force works in this sector, up slightly from a year ago. Retail activity shows signs of continuing to strengthen in the current fiscal year, with first quarter taxable sales in the county 10.5% higher than for the first quarter of FY 16.

The construction and real estate development sector was the one most adversely impacted by the economic downturn. Following a record high 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. This sector began turning around in FY 14, which saw a boost in both overall volume and value of construction activity. The total number of new residential units and commercial structures permitted grew by 8.3% in FY 15 and then soared by 35.9% in FY 16, led by housing starts. Average values, however, were less than the prior year's, reflecting a shift from second home construction to more affordable housing for full-time residents and a hike in material costs resulting in smaller structures. Both the

number and average value of residential and commercial renovations and alterations increased in FY 16, by 1.8% and 48.8%, respectively. Over the last five years, \$182.9 million in new construction has been permitted, most of which has been added to the tax base. In the first quarter of 2016, the latest period for which employment records are available from the BLS, 7.1% of the local work force was directly involved in construction versus 5.2% for the first quarter of 2015. As in prior years, an additional 2% to 3% are estimated to participate in the financial, insurance, and real estate activities that support building and land development. Through October the number of permits issued for new construction is up 27% over the first four months of FY 16, and the total value is up by 60%.

The greatest boon has been in commercial projects, though residential activity has also continued to strengthen. Sales of land and existing homes have likewise improved, as evidenced by a 17.6% rise in revenues from real property transfer taxes during the 12-month period of October 2015 through September 2016 compared to the same period the previous year. These upward trends in construction as well as property sales indicate that this sector is recovering from the recession at an accelerating rate.

The manufacturing component of the local economy has made significant progress following a decline early in FY 11. The industrial base now consists of a number of small manufacturers that collectively employ 900-1,000 people, compared to approximately 600 people five years ago. The largest of these, Gaia Herbs with 192 full-time employees plus seasonal workers, is a vertically integrated grower and producer of organic herbal products. Over the past few years, the company has added new product lines and increased plant capacity to keep up with double-digit growth in consumer demand. In June 2016 Gaia Herbs announced another expansion that will require a \$5 million capital investment and create dozens of new jobs. Gaia Herbs has also launched two other companies, Earth Renewable Technologies and Green Extraction Technology, which have the potential to surpass Gaia Herbs in size and sales. Since its inception in 1967 as a Sheltered Workshop for individuals with developmental disabilities, Transylvania Vocational Services (TVS) has grown to become the County's second largest manufacturer with a current workforce of 134. TVS specializes in blending and packaging dry powder products such as milk, bakery mixes, and dietary supplements for both commercial and government customers while still providing employment and vocational services for adults with disabilities and other barriers to employment. The third largest manufacturer in the County is also the oldest. M-B Industries, with a 120+ workforce, moved to the area in 1962 and makes metal stampings, wire forms, and precision tooling for a wide array of customers. One of the newer members of the industrial base is Colorado-based Oskar Blues Brewery, which began local operations in 2012. As part of a company-wide expansion plan, the Brevard brewery has recently wrapped up a \$6.5 million project that will allow it to double its production in 2017 and increase its headcount by almost 25%. Other smaller local companies such as Smith Systems, Sylvan Sports, Praxair, and Brevard Brewery have also recently invested in new machinery, equipment, and facilities to meet increasing demand for their products. As the County seeks to bolster the manufacturing component of the economy, attention is being focused on companies that will create sustainable, high-quality 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 performance-based 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 for five or more years. In 2014 the County entered into an agreement with the newly created Transylvania Partnership for Economic Development for services to promote economic prosperity in the County. This independent, private entity, which has since been renamed "Transylvania Economic Alliance" (TEA), assists existing business with expansion and retention efforts and works to recruit new businesses to the county. This past July TEA launched a Business Expansion Competition for local businesses to apply for Appalachian Regional Commission grant funds totaling \$25,000. In partnership with TEA, the County will continue to actively seek new federal and State grants that offer financial assistance and guidance to business ventures.

In recognition of the County's overall economic health, both Moody's Investors Service and Standard & Poor's have recently upgraded the County's bond rating two notches to Aa2 and AA, respectively.

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 when the local economy began to show some signs of recovery, budgeted spending from the General Fund was reduced by 4.9%. During this period County management scrutinized costs that were within its control and limited spending to a minimal level for only those expenditures that were deemed essential. FY 13's 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. For FY 14, however, the Board of Commissioners acknowledged that the County could no longer delay investing in services and amenities that would not only benefit residents but also potentially attract new employers to the community. Consequently, FY 14's General Fund budget included 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. Adequately funding these priorities resulted in an 11.1% increase in budgeted expenditures compared to the prior year's. The FY 15 General Fund budget exceeded FY 14's by 5.1% and allowed for ongoing investments in recreational facilities and economic development, acquisition of needed capital items, and the partial implementation of a Classification and Compensation Study. An increase in the school system's operating costs was funded entirely by a 3% increase in the tax rate approved by the Board of Commissioners specifically for that purpose. All other expenditures were covered by current revenue streams supplemented by a withdrawal from available fund balance. While only 2.5% higher than the prior year's, FY 16's General Fund budget appropriated sufficient funds to complete the implementation of the Classification and Compensation Study; maintain levels of County services, which required additional resources in some areas; and raise the financial support for the local school system by 4.6%. Primarily because of the projected growth in sales tax revenues and fiscally responsible budgeting for expenditures, no tax increase was necessary and the amount appropriated from fund balance to bridge the gap between revenues and expenditures was reduced by over 35%. 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:

Administration

Adoption of a Strategic Plan

In January of 2016, the Board of Commissioners adopted the Transylvania County Strategic Plan for 2016-2021. Initiated by the Board approximately a year earlier, the process started with an analysis of the County's strengths and weaknesses and an assessment of the opportunities and threats facing the County. Based on that study and the input from community stakeholders as well as staff, the Board set the following six long-term goals:

1. Economic Development: Diversify the local economic tax base, increase jobs for citizens that pay a living wage, and create a stable local economy that capitalizes on the unique quality of life and environment found in our community.
2. Education: Ensure that the education environment facilitates learning and students are being prepared for a successful future. Increase the resources available for enhancing education for all ages.
3. Visitation: Create vibrant nodes of economic and civic activity that create a draw for visitors as well as a platform for community engagement.
4. Environmental: Provide sound management of and maintain the wealth of natural resources in Transylvania County to support the local economy and quality of life with plans in place to assure long-term viability.
5. Quality of Life: Enhance the community's quality of life by providing resources that promote health,

transportation connectivity, sense of place, cultural heritage, and public safety.

6. Value of County Government: Maintain a service-driven, transparent, and performance-based county government with more active and engaged citizens.

The development of a cohesive, comprehensive plan to achieve these goals continued into FY 16 as the strategies to promote and enhance each of these areas were determined and prioritized, taking into consideration resource constraints. In addition, the plan established measures to be reviewed on a periodic basis to gauge effectiveness of the actions implemented through the annual work plan. Since the strategic plan's adoption, the Board has referred to it as a guide for policy and budgetary decisions to assure that governmental activities and annual funding appropriations move the County forward to the realization of the six goals. The framework of strategies provided by the plan also serves as a guide for staff in the annual work planning process. Management considers each function's role in accomplishing organizational goals, identifies the departmental activities and resources required to reach them, and sets and prioritizes departmental objectives and needs accordingly. Such a targeted approach not only advances the County in a clearly-stated, deliberate, and unified direction but also promotes the efficient and effective allocation of resources to better serve the citizens for years to come.

Performance-based Management

In FY16 the County expanded the performance-based management program introduced the prior year by incorporating it into the annual work plan. This program is essential to the success of the strategic plan as it establishes qualitative as well as quantitative measures of performance. Comparing actual results with intended outcomes enables the Board of Commissioners and management to assess how effectively budget appropriations are being used to attain overall County goals and make adjustments as needed to maximize the public benefit from the expenditure of public funds. Management also expects the use of the performance management tools to increase accountability, transparency, and communication throughout the organization.

Both the evolution, adoption, and implementation of the strategic plan and the transition to the performance-based management program have required a considerable investment of time by the Board and staff, but only a minimal investment of funds.

Board of Elections and Employee Wellness Center

Early in FY 16, a renovation project got underway to convert the County's former detention center into space suitable for other governmental uses. The building's structural integrity and its solid construction due to its original purpose made refurbishing it a better financial alternative than razing it and rebuilding on the site. The renovations involved demolition, general construction work, and replacement and/or upgrades to ceilings, walls, floors, and the HVAC, plumbing, and electrical systems. Also included was exterior work such as paving, building walkways, and installing handrails. Renovations were recently completed, and the Board of Elections moved into the repurposed building, which gives them much-needed space not only for offices and equipment storage but also for training, meetings, and one-stop voting. When not in use for election activities, space will be available for other community uses. The County Employee Wellness Clinic was relocated there as well after the November elections.

Although not formally closed out at this time, the project including furniture, fixtures, and equipment as well as renovations is expected to come in well under the budgeted amount of \$1.9 million. Funding for the project was provided through a 15-year installment financing contract.

Parks and Recreation

During FY 16 a joint Parks and Recreation Task Force appointed by the Board of Commissioners and Brevard City Council consulted with an outside firm to create a Parks and Recreation Master Plan that would promote a collaborative, coordinated, and comprehensive approach to the expansion of recreational facilities and resources in the community. Among the factors taken into consideration were:

- An evaluation of existing park sites, trails, open space amenities, and indoor and outdoor facilities and their accessibility to the citizens
- An assessment of the types of programs offered routinely at each facility and planned special events
- A study of other local recreational opportunities not provided by the County or City
- An analysis of local demographics, the potential participation base within the community, and anticipated growth in that base and corresponding changes in use patterns
- Public input collected through a survey, meetings with focus groups, needs assessment workshops, and a variety of other means
- A comparison of local parks and recreation options with those of similar communities and with State and national standards

The County and the City endorsed the development of this plan (1) in recognition of the role such amenities play in enhancing the quality of life for the community's residents and in enticing businesses to locate and remain here and (2) in anticipation that recommendations would be implemented as funding priorities and options were determined. The plan, which was presented in September 2016, includes improvements to existing parks and construction of a new community sports complex, multi-generational recreation center, and greenway trails. The plan is currently being reviewed by the Commissioners and Council.

The County and City shared equally in the \$103,300 cost of developing the Parks and Recreation Master Plan.

Economic Development

Golden LEAF Foundation Grant

In the fall of 2015 Transylvania County, in collaboration with the City of Brevard, Transylvania County Schools, Blue Ridge Community College, TEA, and other economic development allies, prepared and submitted an application for a Golden LEAF Foundation grant targeted toward helping communities establish necessary building blocks related to economic and workforce development and infrastructure requirements. In April of 2016, the County received notice of an award from the Foundation for \$1.1 million to fund enhancements for Science, Technology, Engineering and Mathematics (STEM) education at the high school level and the creation of advanced manufacturing jobs in the community. One hundred thousand dollars is earmarked for the purchase of state-of-the-art equipment for technology, engineering, and design courses that will help teach concepts related to robotics, computer programming, industrial design, and other related career fields. The remaining \$1.0 million will go toward the construction of a light industrial building, which will be key to an economic development project described in the next section.

The County's match for the grant is \$1.0 million, which will be paid from General Fund balance assigned for Economic Development over the next two fiscal years.

For The Future:

Economic Development

Transylvania County is partnering with the City of Brevard and the Transylvania Economic Alliance (TEA) in the development of a 6.93 acre tract as an industrial site and the construction of a warm shell 50,000 square foot industrial building. The majority of the property, which is in a prime location with access to water, sewer, natural gas, electricity, and telecommunications, is owned by the City. In addition to making an in-kind contribution of this property, the City will provide part of the funds to acquire a 0.50 acre adjoining parcel. TEA will pay the balance for the parcel as well as the fees for the survey, site master plan, and engineering and architectural services. Leveraging the \$1.0 million from the Golden LEAF Foundation, the County will invest funds from its General Fund balance assigned for Economic Development to meet the match stipulated by the grant and the remaining costs

associated with the project. The building will be designed with two areas to be leased: the first with approximately 30,000 square feet will house an existing business that has already committed to leasing the space to accommodate its expansion plans, and the second with approximately 20,000 square feet will be actively marketed by TEA. Shared office space will be incorporated into the building design and occupy approximately 10% of the total footprint. Following construction of the building, all mechanical, plumbing, electrical, lighting, sprinkler, and alarm systems will be installed so that the building will be fully functional upon its completion, which is scheduled for February 2018.

The total estimated cost of project is \$5.3 million, with funding to be provided as outlined above. Net income from lease payments will be prorated between the County and the City and reinvested in future economic development projects.

Major Capital Projects

Courthouse

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 account 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 been met and some of the concerns in the Courthouse mitigated through the relocation of the Tax Administration and Register of Deeds offices from the Courthouse to renovated space formerly occupied by the Sheriff's Office. The Board of Commissioners is weighing the pros and cons of constructing an annex on adjacent property that would extend the life and functionality of the existing Courthouse, which is in the center of Brevard, versus constructing a new Courthouse that would be a longer term solution at the site of the Public Safety Facility a few miles away. In addition to the differing levels of financial commitment required, there are other factors such as economic implications for the downtown area that the Commissioners are taking into careful consideration. Their goal is to reach a decision in the spring and move forward with the project.

Transylvania County Schools

The Transylvania County Board of Education and the Board of Commissioners have engaged in preliminary discussions concerning major capital improvement projects for the school system and various financing alternatives. The Board of Education has identified a number of extensive renovations and repairs needed for its eight existing campuses and facilities, ranging in age from three years to 71 years, to update aging infrastructure, replace square footage at the end of its useful life, and bring educational spaces up to recommended State standards. Based on a study conducted in 2016 for the Board of Education by an outside consultant, the estimated cost to address all of the identified items would be approximately \$117 million. The County's last general obligation school bonds, which were issued in 1999, will reach maturity in February of 2018. While both Boards have many variables to consider, the amount and means of financing will likely be determined in the coming year.

Other

As mentioned above, the Board of Commissioners is reviewing the recommendations put forth in the Parks and Recreation Master Plan and will be working with the City Council to assess the feasibility of implementing portions of the Plan. In addition, staff is examining the advisability of moving the EMS main station, which will need major renovations or replacement soon, to improve access to and egress from the base and to expedite call response time. This relocation is being considered in the broader context of a county-wide study of the delivery of emergency services.

The Board of Commissioners and staff held a capital planning workshop in early November, during which the

commissioners discussed different financing mechanisms, including USDA loans, installment financing contracts, limited obligation bonds, and general obligation bonds, as well as project priorities, timing, and impact on the overall financial position of the County. The Board of Commissioners will be collaborating with other elected officials in the County to assure optimal results for the community as a whole.

LONG-TERM PLANNING

The Transylvania County Strategic Plan adopted by the Board of Commissioners underscores the County's recognition of the importance of long-term planning and its commitment to expanding this process. For many years, the County has prepared a multi-year capital plan for significant equipment acquisitions, building and land improvements, and new facilities. Using the strategic plan as a guide going forward, the County may analyze and plan for other critical long-range needs such as infrastructure for economic development and protection of the county's potable water supply.

Every ten years the Transylvania County Planning Board, in conjunction with County staff, formulates a comprehensive plan for the County that will now augment the strategic plan by providing additional information for decision-making based on the county's overall growth and development. As stated in the Transylvania County Code of Ordinances, recommendations include goals and objectives for:

conservation of the County's distinct rural character and mountain heritage; conservation of land, water and air resources; plans for the best possible roads; promotion of alternative transportation; provision of safe and reliable drinking water, wastewater treatment and solid waste disposal; support of affordable, safe, and adequate housing; provision of appropriate public facilities and services, and promotion of the best use of land while protecting citizens property rights.

The 2025 Transylvania County Comprehensive Plan was presented in October 2016. Incorporating extensive input gathered from citizens through surveys and community meetings, the plan focused on four basic areas: economic health, environmental health, land use and livability, and health, culture, and equity.

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, 2015. (This was the 29th 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, Jaime Laughter, and the Board of Commissioners for their interest and support in planning and conducting the financial activities of the County in a fiscally sound and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink that reads "Gay V. Poor". The signature is written in a cursive, flowing style.

Gay V. Poor
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

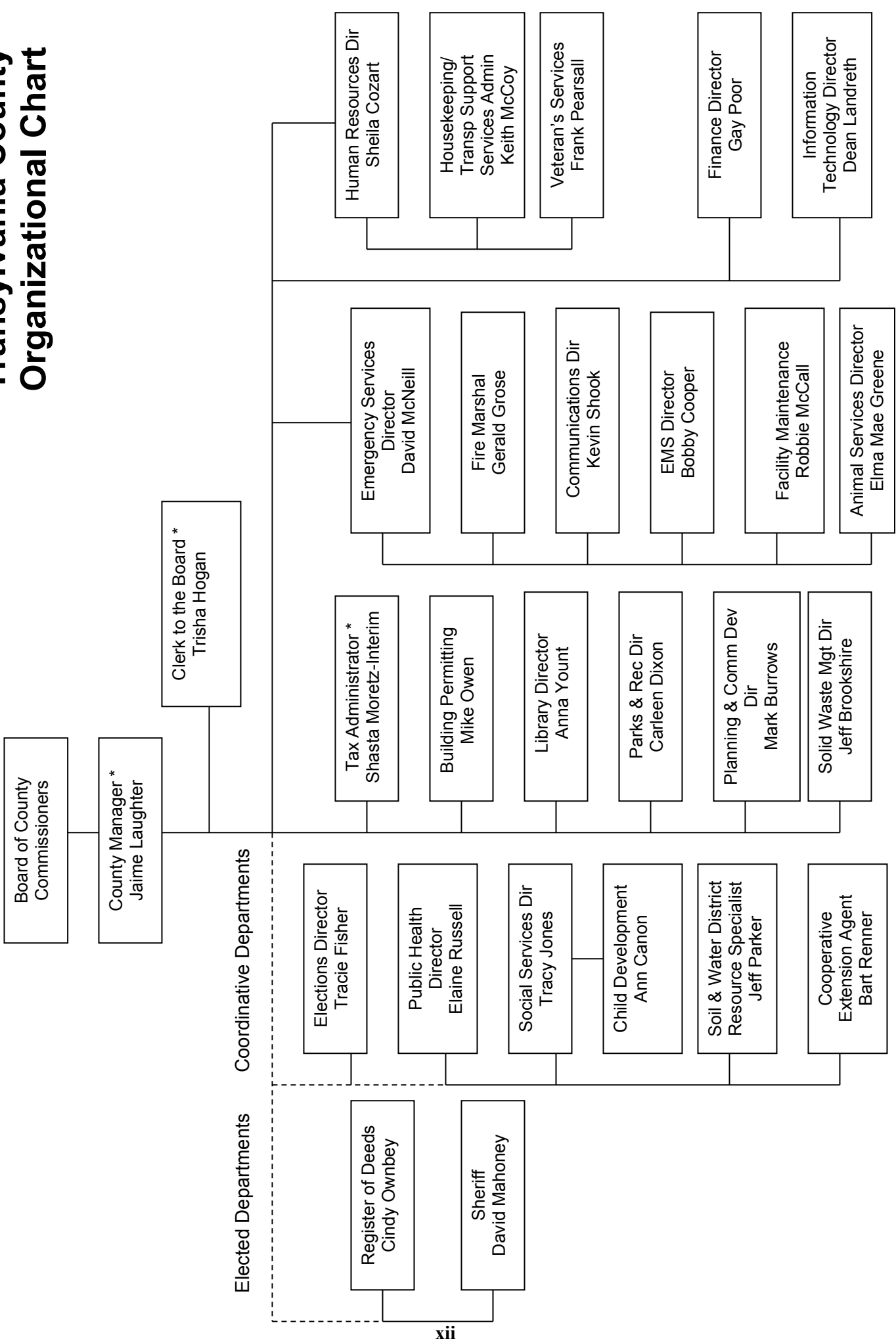
**Transylvania County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Transylvania County Organizational Chart



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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Transylvania County, North Carolina, as of and for the year ended June 30, 2016, 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. The financial statements of the Transylvania County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Transylvania County, North Carolina, as of June 30, 2016, and the respective changes in financial position and, cash flows, where applicable, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset (Liability) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset (Liability) and Schedule of County 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, economical, 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 section 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 section 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 15, 2016, 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, North Carolina
November 15, 2016

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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, 2016. 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

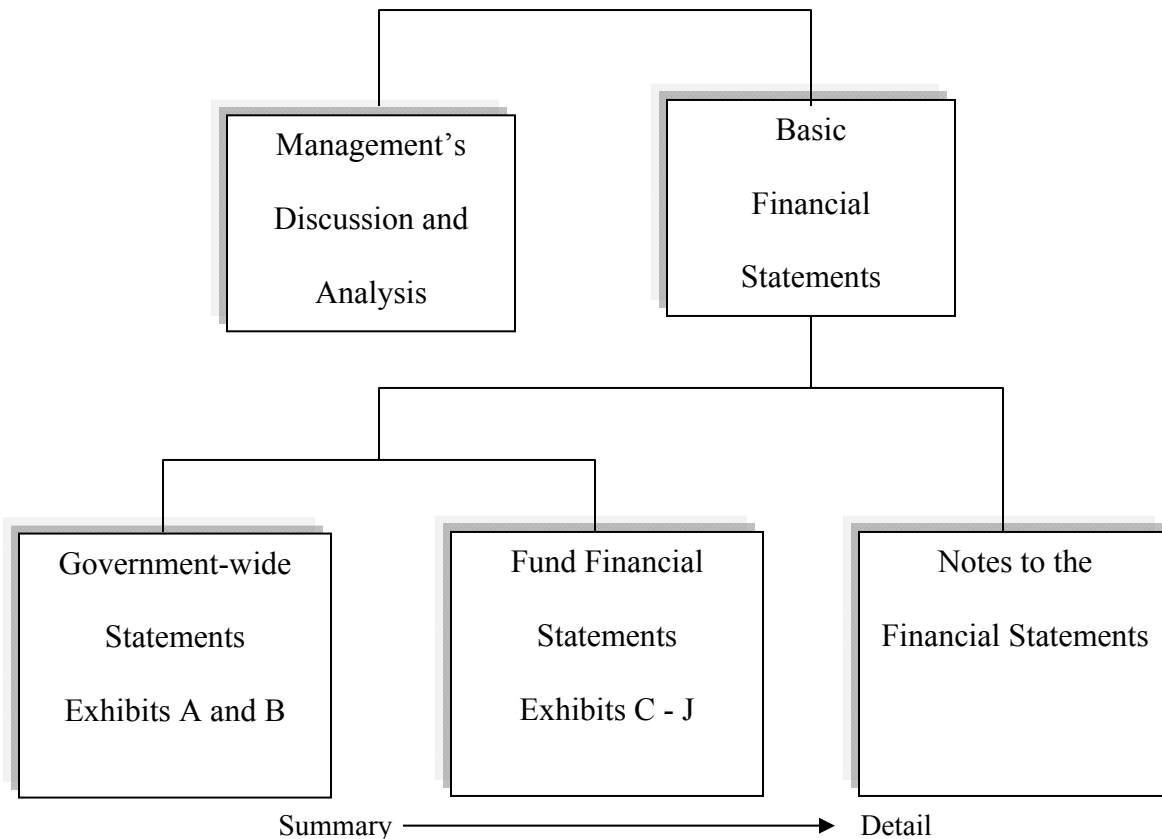
- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2016 by \$65,165,557 (*net position*). Of this amount, \$17,884,343 (27.4 percent) is unrestricted and, therefore, may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,059,631 (4.9 percent), with \$3,037,898 attributable to governmental activities and \$21,733 related to business-type activities.
- At the close of the fiscal year, the County's governmental funds reported combined fund balances of \$26,899,338, reflecting an increase of \$1,421,760 over the prior year. Approximately 21.2 percent of the balance, or \$5,701,170, is restricted or non-spendable. Another 32.5 percent, or \$8,753,900, is either committed or assigned for specific purposes, leaving the remaining \$12,444,268 (46.3 percent) unassigned.
- The County's General Fund balance grew by \$614,628 to finish the year at \$24,776,291. The unassigned amount of this balance is \$12,458,799, which represents 26.8 percent of total General Fund expenditures and transfers out for the fiscal year.
- The County achieved an ad valorem tax collection rate of 99.87 percent in fiscal year 2016, the same as the prior year's. Fiscal year 2015's rate was the highest in the State, versus the statewide average of 98.60 percent.
- As of June 30, 2016, the County had long-term outstanding debt of \$5,171,985, down \$402,996, or 7.2 percent, from the prior year. During fiscal year 2016 the County assumed two new debt obligations: a 25-month capital lease for \$17,878 for emergency medical services equipment and a 15-year installment financing contract for \$1,807,427 for renovations to a County building.
- In May 2016 Moody's Investors Service raised the County's bond rating two notches from A1 to Aa2. This upgrade followed the two-notch increase from A+ to AA given by Standard and Poor's in July 2014. Both credit-rating agencies based their upgrades on an evaluation of the County's overall economic health.

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 it has 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 three categories of activities:

- **Governmental activities** – These activities include the County's basic services such as public safety, human services, culture and recreation, general administration, and education. These services are financed predominantly through property taxes, sales taxes, and state and federal grant monies.
- **Business-type activity** – 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.
- **Component Units** - The County has three component units: the Joint Historic Properties Commission, the Transylvania County Parks and Recreation Commission, and the Transylvania County Tourism Development Authority. The first two of these, which are considered blended component units, are advisory organizations appointed by the Board of Commissioners and have no financial transactions to report. The tourism development authority is a legally separate entity and is treated as a discretely presented component unit with its financial activity reported separately on the government-wide financial statements. For more detailed information, please refer to the Comprehensive Annual Financial Report prepared for the Transylvania County Tourism Development Authority.

The government-wide financial statements appear on pages 19 to 22 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:

- nonspendable 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 40-44 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 32 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 76 about funding of Transylvania County's pension and other post-employment benefit obligations. The next section provides more detailed information about the major and non-major 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, 2016, Transylvania County's government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,165,557, reflecting growth of \$3,059,631 resulting from financial transactions that occurred during fiscal year 2016 (see Figure 2). Governmental activities generated \$3,037,898, or 99.3 percent, of the increase in net position while business-type activities generated the remaining \$21,733, or 0.7 percent.

Transylvania County's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Government-wide Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 29,378,460	\$ 27,623,409	\$ 7,538,408	\$ 6,951,884	\$ 36,916,868	\$ 34,575,293
Net pension asset	\$ 95,952	\$ 1,284,895	\$ -	\$ 62,773	\$ 95,952	\$ 1,347,668
Capital assets	41,244,332	40,060,588	3,625,348	3,851,511	44,869,680	43,912,099
Total assets	\$ 70,718,744	\$ 68,968,892	\$ 11,163,756	\$ 10,866,168	\$ 81,882,500	\$ 79,835,060
Deferred outflows of resources	\$ 989,358	\$ 934,379	\$ 51,616	\$ 48,959	\$ 1,040,974	\$ 983,338
Long-term liabilities outstanding	\$ 8,840,666	\$ 7,960,748	\$ 5,830,061	\$ 5,437,193	\$ 14,670,727	\$ 13,397,941
Other liabilities	2,484,233	2,144,116	87,568	74,225	2,571,801	2,218,341
Total liabilities	\$ 11,324,899	\$ 10,104,864	\$ 5,917,629	\$ 5,511,418	\$ 17,242,528	\$ 15,616,282
Deferred inflows of resources	\$ 490,096	\$ 2,943,198	\$ 25,293	\$ 152,992	\$ 515,389	\$ 3,096,190
Net position:						
Net investment in capital assets	\$ 38,026,155	\$ 38,390,675	\$ 3,625,348	\$ 3,851,511	\$ 41,651,503	\$ 42,242,186
Restricted	5,629,711	4,549,498	-	-	5,629,711	4,549,498
Unrestricted	16,237,241	13,915,036	1,647,102	1,399,206	17,884,343	15,314,242
Total net position	\$ 59,893,107	\$ 56,855,209	\$ 5,272,450	\$ 5,250,717	\$ 65,165,557	\$ 62,105,926

At \$41,651,503, net *capital* assets are the largest component, 63.9 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 decreased by \$590,683 as depreciation, retirements, and new debt incurred exceeded current year investments.

Another portion of the County's net position, \$5,629,711 or 8.6 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 make up \$4,295,302 of this classification, which also includes fire district taxes, court fees, E911 Communications charges, Register of Deeds enhancement funds, and various other grants and donations. An increase in stabilization funds related to loan proceeds receivable generated most of the \$1,080,213 addition to restricted net position for fiscal year 2016.

The remaining government-wide balance in net position, \$17,884,343 or 27.5 percent, is unrestricted and therefore available to meet the County's ongoing obligations. As a result of fiscal year 2016 transactions, the unrestricted net position grew overall by 16.8 percent, or \$2,570,101, with \$2,322,205 (90.4 percent) generated by governmental activities and \$247,896 (9.6 percent) by business-type activities.

Governmental activities – At the end of fiscal year 2016, the County's governmental activities reported a net position of \$59,893,107, which was \$3,037,898 or 5.3 percent higher than the prior year's (see Figure 3). This growth exceeded the \$1,756,674 growth realized in fiscal year 2015, which was negatively impacted by a prior period adjustment for pension obligations. If this adjustment were excluded, the current year's increase in net position would be \$221,262, or 6.8 percent, slightly less than the previous period's increase.

Revenues: Compared to fiscal year 2015, revenues were \$365,227 higher, with substantial gains in property taxes, other taxes, and charges for services offset to some extent by declines in other revenue streams. Growth in the actual tax base for ad valorem taxes combined with fire district tax rate increases added \$417,771 in property taxes while an improving economy boosted sales and real estate transfer taxes by \$396,193. Charges for services surpassed the prior year's by \$394,244, led by additional fees collected for building permits and inspections and for housing inmates in the State Misdemeanant Confinement Program. Conversely, fiscal year 2016 saw a drop of \$766,770 in operating and capital grants and contributions. However, over half of this decrease was attributable to \$455,500 in North Carolina Education Lottery funds passed through the County in fiscal year 2015 versus none in fiscal year 2016. Likewise, with the completion of a Scattered Site Housing Project the previous year, the County lost \$289,415 in Community Development Block Grant funding. Relatively insignificant differences in other revenue sources netted to a \$76,211 reduction from fiscal year 2015.

Expenses: Expenses and transfers in fiscal year 2016 were also higher than the prior year's - by a total of \$586,489. The largest contributors to this variance were:

- \$902,316 increase in pension plan contributions allocated across all functions and representing a significant swing from the \$814,117 reduction posted in fiscal year 2015 when GASB 68 was implemented
- \$643,000 increase in salaries, wages, and fringes also spread throughout all County departments: \$400,000 for the second phase of a two-year implementation of a classification and compensation adjustment plan and \$143,000 for the net addition of three positions plus \$100,000 for reclassifications and changes to work schedules

Transylvania County's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 4,259,164	\$ 3,864,920	\$ 1,706,101	\$ 1,440,395	\$ 5,965,265	\$ 5,305,315
Operating grants and contributions	7,072,977	7,677,248	19,982	57,327	7,092,959	7,734,575
Capital grants and contributions	181,350	289,415	-	-	181,350	289,415
General revenues:						
Property taxes	30,710,092	30,292,321	-	-	30,710,092	30,292,321
Other taxes	8,018,340	7,622,147	-	-	8,018,340	7,622,147
Grants and contributions unrestrict to specific programs	-	-	-	-	383,029	437,463
Miscellaneous unrestricted	-	129,530	-	-	-	129,530
Interest	65,131	11,812	6,258	530	71,389	12,342
Total revenues	\$ 50,690,083	\$ 50,324,856	\$ 1,732,341	\$ 1,498,252	\$ 52,422,424	\$ 51,823,108
Expenses:						
General government	\$ 5,617,567	\$ 5,195,765	\$ -	\$ -	\$ 5,617,567	\$ 5,195,765
Public safety	15,700,514	14,908,286	-	-	15,700,514	14,908,286
Transportation	436,509	426,860	-	-	436,509	426,860
Economic and physical development	1,178,119	1,330,900	-	-	1,178,119	1,330,900
Human services	9,037,670	8,795,596	-	-	9,037,670	8,795,596
Cultural and recreation	2,435,648	2,113,365	-	-	2,435,648	2,113,365
Education	12,649,134	13,046,493	-	-	12,649,134	13,046,493
Interest on long-term debt	222,024	276,292	-	-	222,024	276,292
Landfill	-	-	2,085,608	1,452,623	2,085,608	1,452,623
Total expenses	\$ 47,277,185	\$ 46,093,557	\$ 2,085,608	\$ 1,452,623	\$ 49,362,793	\$ 47,546,180
Change in net position before transfers	\$ 3,412,898	\$ 4,231,299	\$ (353,267)	\$ 45,629	\$ 3,059,631	\$ 4,276,928
Transfers	\$ (375,000)	\$ (972,139)	\$ 375,000	\$ 972,139	\$ -	\$ -
Change in net position	\$ 3,037,898	\$ 3,259,160	\$ 21,733	\$ 1,017,768	\$ 3,059,631	\$ 4,276,928
Net position, July 1	\$ 56,855,209	\$ 55,098,535	\$ 5,250,717	\$ 4,316,753	\$ 62,105,926	\$ 59,415,288
Prior period adjustment	\$ -	\$ (1,502,486)	\$ -	\$ (83,804)	\$ -	\$ (1,586,290)
Net position, July 1, restated	\$ 56,855,209	\$ 53,596,049	\$ 5,250,717	\$ 4,232,949	\$ 62,105,926	\$ 57,828,998
Net position, June 30	\$ 59,893,107	\$ 56,855,209	\$ 5,272,450	\$ 5,250,717	\$ 65,165,557	\$ 62,105,926

- \$211,335 increase in contract services, which included \$117,215 more in Public Safety for emergency services provided by outside agencies and \$86,313 in additional funding for economic development services performed by the Transylvania Economic Alliance and recorded in Economic and Physical Development
- \$181,546 increase in employee health, unemployment, and workers' compensation insurance, reported with General Government expenses

- \$397,359 net decrease for Education, which resulted from reductions due to the transfer of school property back to the Board of Education and the lack of disbursements of lottery funds in fiscal year 2016 versus growth of almost \$600,000 in appropriations for the local school system and community college
- \$453,851 decrease in pension expense spread across all departments
- \$597,139 decrease in the transfer to business-type activities, reflecting a reduction in major capital acquisitions made in fiscal year 2016 compared to the prior year

A multitude of less significant variances throughout the organization in expenses such as computer software and hardware, training, maintenance, supplies, and programs funded by grants and other external sources netted to a total increase of less than \$100,000.

In fiscal year 2016, charges for services, grants, and contributions covered 24.4 percent of the expenses of governmental activities and comprised 22.7 percent of total revenues. In fiscal year 2015 these external revenue sources supported 25.7 percent of the cost of governmental activities and made up 23.5 percent of total revenues.

Business-type activities – Transylvania County’s business-type activities closed the year with a net position of \$5,272,450, reflecting growth of 0.4 percent or \$21,733, compared to growth of \$933,964 recorded in fiscal year 2015. This dramatic reduction resulted primarily from the substantial decrease in the transfer from governmental activities combined with a \$483,000 upswing in the amount recorded for potential assessment and corrective action (PACA) costs and landfill closure and post-closure care costs.

Revenues from scale sales in fiscal year 2016 exceeded the prior year’s by over \$300,000. Solid waste tonnage grew by 13.3 percent in fiscal year 2016, generating over \$183,000 more in scale sales than in the prior year. In addition, the County began charging for municipal sludge disposal, resulting in an increase in tipping fees of approximately \$117,000. Conversely, recycling revenues and non-operating revenues declined slightly. Total revenues were consequently only \$234,089 more than fiscal year 2015’s. Driven by the substantial rise in PACA and closure and post-closure care costs mentioned above, expenses rose by \$632,985. Most of the increase in normal operational expenses was incurred for leachate disposal, heavy equipment repair, engineering services, and other contract services. The remainder of the change in the year-to-year growth stemmed from the \$597,139 reduction in the transfer from governmental activities and the impact of the \$83,804 prior period adjustment for pension obligations.

Through tipping and recycling fees, users of the solid waste facility paid 97.1 percent of operating expenses (excluding PACA costs and closure and post-closure care costs) in fiscal year 2016, versus 89.6 percent in fiscal year 2015, and contributed 98.5 percent to the landfill’s total operating revenues versus 96.2 percent in the prior year. Transfers from governmental activities supplemented these revenues. Please refer to the analysis of the proprietary fund on page 14 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 non-major. The General Fund is always considered a major fund; no other funds met the criteria for this classification in fiscal year 2016. The non-major governmental funds consist of Special Revenue Funds, Capital Projects 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 \$24,776,291, with \$49,334 non-spendable and \$3,150,294 restricted for stabilization by State statute. Another \$590,247 was restricted by general statutes for court facilities and for technology enhancements in the Register of Deed's Office and by grant requirements and other external restrictions, most notably for Public Safety activities. Of the remainder, \$2,997,152 was committed by the Board of Commissioners for post-employment health benefits for employees (\$1,891,468) and pension payments for retired law enforcement officers (\$1,105,684). An additional \$5,530,465 was assigned for specific uses, including \$1,600,000 for economic development, \$1,078,144 for employee health insurance, \$1,030,799 for accrued vacation, and \$545,165 for Parks and Recreation facility improvements. The rest of the fund balance, \$12,458,799 or 50.3 percent of the total, was 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 26.8 percent and total fund balance represents 53.2 percent of expenditures and transfers for fiscal year 2016. The comparable figures for fiscal year 2015, respectively, were 27.7 percent and 52.3 percent.

The General Fund balance grew during fiscal year 2016 by \$614,628 (2.5 percent), just under the prior year's increase of \$614,944 (2.6 percent). Operations generated a surplus of \$1,080,940. Actual revenues exceeded projections, with the majority of funding sources greater than budgeted as explained further on page 13. Of even more significance though were actual expenditures county-wide that came in substantially below budget. The major factors and their approximate contributions to the overall favorable variance were:

- \$495,000 from reductions in salaries, wages, and fringes due to retirements and resignations, attrition, and the time required to fill new and vacated positions
- \$287,000 for outside services and studies that cost less than estimated, were not required, or were put on temporary hold
- \$248,000 for capital outlays for projects that were either initiated but not fully completed by year-end or were postponed to the coming year
- \$242,000 for pass-through North Carolina Education Lottery funds budgeted but not drawn down in fiscal year 2016
- \$182,000 budgeted to go into fund balance for the annual required contribution (ARC) to the retiree health insurance plan
- \$142,000 related to changes in the utilization or delivery method of some of the programs managed by Social Services, foster care in particular
- \$118,000 due to employee health insurance costs, especially for retiree claims, that were less than projected

Lower fuel, utility, and maintenance costs combined with the department heads' continuing conservative use of funds for supplies and discretionary items generated almost \$450,000 in additional savings compared to appropriations. The surplus from operations was reduced only \$466,312 by the net amount of other financing sources and uses, which included a \$375,000 transfer to the Solid Waste Fund and a \$115,000 transfer to the Permanent Fund. Because of the resulting net gain of \$614,628, the County avoided using reserves as originally planned and was instead able to build fund balance.

The combined fund balances of the non-major governmental funds also increased - by \$807,132 to a total of \$2,123,047. The majority of this growth, \$741,220, occurred in the Capital Projects Funds. Proceeds from an installment financing contract for building renovations exceeded the amount actually spent on the project during the year and accounted for most of the increase. The ending balance of \$1,103,047 in the Capital Projects Funds included \$1,008,996 earmarked for this and other renovation projects, \$71,926 set aside for Information Technology enhancements, and \$22,125 restricted for Education. The Special Revenue Funds as a whole realized a gain of \$75,017 to end the year with a balance of \$685,350. While the Fire Districts Fund rose by \$133,081, the Emergency Telephone System Fund fell by \$58,064 due to the planned withdrawal of funds to cover capital outlays for 911 system upgrades. All of the funds in the Special Revenue Funds were restricted either for the purposes for which they were collected or for stabilization by State statute. The balance in the Permanent Fund, which was established for the maintenance of a County recreation facility, decreased by \$9,105, as fund balance was appropriated to supplement donations and the transfer from the General Fund for repairs and restoration work on the Silvermont mansion. Part of the \$334,650 ending balance in the Permanent Fund - \$108,520 - was restricted; the remainder was assigned. Ninety-percent of the combined fund balances of the non-major governmental funds was restricted at year-end.

As of June 30, 2016, Transylvania County's governmental funds reported a total ending balance of \$26,899,338 - \$1,421,760 more than at the end of 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 needs that arose during the year, and (3) roll forward appropriations made in fiscal year 2015. The amendments approved in fiscal year 2016 increased the General Fund's original budget by \$1,280,681, or 2.7 percent, and included adjustments made for the following:

- \$143,429 carried forward from fiscal year 2015 for the completion of the second phase of a community park
- \$133,500 withdrawn from fund balance assigned for compensated absences for vacations cashed out in lieu of leave taken or paid out to terminated employees
- \$109,614 appropriated from fund balance assigned for Economic Development for incentive packages
- \$103,000 appropriated from a combination of assigned and unassigned fund balance and a contribution from the City of Brevard for a joint Parks and Recreation Master Plan
- \$96,404 collected in additional fees for services, such as housing inmates for other jurisdictions, processing Register of Deeds transactions, and caring for animals at the Animal Shelter
- \$83,909 appropriated from unassigned fund balance for debt service on an installment financing contract entered into in October 2015
- \$78,497 received in additional funding and grants for various Public Health programs

Compared to the final budget, actual fiscal year 2016 operating revenues reported in the General Fund were favorable by \$230,510, or 0.5 percent. Growth in the tax base and a higher than expected collection rate drove total ad valorem tax revenues over the budgeted level by \$475,673. After a sluggish start the first half of the year, local option sales taxes also improved more than anticipated - by 5.4 percent over the prior year, versus the 3.5 percent budgeted. However, the base used for the fiscal year 2016 sales tax projections was overly optimistic, causing the actual receipts to be \$89,962 less than predicted. Intergovernmental revenues fell short of budget by \$590,074, the majority of which was due to a decrease of approximately \$120,000 in reimbursements for eligible Social Services administrative costs, the delayed receipt of over \$125,000 in budgeted grant funds, and the deferred withdrawal of \$242,000 in

North Carolina Education Lottery funds. The reductions in these revenues were for the most part offset by corresponding reductions in related expenditures. All other revenue sources exceeded budget. Reflecting the renewed activity in construction and real estate transactions, other taxes and permits and fees showed a gain of \$121,458 over estimated levels. Sales and services also generated more than projected, with almost \$250,000 of the \$255,384 surplus attributable to additional jail fees for housing inmates from the State and other counties. No significant variances were reported in any of the other revenue streams, which surpassed budget by a combined total of \$58,031.

The General Fund's actual expenditures finished the year \$2,319,301, or 4.8 percent, below the final budget, with a \$964,098 favorable variance in General Government and a \$474,354 favorable variance in Human Services contributing the most to the positive results. The major factors behind the reduced spending county-wide were presented in the explanation of the fund balance change, but their impact on each function is presented below:

- Lower employee health insurance costs and the non-cash appropriation for the ARC for the retiree health insurance plan were responsible for almost one-third of the unspent General Government funds. Unused allocations for contract services accounted for another 21.0 percent, and an incomplete building improvement project and lower personnel costs each accounted for an additional 10.0 percent.
- Approximately half of the favorable variance in Human Services was attributable to lapsed salaries related to new and temporarily vacant positions. Disbursements for contract services, foster care, adult services, and other public assistance programs were also less than anticipated, reducing budgeted spending in this function by an additional 33.0 percent.
- The \$262,370 variance for Public Safety was split evenly between the Sheriff's Office and Emergency Services. Almost half was derived from employee retirements and resignations which resulted, as in other areas, in lapsed salaries. Another 30.0 percent could be traced back to lower fees for contract services and emergency management grants received, but not fully used by year end.
- Spending for Transportation came in \$90,163 under budget, 60.0 percent of which was due to the delayed purchase of a van. Most of the remainder resulted from decreased compensation costs stemming from retirements and employee turnover.
- Of the \$37,454 variance in Economic and Physical Development, two-thirds was personnel-related.
- Culture and Recreation ended the year \$248,862 favorable to budget, with 56.0 percent of the amount attributable to capital outlays deferred to fiscal year 2017. While there were no other single significant factors, lapsed salaries and incomplete contract services together comprised another 13.3 percent of the difference between budgeted and actual spending.
- All of the \$242,000 variance shown for Education was due to budgeted lottery funds that were not drawn down in fiscal year 2016

As noted earlier, miscellaneous savings realized throughout County departments also contributed to the positive results in each function. The actual amount spent for debt service equaled the budgeted amount.

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 previously mentioned, the net position of the Solid Waste Fund increased by \$21,733 in fiscal year 2016. Actual operating revenues of \$1,706,101 exceeded 2016 projections by \$172,141, or 11.2 percent, as solid waste tonnage grew significantly more than anticipated. Likewise, actual personnel and operating expenses of \$2,085,608 were favorable compared to budget, mainly due to less need than expected for landfill maintenance, engineering services, and other contract services. In spite of these positive results, there was

an operating loss of \$379,507, caused to a large extent by PACA and closure and post-closure care costs. This loss, however, was more than offset by the \$375,000 transfer from the General Fund and non-operating revenues of \$26,240.

Capital Asset and Debt Administration

Capital assets: Transylvania County's capital assets for its governmental and business – type activities as of June 30, 2016, totaled \$44,869,680 (net of accumulated depreciation). These assets consisted of buildings, land, machinery and equipment, furniture and fixtures, park facilities, and vehicles (see Figure 4). During fiscal year 2016 the County invested \$3,826,560 in capital assets, which included the following major items:

- \$1,049,765 - Began renovations to the former Detention Center to convert it into suitable space for the Board of Elections and Employee Wellness Clinic
- \$ 288,178 - Purchased replacement vehicles for the Sheriff's Office
- \$ 141,410 - Completed construction of the second phase of a community park
- \$ 132,739 - Replaced network switches and a firewall in the 911 Communications Center
- \$ 112,896 - Continued capital repairs and renovations on the Silvermont Mansion, a County recreational facility
- \$ 108,309 - Upgraded the security system at the Public Safety Facility

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,379,666	\$ 3,379,666	\$ 1,130,910	\$ 1,130,910	\$ 4,510,576	\$ 4,510,576
Landfill Cells	-	-	1,321,394	1,479,092	1,321,394	1,479,092
Buildings	32,249,191	32,035,254	16,457	20,521	32,265,648	32,055,775
Improvements to buildings and land	1,121,167	967,620	178,550	203,748	1,299,717	1,171,368
Machinery and equipment	1,904,140	1,986,582	764,554	771,196	2,668,694	2,757,778
Vehicles and motor equipment	1,462,061	1,388,116	213,483	246,044	1,675,544	1,634,160
Construction in progress	1,128,107	303,350	-	-	1,128,107	303,350
Total	\$ 41,244,332	\$ 40,060,588	\$ 3,625,348	\$ 3,851,511	\$ 44,869,680	\$ 43,912,099

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 49 of this report.

Long-term Debt: As of June 30, 2016, Transylvania County had total bonded debt outstanding of \$1,953,808, all of which is backed by the full faith and credit of the County.

Transylvania County's total debt decreased by \$402,996 – 7.2 percent – during the year. The County retired \$1,951,260 in debt for general obligation and qualified school construction bonds, which were issued in the past to finance major school capital projects. In addition, the County paid \$193,333 on a 2008 installment financing contract for the Public Safety Facility and \$17,530 on two capital leases for equipment for Emergency Medical Services (EMS). During fiscal year 2016 the County assumed two new debt obligations: a 25-month capital lease for \$17,878 for EMS equipment and a 15-year installment financing contract for \$1,807,457 for renovations for the new Elections Center and Employee Wellness Clinic. First year payments on these obligations reduced debt by another \$66,208.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 1,300,000	\$ 3,140,000	\$ -	\$ -	\$ 1,300,000	\$ 3,140,000
General Obligation Bonds-Premium	4,918	8,030	-	-	4,918	8,030
Qualified Zone Academy Bonds	-	-	-	-	-	-
Qualified School Construction Bonds	648,890	757,038	-	-	648,890	757,038
Total Bonded Debt Outstanding	1,953,808	3,905,068	-	-	1,953,808	3,905,068
Installment Financing	3,197,210	1,643,335			3,197,210	1,643,335
Capital Lease	20,967	26,578	-	-	20,967	26,578
Total	\$ 5,171,985	\$ 5,574,981	\$ -	\$ -	\$ 5,171,985	\$ 5,574,981

As mentioned in the financial highlights section of this document, Moody's Investors Service raised the County's bond rating from A1 to Aa2, based on the County's "robust financial position" as evidenced by:

- high percent of cash balance to revenues,
- exceptionally low debt and pension liabilities,
- strong economy and tax base overall, and
- strong financial management demonstrated through the ability to generate surplus operating margins

In conjunction with the two-notch increase from A+ to AA given by Standard and Poor's in July 2014, this upgrade and the resulting credit 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 \$485,256,689, versus the County's current outstanding debt of \$5,171,985.

Additional information regarding Transylvania County's long-term debt can be found in note 2. B. of the Notes, beginning on page 68 of this report.

Economic Factors and Next Year's Budgets and Rates

- March 2016's unemployment rate for Transylvania County was 5.6 percent, compared to the State's rate of 5.4 percent and the County's rate of 5.5 percent in March 2015.
- The eight month total of sales taxes received by the County through early May 2016 was 1.5 percent higher than the total for the same period in fiscal year 2015.
- By the end of the third quarter of fiscal year 2016, both the volume and value of new construction surpassed March 2015 year-to-date levels by close to 30.0 percent, with particularly strong activity in residential units. In addition, there were several sizeable commercial projects in the planning stages.
- During this same nine-month timeframe, real estate transfer and deed stamp excise taxes collected by the Register of Deeds, likewise, grew by 5.8 percent.
- As a result of a real property reappraisal that became effective January 1, 2016, the County's property tax base dropped overall by 8.0 percent compared to the actual base reported for fiscal year 2016. This decrease reflected the nationwide decline in the housing market that began shortly before the County's January 1, 2009 property revaluation.

These factors were taken into consideration in the development of Transylvania County's fiscal year 2017 budget, along with the need to provide funds to begin implementation of the County's strategic plan to meet the long-term goals of promoting economic development, education, visitor and community engagement, environmental stewardship, enhancements to the community's quality of life, and the value of County government.

Governmental Activities: The Board of Commissioners adopted a General Fund budget for fiscal year 2017 of \$48,064,005, versus fiscal year 2016's original budget of \$47,956,728.

Revenues: Total revenues from operations and other financing sources for fiscal year 2017 were projected to be \$1,640,892, or 3.5 percent, higher than fiscal year 2016's original budget. As statutorily required after a reappraisal, the County calculated the revenue-neutral tax rate needed to maintain existing operations and service debt. To generate additional funds for major capital projects, the Board of Commissioners raised the tax rate above the revenue-neutral level of \$.4910/\$100 to \$.5110/\$100. Consequently, ad valorem taxes were budgeted to increase by \$1,665,322. Conversely, sales taxes, which were based on the actual collections and meager growth seen through February 2016, were projected to fall short of the prior year's budgeted level by \$281,707. Both intergovernmental revenues and charges for sales and services were expected to remain relatively constant, with a few insignificant fluctuations netting to an overall increase of \$95,433. With the upward trend in construction and real estate transactions, Register of Deeds taxes and building permits and fees were conservatively predicted to grow by \$80,000. Comparatively minor changes totaling less than \$100,000 were budgeted for other revenue sources.

Excluding appropriations from fund balance and transfers from other funds, fiscal year 2017's revenues are estimated to be 2.0 percent higher than fiscal year 2016's actual revenues.

Expenditures – Budgeted expenditures approved for fiscal year 2017, including transfers to other funds, were only \$107,277, or 0.2 percent, more than fiscal year 2016's original budget due to several offsetting factors. Projected personnel costs climbed by \$744,652. Over half of this increase was attributable to higher employee health insurance costs, estimated based on rising medical trend rates. In addition, the budget provided for three new staff positions, each partially funded by outside sources; several position

reclassifications; more part-time help; and a cost-of-living adjustment to go in effect in February 2017. Also included were funds to implement the new Fair Labor Standards Act requirements for overtime compensation for exempt employees and to cover the rate increases for State Retirement contributions. Indicative of the County's commitment to education, the fiscal year 2017 appropriation for the local school system exceeded fiscal year 2016's by \$466,382 and included more money for both current spending and capital outlay needs. A reduction of \$1,154,260 in debt service on school bonds nearing maturity compensated for the majority of the significant growth in allocations for personnel and education. There was, however, an addition of \$157,215 to general debt service associated with the installment financing contract entered in fiscal year 2016 for facility renovations. The amounts budgeted for other operational expenditures, programs, and funding obligations were down overall with only small increases anticipated for costs such as equipment maintenance, employee training, and public assistance and decreases expected for others, most notably contract services and fuel. Although the total amount appropriated for capital varied by less than \$100,000 between the two fiscal years, there was a shift from land and building improvements to vehicle replacements and other equipment purchases. Transfers to other County funds fell by \$321,293, due primarily to two factors: (1) no new restoration projects planned for fiscal year 2017 at the Silvermont recreational facility and (2) reduced non-operating expenses at the landfill.

Expenditures and transfers budgeted for fiscal year 2017 are 3.3% higher than those actually incurred in fiscal year 2016.

To balance the General Fund budget for fiscal year 2016, the Commissioners appropriated only \$122,710 from fund balance, which represents less than 1.0 percent of the unassigned fund balance as of June 30, 2016.

Business – type Activities. The fiscal year 2017 budget for the Solid Waste Fund was \$82,844, or 4.0 percent, less than fiscal year 2016's original budget mainly because of reduced PACA and landfill closure and post-closure care costs. Operating revenues were projected to exceed the prior year's by over \$128,950, or 9.0 percent, and exceed operating expenses, excluding capital items, by almost \$50,000. A transfer of \$387,972 from the General Fund was budgeted to supplement funds available for capital equipment and to provide funds to set aside for the construction of the next cell, PACA assurance, 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, 101 South Broad Street, Brevard, NC 28712.

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**BASIC
FINANCIAL
STATEMENTS**

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Transylvania County Tourism Development Authority
Assets:				
Current assets:				
Cash and investments	\$ 24,865,213	\$ 4,089,322	\$ 28,954,535	\$ 340,582
Taxes receivable, net	38,119	-	38,119	-
Accounts receivable, net	4,295,302	129,948	4,425,250	83,767
Inventories	32,578	-	32,578	-
Prepaid items	16,756	-	16,756	-
Cash and investments, restricted	130,492	3,319,138	3,449,630	-
Total current assets	29,378,460	7,538,408	36,916,868	424,349
Non-current assets:				
Net pension asset	95,952	-	95,952	-
Land and other non-depreciable assets	4,507,773	1,130,910	5,638,683	-
Depreciable assets, net	36,736,559	2,494,438	39,230,997	-
Non-current assets, net	41,340,284	3,625,348	44,965,632	-
Total assets	70,718,744	11,163,756	81,882,500	424,349
Deferred Outflows of Resources:				
Contributions to pension plans in current fiscal year	889,400	46,630	936,030	-
Pension deferrals	99,958	4,986	104,944	-
Total deferred outflows of resources	989,358	51,616	1,040,974	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	2,214,228	87,568	2,301,796	9,874
Prepaid fees	220,114	-	220,114	-
Accrued interest payable	49,891	-	49,891	-
Total current liabilities	2,484,233	87,568	2,571,801	9,874
Non-current liabilities:				
Net pension liability	924,592	48,662	973,254	-
Due within one year	2,096,277	33,368	2,129,645	-
Due in more than one year	5,819,797	5,748,031	11,567,828	-
Total non-current liabilities	8,840,666	5,830,061	14,670,727	-
Total liabilities	11,324,899	5,917,629	17,242,528	9,874

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Transylvania County Tourism Development Authority
Deferred Inflows of Resources:				
Prepaid taxes	6,661	-	6,661	-
Pension deferrals	483,435	25,293	508,728	-
Total deferred inflows of resources	490,096	25,293	515,389	-
Net Position:				
Net investment in capital assets	38,026,155	3,625,348	41,651,503	-
Restricted for:				
Stabilization by State statute	4,295,302	-	4,295,302	83,767
Register of Deeds	120,542	-	120,542	-
Court facilities	68,045	-	68,045	-
Public safety	276,530	-	276,530	-
Fire departments	254,641	-	254,641	-
Emergency telephone system	381,110	-	381,110	-
Economic and tourism development	44	-	44	-
Health department programs	79,629	-	79,629	-
Social services	22,150	-	22,150	-
Recreation programs and facilities	124,460	-	124,460	-
Historical preservation	7,258	-	7,258	-
Tourism promotion	-	-	-	330,708
Unrestricted	16,237,241	1,647,102	17,884,343	-
Total net position	<u>\$ 59,893,107</u>	<u>\$ 5,272,450</u>	<u>\$ 65,165,557</u>	<u>\$ 414,475</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, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 5,617,567	\$ 377,649	\$ 37,754	\$ -
Public safety	15,700,514	3,321,413	526,811	-
Transportation	436,509	4,458	222,422	-
Economic and physical development	1,178,119	11,843	50,128	-
Human services	9,037,670	452,565	5,910,356	-
Cultural and recreational	2,435,648	91,236	120,076	181,350
Education	12,649,134	-	205,430	-
Interest and fees	222,024	-	-	-
Total governmental activities	<u>47,277,185</u>	<u>4,259,164</u>	<u>7,072,977</u>	<u>181,350</u>
Business-Type Activities:				
Solid waste	<u>2,085,608</u>	<u>1,706,101</u>	<u>19,982</u>	<u>-</u>
Total primary government	<u>\$ 49,362,793</u>	<u>\$ 5,965,265</u>	<u>\$ 7,092,959</u>	<u>\$ 181,350</u>
Component Unit:				
Tourism Development Authority	<u>\$ 653,028</u>	<u>\$ 22,175</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Primary Government</u>			<u>Transylvania County Tourism Development Authority</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (5,202,164)	\$ -	\$ (5,202,164)	\$ -
Public safety	(11,852,290)	-	(11,852,290)	-
Transportation	(209,629)	-	(209,629)	-
Economic and physical development	(1,116,148)	-	(1,116,148)	-
Human services	(2,674,749)	-	(2,674,749)	-
Cultural and recreational	(2,042,986)	-	(2,042,986)	-
Education	(12,443,704)	-	(12,443,704)	-
Interest and fees	(222,024)	-	(222,024)	-
Total governmental activities	(35,763,694)	-	(35,763,694)	-
Business-Type Activities:				
Solid waste	-	(359,525)	(359,525)	-
Total primary government	(35,763,694)	(359,525)	(36,123,219)	-
Component Unit:				
Tourism Development Authority	-	-	-	(630,853)
General Revenues:				
Taxes:				
Ad valorem taxes	30,710,092	-	30,710,092	-
Local option sales taxes	7,380,626	-	7,380,626	-
Deed stamp excise tax	126,510	-	126,510	-
Real estate transfer tax	511,204	-	511,204	-
Occupancy tax	-	-	-	626,955
Unrestricted intergovernmental revenues	383,029	-	383,029	-
Investment earnings, unrestricted	65,131	6,258	71,389	753
Total general revenues excluding transfers	39,176,592	6,258	39,182,850	627,708
Transfers	(375,000)	375,000	-	-
Total general revenues and transfers	38,801,592	381,258	39,182,850	627,708
Change in net position	3,037,898	21,733	3,059,631	(3,145)
Net Position:				
Beginning of year - July 1	56,855,209	5,250,717	62,105,926	417,620
End of year - June 30	\$ 59,893,107	\$ 5,272,450	\$ 65,165,557	\$ 414,475

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 23,832,870	\$ 1,032,343	\$ 24,865,213
Taxes receivable, net	32,449	5,670	38,119
Accounts receivable, net	3,150,294	1,145,008	4,295,302
Inventories	32,578	-	32,578
Prepaid items	16,756	-	16,756
Cash and investments, restricted	-	130,492	130,492
Total assets	<u>\$ 27,064,947</u>	<u>\$ 2,313,513</u>	<u>\$ 29,378,460</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,030,028	\$ 184,200	\$ 2,214,228
Prepaid fees	220,114	-	220,114
Total liabilities	<u>2,250,142</u>	<u>184,200</u>	<u>2,434,342</u>
Deferred Inflows of Resources:			
Property taxes receivable	32,449	5,670	38,119
Prepaid taxes	6,065	596	6,661
Total deferred inflows of resources	<u>38,514</u>	<u>6,266</u>	<u>44,780</u>
Fund Balances:			
Non-spendable:			
Inventories	32,578	-	32,578
Prepaid items	16,756	-	16,756
Restricted:			
Stabilization for State statute	3,150,294	1,145,008	4,295,302
Restricted, all other	590,247	766,287	1,356,534
Committed	2,997,152	-	2,997,152
Assigned	5,530,465	226,283	5,756,748
Unassigned	12,458,799	(14,531)	12,444,268
Total fund balances	<u>24,776,291</u>	<u>2,123,047</u>	<u>26,899,338</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 27,064,947</u>	<u>\$ 2,313,513</u>	<u>\$ 29,378,460</u>

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Total Governmental Funds</u>
Total fund balances	\$ 26,899,338
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.	41,244,332
Net pension asset	95,952
Net pension liability	(924,592)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	889,400
Pension related deferrals	(383,477)
Liabilities for earned, but deferred, inflows of resources in fund statements	38,119
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	(5,151,018)
Capital lease	(20,967)
Compensated absences	(1,030,799)
Other post-employment benefits	(939,168)
Law Enforcement Officers' Special Separation Allowance	(774,122)
Interest payable	<u>(49,891)</u>
Net position of governmental activities	<u>\$ 59,893,107</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, 2016

	Major	Nonmajor	Total
	General	Other	Governmental
	Fund	Governmental	Funds
		Funds	Funds
Revenues:			
Ad valorem taxes	\$ 27,649,458	\$ 3,067,455	\$ 30,716,913
Local option sales taxes	7,380,626	-	7,380,626
Other taxes and licenses	637,714	-	637,714
Unrestricted intergovernmental revenues	383,029	-	383,029
Restricted intergovernmental revenues	6,757,051	451,692	7,208,743
Permits and fees	491,974	-	491,974
Sales and services	3,576,239	-	3,576,239
Donations and grants	17,084	28,500	45,584
Interest earned on investments	59,358	2,661	62,019
Miscellaneous	190,951	-	190,951
Total revenues	47,143,484	3,550,308	50,693,792
Expenditures:			
Current:			
General government	5,718,990	26,349	5,745,339
Public safety	11,842,847	3,349,516	15,192,363
Transportation	425,904	-	425,904
Economic and physical development	1,178,868	-	1,178,868
Human services	8,957,031	-	8,957,031
Cultural and recreational	2,271,066	20,568	2,291,634
Intergovernmental:			
Education	13,191,706	-	13,191,706
Capital outlay	-	1,263,390	1,263,390
Debt service:			
Principal repayments	2,225,219	-	2,225,219
Interest	250,913	-	250,913
Total expenditures	46,062,544	4,659,823	50,722,367
Revenues over (under) expenditures	1,080,940	(1,109,515)	(28,575)
Other Financing Sources (Uses):			
Capital lease obligations issued	17,878	-	17,878
Transfers in	5,810	115,000	120,810
Transfers out	(490,000)	(5,810)	(495,810)
Long-term debt issued	-	1,807,457	1,807,457
Total other financing sources (uses)	(466,312)	1,916,647	1,450,335
Net change in fund balances	614,628	807,132	1,421,760
Fund Balances:			
Beginning of year - July 1	24,161,663	1,315,915	25,477,578
End of year - June 30	\$ 24,776,291	\$ 2,123,047	\$ 26,899,338

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, 2016**

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)	\$ 1,421,760
Property tax revenues in the Statement of Activities earned in prior periods are reported as revenues in the governmental funds statement.	(6,821)
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	32,001
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(65,397)
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.	3,745,876
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,883,756)
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.	(678,376)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	889,400
Pension expense	(523,748)
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.	2,225,219
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.	(292,925)
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>(1,825,335)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 3,037,898</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, 2016

	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 27,173,785	\$ 27,173,785	\$ 27,649,458	\$ 475,673
Local option sales taxes	7,470,588	7,470,588	7,380,626	(89,962)
Other taxes and licenses	580,000	619,487	637,714	18,227
Unrestricted intergovernmental revenues	387,000	387,000	383,029	(3,971)
Restricted intergovernmental revenues	7,141,580	7,343,154	6,757,051	(586,103)
Permits and fees	387,267	388,743	491,974	103,231
Sales and services	3,191,076	3,320,855	3,576,239	255,384
Investment earnings	7,500	7,500	59,358	51,858
Donations	1,000	15,729	17,084	1,355
Miscellaneous	131,190	186,133	190,951	4,818
Total revenues	<u>46,470,986</u>	<u>46,912,974</u>	<u>47,143,484</u>	<u>230,510</u>
Expenditures:				
Current:				
General government	6,408,210	6,683,088	5,718,990	964,098
Public safety	11,690,552	12,105,217	11,842,847	262,370
Transportation	515,290	516,067	425,904	90,163
Economic and physical development	1,076,161	1,216,322	1,178,868	37,454
Human services	9,367,507	9,431,385	8,957,031	474,354
Cultural and recreational	2,230,747	2,519,928	2,271,066	248,862
Intergovernmental:				
Education	13,433,706	13,433,706	13,191,706	242,000
Debt service:				
Principal retirement	2,141,481	2,225,219	2,225,219	-
Interest and fees	226,582	250,913	250,913	-
Total expenditures	<u>47,090,236</u>	<u>48,381,845</u>	<u>46,062,544</u>	<u>2,319,301</u>
Revenues over (under) expenditures	<u>(619,250)</u>	<u>(1,468,871)</u>	<u>1,080,940</u>	<u>2,549,811</u>
Other Financing Sources (Uses):				
Capital lease obligations issued	-	17,878	17,878	-
Transfers in	20,000	25,810	5,810	(20,000)
Transfers out	(722,166)	(695,577)	(490,000)	205,577
Assigned and committed funds	(144,326)	(144,326)	-	144,326
Appropriated fund balance	1,465,742	2,265,086	-	(2,265,086)
Total other financing sources (uses)	<u>619,250</u>	<u>1,468,871</u>	<u>(466,312)</u>	<u>(1,935,183)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	614,628	<u>\$ 614,628</u>
Fund Balance:				
Beginning of year - July 1			<u>24,161,663</u>	
End of year - June 30			<u>\$ 24,776,291</u>	

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Assets:	
Current assets:	
Cash and investments	\$ 4,089,322
Accounts receivable, net	129,948
Cash and investments, restricted	<u>3,319,138</u>
Total current assets	<u>7,538,408</u>
Non-current assets:	
Land and other non-depreciable assets	1,130,910
Depreciable assets, net of depreciation	<u>2,494,438</u>
Total non-current assets	<u>3,625,348</u>
Total assets	<u>11,163,756</u>
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	46,630
Pension deferrals	<u>4,986</u>
Total deferred outflows of resources	<u>51,616</u>
Liabilities, Deferred Inflows of Resources, and Net Position:	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	87,568
Current portion of compensated absences	<u>33,368</u>
Total current liabilities	<u>120,936</u>
Non-current liabilities:	
Accrued landfill closure and post-closure care costs	5,698,726
OPEB	43,416
Compensated absences	5,889
Net pension liability	<u>48,662</u>
Total non-current liabilities	<u>5,796,693</u>
Total liabilities	<u>5,917,629</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>25,293</u>
Net Position:	
Net investment in capital assets	3,625,348
Unrestricted	<u>1,647,102</u>
Total net position	<u>\$ 5,272,450</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, 2016**

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 1,706,101
Operating Expenses:	
Landfill operations:	
Salaries and employee benefits	877,632
Landfill closure and post-closure care costs	328,517
Other operating expenses	572,612
Depreciation	306,847
Total operating expenses	<u>2,085,608</u>
Operating income (loss)	<u>(379,507)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	6,258
Other non-operating revenues	<u>19,982</u>
Total non-operating revenues (expenses)	<u>26,240</u>
Income (loss) before transfers	(353,267)
Transfers In (Out):	
Transfers in	<u>375,000</u>
Change in net position	21,733
Net Position:	
Beginning of year - July 1	<u>5,250,717</u>
End of year - June 30	<u><u>\$ 5,272,450</u></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, 2016

	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,679,377
Cash paid for goods and services	(560,352)
Cash paid to employees for services	(879,781)
Net cash provided (used) by operating activities	<u>239,244</u>
Cash Flows from Non-Capital Financing Activities:	
Solid waste disposal tax	19,982
Interfund transfer in (out)	<u>375,000</u>
Net cash provided (used) by non-capital financing activities	<u>394,982</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(80,684)</u>
Net cash provided (used) by capital and related financing activities	<u>(80,684)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>6,258</u>
Net increase (decrease) in cash and cash equivalents	559,800
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>6,848,660</u>
End of year - June 30	<u><u>\$ 7,408,460</u></u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (379,507)
Adjustments to reconcile operating income (loss) to	
net cash provided (used) by operating activities:	
Depreciation	306,847
Pension expense	(16,264)
Landfill closure and post-closure care costs	328,517
(Increase) decrease in accounts receivable	(26,724)
(Increase) decrease in deferred outflows of resources for pensions	(2,657)
Increase (decrease) in accounts payable and accrued liabilities	13,343
Increase (decrease) in OPEB	10,927
Increase (decrease) in accrued compensated absences	<u>4,762</u>
Net cash provided (used) by operating activities	<u><u>\$ 239,244</u></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, 2016

	Agency Funds
Assets:	
Cash and investments	\$ 77,532
Accounts receivable and accrued revenues	8,823
Total assets	<u>\$ 86,355</u>
Liabilities:	
Intergovernmental payables	\$ 14,086
Miscellaneous liabilities	72,269
Total liabilities	<u>\$ 86,355</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, 2016

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 blended component units: the Joint Historic Properties Commission and the Transylvania County Parks and Recreation Commission, but neither has financial transactions or account balances; therefore, they are not presented in the basic financial statements. The discretely presented component unit, the Transylvania County Tourism Development Authority, presented below is reported in a separate column in the County’s financial statements in order to emphasize that it is legally separate from the County.

Component Units

Blended Component Units

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

Discretely Presented Component Unit

Transylvania County Tourism Development Authority

Transylvania County is authorized by General Statute 153A-10 to collect an occupancy tax of 5 percent, on behalf of the Transylvania County Tourism Development Authority (the “TDA”), on gross revenues from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the County that is subject to sales tax imposed by the State under G.S. 105-164.4(a)(3) and from the rental of private residences and cottages within the County except those that are exempt from the sales tax imposed under G.S. 105-164.4(a)(3) solely because they are rented for less than 15 days or for 90 or more continuous days to the same person. Gross proceeds of the tax are collected by Transylvania County and are remitted to the TDA. The TDA, which has a June 30 year-end, is presented as if it were a governmental fund type. The County is financially

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

accountable for the TDA, which is reported as a discrete component unit separate from the financial information of the primary government. The Transylvania County Commissioners, City Council, and Brevard Chamber of Commerce appoint the governing board of the TDA, and the TDA operates within the County's boundaries for the benefit of the County's residents. The County Commissioners appoint the majority of the Board. Complete financial statements for the TDA may be obtained from the Director of Finance, Transylvania County, 101 South Broad Street, Brevard, North Carolina 28712.

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 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Governmental Funds. 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. 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.

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: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals and the 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 \$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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County reports the following non-major governmental funds:

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.

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.

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

Permanent Fund – Silvermont Reserve Fund. This fund accounts for the investment earnings on the restricted principal of a bequest to the County for maintenance of a County recreation building and County appropriations and private donations for the development and preservation of the historic property.

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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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 State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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, 2016

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, the Fire Districts, the Emergency Telephone Systems Fund, the Schools Qualified Zone Academy Bond, the Silvermont Reserve Fund, and the Solid Waste 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 department 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 of \$5,000 or more from a source not previously approved by the board unless the funds are pass-through funds with no local money required. 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, 2016

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) external investment pool, is measured at amortized cost, 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, 2016, \$3,319,138 was restricted.

Governmental Activities. The restricted cash of \$108,367 in the Silvermont Reserve Fund represent funds restricted by donors. The restricted assets of \$22,125 in the Schools QZAB Fund represent the balance of proceeds available from Qualified Zone Academy Bonds 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, 2015.

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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. 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 has 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.

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 two items that meet this criterion - contributions made to the pension plans in the current fiscal year and pension deferrals.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 not be recognized as revenue until then. The County has three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension related deferrals.

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 or business-type activities on the 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 is 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, 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, 2016

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 Development – portion of fund balance restricted by revenue source for economic development.

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 and 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 Zone Academy Bonds – portion of fund balance restricted by revenue source to support public education.

Restricted fund balance per Exhibit C differs from Restricted Net Position per Exhibit A by unspent debt proceeds of \$22,125.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Restricted fund balance at June 30, 2016 is as follows:

Purpose	General Fund	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Funds	Total
Restricted, All Other:					
Register of Deeds	\$ 120,542	\$ -	\$ -	\$ -	\$ 120,542
Court facilities	68,045	-	-	-	68,045
Public safety	276,530	-	-	-	276,530
Fire departments	-	254,641	-	-	254,641
Economic development	-	44	-	-	44
Emergency telephone system	-	381,110	-	-	381,110
Health department programs	79,629	-	-	-	79,629
Social services	22,150	-	-	-	22,150
Recreation programs and facilities	16,093	-	-	108,367	124,460
Historical preservation	7,258	-	-	-	7,258
Qualified Zone Academy Bonds	-	-	22,125	-	22,125
Total	\$ 590,247	\$ 635,795	\$ 22,125	\$ 108,367	\$ 1,356,534

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 – portion of fund balance committed by the governing body for retiree health insurance.

Committed for Law Enforcement Officers' Separation Allowance – portion of fund balance committed by the governing body for the Law Enforcement Officers' Separation Allowance.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Committed:		
Retiree health insurance	\$ 1,891,468	\$ 1,891,468
Law Enforcement Officers' Separation Allowance	<u>1,105,684</u>	<u>1,105,684</u>
Total	<u>\$ 2,997,152</u>	<u>\$ 2,997,152</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 the 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 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 Public Safety Projects – portion of fund balance that has been budgeted by the Board for public safety projects.

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 river clean-up.

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, 2016

Assigned for Recreation Programs and 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, 2016, is as follows:

Purpose	General Fund	Permanent Funds	Total
Assigned:			
Subsequent year's expenditures	\$ 122,710	\$ -	\$ 122,710
Employee health insurance	1,078,144	-	1,078,144
Accrued vacation	1,030,799	-	1,030,799
Special projects	678,593	-	678,593
Storm water control	233,042	-	233,042
Public safety projects	80,080	-	80,080
Economic development	1,600,000	-	1,600,000
Environmental protection	53,724	-	53,724
Human services programs	56,600	-	56,600
Recreation programs and facilities	596,773	226,283	823,056
Total	<u>\$ 5,530,465</u>	<u>\$ 226,283</u>	<u>\$ 5,756,748</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. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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, 2016

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	\$ 24,776,291
Less:	
Prepays	(16,756)
Inventories	(32,578)
Stabilization for State statute	<u>(3,150,294)</u>
Total available fund balance	<u><u>\$ 21,576,663</u></u>

Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "State-administered defined benefit pension plans"). For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State-administered defined benefit pension plans and additions to/deductions from the State-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the State-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the State-administered defined benefit pension plans. Investments are reported at fair value.

G. Revenues, Expenditures, and Expenses

Compensated Absences

The vacation policy of the County provides for the accumulation of up to 30 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Claims

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

2. Detail Notes on All Funds

A. Assets

Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the County's deposits had a carrying amount of \$4,208,621 and a bank balance of \$4,839,049. Of the bank balance, \$412,277 was covered by federal depository insurance and \$4,426,772 by collateral held under the Pooling Method. Cash on hand was \$4,279 at June 30, 2016.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Investments

At June 30, 2016, 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	\$ 28,268,797	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, 2016.

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 percent per year. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Ended June 30</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,483,740	\$ 385,345	\$ 1,869,085
2014	1,508,780	251,061	1,759,841
2015	1,095,983	87,679	1,183,662
2016	1,095,017	-	1,095,017
Total	<u>\$ 5,183,520</u>	<u>\$ 724,085</u>	<u>\$ 5,907,605</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Receivables

Receivables at Exhibit A at June 30, 2016, were as follows:

	<u>Accounts Receivable</u>	<u>Taxes Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 126,030	\$ 145,282	\$ 3,024,264	\$ 3,295,576
Other governmental	<u>1,095,453</u>	<u>15,573</u>	<u>49,555</u>	<u>1,160,581</u>
Total receivables	1,221,483	160,855	3,073,819	4,456,157
Allowance for doubtful accounts	<u>-</u>	<u>(122,736)</u>	<u>-</u>	<u>(122,736)</u>
 Total governmental activities	 <u>\$ 1,221,483</u>	 <u>\$ 38,119</u>	 <u>\$ 3,073,819</u>	 <u>\$ 4,333,421</u>
 Business-Type Activities:				
Solid waste	<u>\$ 110,824</u>	<u>\$ -</u>	<u>\$ 19,124</u>	<u>\$ 129,948</u>

Due from other governments consisted of the following:

Governmental Activities:

Local option sales tax	\$ 1,960,424
Sales taxes receivable	214,397
State and federal funding	627,329
Fire Department motor vehicle tax	107,054
General Government motor vehicle	115,060
Fire Department motor vehicle tax	13,997
NC 911 PSAP funds	<u>35,558</u>
Total governmental activities	<u>\$ 3,073,819</u>

Business-Type Activities:

Tire recycling	\$ 11,438
White goods	2,737
Solid waste disposal tax	<u>4,949</u>
Total business-type activities	<u>\$ 19,124</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets

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

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Non-Depreciable Assets:					
Land	\$ 3,379,666	\$ -	\$ -	\$ -	\$ 3,379,666
Construction in progress	303,350	1,124,820	-	(300,063)	1,128,107
Total non-depreciable assets	<u>3,683,016</u>	<u>1,124,820</u>	<u>-</u>	<u>(300,063)</u>	<u>4,507,773</u>
Depreciable Assets:					
Buildings	41,244,412	1,593,730	(637,344)	295,466	42,496,264
Improvements	1,626,442	239,361	(42,165)	4,597	1,828,235
Equipment	6,835,732	362,830	(14,833)	-	7,183,729
Vehicles	<u>4,361,075</u>	<u>425,135</u>	<u>(226,828)</u>	<u>-</u>	<u>4,559,382</u>
Total depreciable assets	<u>54,067,661</u>	<u>2,621,056</u>	<u>(921,170)</u>	<u>300,063</u>	<u>56,067,610</u>
Less Accumulated Depreciation:					
Buildings	9,209,158	1,058,583	(20,668)	-	10,247,073
Improvements	658,822	81,144	(32,898)	-	707,068
Equipment	4,849,150	441,150	(10,711)	-	5,279,589
Vehicles	<u>2,972,959</u>	<u>302,879</u>	<u>(178,517)</u>	<u>-</u>	<u>3,097,321</u>
Total accumulated depreciation	<u>17,690,089</u>	<u>1,883,756</u>	<u>(242,794)</u>	<u>-</u>	<u>19,331,051</u>
Depreciable assets, net	<u>36,377,572</u>	<u>737,300</u>	<u>(678,376)</u>	<u>300,063</u>	<u>36,736,559</u>
Capital assets, net	<u>\$ 40,060,588</u>	<u>\$ 1,862,120</u>	<u>\$ (678,376)</u>	<u>\$ -</u>	<u>\$ 41,244,332</u>

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

General government	\$ 290,529
Public safety	1,006,253
Transportation	14,943
Education	155,733
Economic & physical development	697
Human services	150,649
Cultural and recreational	<u>264,952</u>
Total depreciation expense	<u>\$ 1,883,756</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Solid Waste:				
Non-Depreciable Assets:				
Land	\$ 1,130,910	\$ -	\$ -	\$ 1,130,910
Depreciable Assets:				
Buildings	277,497	-	-	277,497
Land improvements	642,703	-	-	642,703
Equipment	2,585,531	80,684	-	2,666,215
Vehicles	1,077,624	-	(91,359)	986,265
Landfill cells - Woodruff	<u>8,205,437</u>	<u>-</u>	<u>-</u>	<u>8,205,437</u>
Total depreciable assets	<u>12,788,792</u>	<u>80,684</u>	<u>(91,359)</u>	<u>12,778,117</u>
Less Accumulated Depreciation:				
Buildings	256,976	4,064	-	261,040
Land improvements	438,955	25,198	-	464,153
Equipment	1,814,335	87,326	-	1,901,661
Vehicles	831,580	32,561	(91,359)	772,782
Landfill cells - Woodruff	<u>6,726,345</u>	<u>157,698</u>	<u>-</u>	<u>6,884,043</u>
Total accumulated depreciation	<u>10,068,191</u>	<u>\$ 306,847</u>	<u>\$ (91,359)</u>	<u>10,283,679</u>
 Total depreciable assets, net	 <u>2,720,601</u>			 <u>2,494,438</u>
 Capital assets, net	 <u>\$ 3,851,511</u>			 <u>\$ 3,625,348</u>

Construction Commitments

As of June 30, 2016, the government had one active construction project: renovating the County's former detention center to make the space suitable for the County's Employee Wellness Clinic and Elections offices, storage, and voter activities. Through the end of 2016, \$1,049,765 had been spent on this project, which has a total budgeted cost of \$1,807,457 and is expected to be completed in November 2016. The remaining \$78,341 shown in construction in progress is for renovations and capital repairs to other County facilities.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2016 were as follows:

	Vendors	Salaries and Benefits	Accrued Insurance Claims Incurred, But Not Reported	Total
Governmental Activities:				
General	\$ 1,225,801	\$ 746,011	\$ 58,317	\$ 2,030,129
Other governmental	178,634	5,465	-	184,099
Total governmental activities	<u>\$ 1,404,435</u>	<u>\$ 751,476</u>	<u>\$ 58,317</u>	<u>\$ 2,214,228</u>
Business-Type Activities:				
Solid waste	<u>\$ 57,292</u>	<u>\$ 30,276</u>	<u>\$ -</u>	<u>\$ 87,568</u>

Pension Plan Obligation

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental 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 LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.78% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$932,593 for the year ended June 30, 2016.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported a liability of \$973,254 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .21686%, which was an increase of .00398% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$554,183. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 228,770
Net difference between projected and actual earnings on pension plan investments	-	277,084
Changes in proportion and differences between County contributions and proportionate share of contributions	99,715	-
County contributions subsequent to the measurement date	932,593	-
Total	<u>\$ 1,032,308</u>	<u>\$ 505,854</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$932,593 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>June 30</u>	<u>Amount</u>
2017	\$ (294,587)
2018	(294,587)
2019	(294,336)
2020	477,371
2021	-
Total	<u><u>\$ (406,139)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	<u>\$ 6,786,643</u>	<u>\$ 973,254</u>	<u>\$ (3,924,396)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of 55 active plan members and four retired and terminated members. A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members

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, 2016, the County has committed \$1,105,684 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, 2014, actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 5 percent investment rate of return and (b) projected salary increases ranging from 4.25 to 7.85 percent per year. Item (b) included an inflation component of 3 percent. 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 dollar amount on a closed basis. The remaining amortization period at December 31, 2014, was 16 years.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 157,227
Interest on net pension obligation	34,440
Adjustment to annual required contribution	<u>(60,530)</u>
Annual pension cost	131,137
Employer contributions made	<u>45,824</u>
Increase (decrease) in net pension obligation	85,313
Net Pension Obligation:	
Beginning of year - July 1	<u>688,809</u>
End of year - June 30	<u><u>\$ 774,122</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 100,970	53.70%	\$ 622,615
2015	122,861	46.12%	688,809
2016	131,137	34.94%	774,122

Assets reserved to pay benefits are reported as committed fund balance in the General Fund. Benefit payments reduce the net pension obligation.

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,655,418, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,655,418. However, as mentioned earlier, the County has committed \$1,105,684 to date for this purpose, as reflected in committed fund balance.

The covered payroll (annual payroll of active employees covered by the plan) was \$2,838,700, and the ratio of the UAAL to the covered payroll was 58.32 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, 2016

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the “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 percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2016, were \$138,583, which was paid entirely by the County.

Registers of Deeds’ Supplemental Pension Fund

Plan Description. Transylvania County also contributes to the Registers of Deeds’ Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds’ Supplemental Pension 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 Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual’s benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual’s eligibility is based on at least 10 years of service as a register of deeds with the individual’s share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,437 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported an asset of \$95,952 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was .414%, which was an increase of .007% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(2,721). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 470	\$ 1,588
Net difference between projected and actual earnings on pension plan investments	4,759	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	1,286
County contributions subsequent to the measurement date	3,437	-
Total	<u>\$ 8,666</u>	<u>\$ 2,874</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$3,437 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2017	\$ 181
2018	(23)
2019	912
2020	1,285
2021	-
Total	<u>\$ 2,355</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	<u>\$ (86,570)</u>	<u>\$ (95,952)</u>	<u>\$ (104,026)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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. Based on the County's resolution, retirees are eligible to participate in the Retiree Health Benefit Plan until they become eligible for Medicare, currently at age 65. 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. The plan is a single-employer defined benefit plan.

Membership of the Retiree Health Benefit Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	20	-
Active plan members	29	13
Total	<u>49</u>	<u>13</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, 2016, the County has committed \$1,891,468 for the payment of future retiree health benefits.

The current ARC rate is 16.34 percent of annual covered payroll. For the current year, the County contributed \$131,106, or 5.58 percent, 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 16.01 and 16.01 percent of covered payroll, respectively. Contributions made by retirees were \$16,969; 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 30 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	\$ 366,110
Interest on net OPEB obligation	30,562
Adjustments to annual required contribution	<u>(47,027)</u>
Annual OPEB cost (expense)	349,645
Contributions made	<u>(131,106)</u>
Increase (decrease) in net OPEB obligation	218,539
Net OPEB obligation:	
Beginning of year - July 1	<u>764,045</u>
End of year - June 30	<u><u>\$ 982,584</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016, were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ 311,696	63.05%	\$ 616,927
2015	345,250	57.39%	764,045
2016	349,645	37.50%	982,584

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Funding Status and Funding Progress. As of December 31, 2013, 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 \$3,780,080. The County's fund balance, however, shows \$1,891,468 in funds committed for this purpose. The covered payroll (annual payroll of active employees covered by the plan) was \$2,240,116, and the ratio of the UAAL to the covered payroll was 168.7 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, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% percent investment rate of return (net of administrative expenses), which is the expected long-term investment return 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 7.75 to 5 percent annually. Both rates included a 3 percent 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 dollar amount on a closed basis. The remaining amortization period at December 31, 2013, was 22 years.

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 (the "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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. 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 30 years after closure. In addition, North Carolina General Statutes recently began requiring counties to provide financial assurance sufficient to cover a minimum of \$2,000,000 in costs for potential assessment and corrective action (PACA) at the facility. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County appropriates funds annually for a portion of these costs, based on landfill capacity used as of each balance sheet date. In FY 2014, the County also included a portion of the PACA costs. Of the \$5,698,726 reported as landfill closure and post-closure care and PACA liability at June 30, 2016, \$4,092,710 is for closure and post-closure care costs and \$1,606,016 is for PACA costs. Both are a cumulative amount reported to date based on the use of 80.3 percent of the total estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and post-closure care and PACA in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects the portion of the Woodruff Road Landfill Facility currently being used to reach its permitted capacity in approximately 12 years.

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 and PACA requirements. In addition, the County has elected to establish a reserve fund to accumulate resources for the payment of the closure and post-closure care costs. As of June 30, 2016, the County had funds in the North Carolina Capital Management Trust of \$2,938,138 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, 2016

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plans in 2015-2016 fiscal year	\$ 936,030
Pension deferrals	104,944
Total	<u>\$ 1,040,974</u>

Deferred inflows of resources at year-end are comprised of the following:

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 508,728
Prepaid taxes (General Fund)	6,065
Prepaid taxes (Special Revenue Fund)	596
Taxes receivable, net (General Fund)	32,449
Taxes receivable, net (Special Revenue Fund)	5,670
Total	<u>\$ 553,508</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 \$56.1 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. Both of the pools are reinsured through a multi-State public entity captive for single occurrence losses in excess of \$500,000 retention up to a \$2 million limit for liability coverage, and \$499,750,000 of each loss in excess of \$250,000 per occurrence retention for property and auto physical damage. For workers' compensation, there is a per occurrence retention of \$750,000. 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 \$75,000 and aggregate annual losses in excess of 125 percent of expected claims.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 (IBNRs).

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

	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning	\$ 111,001	\$ 147,391
Incurred claims	2,819,328	2,545,627
Claim payments	<u>(2,872,012)</u>	<u>(2,582,017)</u>
Unpaid claims, ending	<u>\$ 58,317</u>	<u>\$ 111,001</u>

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

In accordance with G.S. 159-29, the Finance Director, the County Manager, and the 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 -0- 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 percent interest. The third agreement was executed on July 20, 2015, for the lease of emergency medical services equipment and requires three annual payments of \$5,959. The third capital lease is -0- percent interest. Under the terms of all agreements, the County has a buyout option for \$1 at the end of the lease term.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

At June 30, 2016, the County leased equipment valued at:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Emergency medical service equipment	\$ 105,526	\$ 84,559	\$ 20,967

For Transylvania County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>June 30</u>	<u>Amount</u>
2017	\$ 15,680
2018	5,959
Total minimum lease payments	21,639
Less: amount representing interest	672
Present value of the minimum lease payments	\$ 20,967

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, 2016, is comprised of the following individual issue:

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% to 5% varying throughout the life of the bonds. \$ 1,300,000

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 780,000	\$ 52,000	\$ 832,000
2018	520,000	20,800	540,800
Total	\$ 1,300,000	\$ 72,800	\$ 1,372,800

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Qualified School Construction Bonds

In March 2010, the County issued \$1,297,778 of Qualified School Construction Bonds at 2.09 percent 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, 2016, totaled \$648,890.

The debt service requirements to maturity for the County's Qualified School Construction Bonds are as follows:

Year Ending				
June 30	Principal	Interest	Total	
2017	\$ 108,148	\$ 13,562	\$ 121,710	
2018	108,148	11,301	119,449	
2019	108,148	9,041	117,189	
2020	108,148	6,781	114,929	
2021	108,148	4,521	112,669	
2022	108,150	2,260	110,410	
Total	<u>\$ 648,890</u>	<u>\$ 47,466</u>	<u>\$ 696,356</u>	

Installment Financing Contracts

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 percent. The balance outstanding at June 30, 2016 totaled \$1,449,999.

The County entered into an installment financing contract on September 30, 2015, with Branch Banking & Trust Company in the amount of \$1,807,457. The proceeds from this installment financing contract were used to complete the County building. The contract requires four annual payments of \$30,124 by the County and concurrent interest payments at an interest rate of 2.64 percent. The balance outstanding at June 30, 2016 totaled \$1,747,211.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The debt service requirements to maturity for the County's installment financing contracts are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 313,829	\$ 103,478	\$ 417,307
2018	313,829	92,079	405,908
2019	313,829	80,680	394,509
2020	313,829	69,284	383,113
2021	313,829	66,103	379,932
2022-2026	1,085,814	167,250	1,253,064
2027-2031	<u>542,251</u>	<u>33,998</u>	<u>576,249</u>
Total	<u>\$ 3,197,210</u>	<u>\$ 578,874</u>	<u>\$ 3,233,833</u>

At June 30, 2016, the County had a legal debt margin of \$485,256,689.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation debt	\$ 3,140,000	\$ -	\$ 1,840,000	\$ 1,300,000	\$ 780,000
Premium - general obligation debt	8,030	-	3,112	4,918	3,112
Qualified School Construction debt	757,038	-	108,148	648,890	108,148
Installment financing	1,643,335	1,807,457	253,582	3,197,210	313,829
Capital lease	26,578	17,878	23,489	20,967	15,009
Net pension obligation - LGERS	-	924,592	-	924,592	-
Net pension obligation - LEO	688,809	85,313	-	774,122	-
OPEB	731,556	332,163	124,551	939,168	-
Compensated absences	965,402	948,890	883,493	1,030,799	876,179
Total	<u>\$ 7,960,748</u>	<u>\$ 4,116,293</u>	<u>\$ 3,236,375</u>	<u>\$ 8,840,666</u>	<u>\$ 2,096,277</u>
Business-Type Activities:					
OPEB	\$ 32,489	\$ 17,482	\$ 6,555	\$ 43,416	\$ -
Net pension obligation - LGERS	-	48,662	-	48,662	-
Accrued landfill closure and post-closure care costs	5,370,209	328,517	-	5,698,726	-
Compensated absences	34,495	39,103	34,341	39,257	33,368
Total	<u>\$ 5,437,193</u>	<u>\$ 433,764</u>	<u>\$ 40,896</u>	<u>\$ 5,830,061</u>	<u>\$ 33,368</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, 2016

C. Net Investment in Capital Assets

The total net investment in capital assets as of June 30, 2016, is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 41,244,332	\$ 3,625,348
Less: capital debt		
Gross debt	5,171,985	-
Less:		
School debt related to assets to which the County does not hold title	(1,953,808)	-
Net capital debt	<u>3,218,177</u>	<u>-</u>
Net investment in capital assets	<u>\$ 38,026,155</u>	<u>\$ 3,625,348</u>

D. Interfund Balances and Activity

Transfers from/to other funds at June 30, 2016 consist of the following:

From the General Fund to the Solid Waste Fund to supplement other funding sources	\$ 375,000
From the General Fund to the Permanent Fund to provide funds for preservation and restoration projects at the Silvermont mansion and park	<u>115,000</u>
Total transfers from General Fund to other funds	<u>\$ 490,000</u>
From the General Capital Projects Fund to the General Fund for Information Technology upgrade for Parks and Recreation	<u>\$ 5,810</u>
Total transfers from other funds to General Fund	<u>\$ 5,810</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 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.

	Federal	State
Temporary Assistance to Needy Families	\$ 128,759	\$ -
Medicaid	26,458,794	14,213,816
State Children's Health Insurance Program - NC Health Choice	547,030	24,498
WIC	396,852	-
Adoption assistance	223,402	57,238
CWS adoption subsidy	-	77,683
F/C at-risk maximization	-	2,519
SC/SA domiciliary care payments	-	174,324
SFHF maximization	-	35,358
State foster home	-	13,304
Foster care	87,010	23,319
Total	<u>\$ 27,841,847</u>	<u>\$ 14,622,059</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

6. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- **Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance**
- **Notes to Required Schedules of the Law Enforcement Officers' Special Separation Allowance**
- **Schedules of Funding Progress and Employer Contributors for Other Post-Employment Benefits - Retiree Health Plan**
- **Notes to Required Schedules of Other Post-Employment Benefits - Retiree Health Plan**
- **Schedule of Funding Progress for Local Government Employees' Retirement System Proportionate Share of Net Pension Liability (Asset)**
- **Notes to Required Schedules of Local Government Employees' Retirement System Proportionate Share of Net Pension Liability (Asset)**
- **Schedule of Funding Progress for Local Government Employees' Retirement System Contributions – Last Two Fiscal Years**
- **Notes to Required Schedules of Local Government Employees' Retirement System Contributions – Last Two Fiscal Years**
- **Schedule of Funding Progress for Register of Deed's Supplemental Pension Fund Proportionate Share of Net Pension Liability (Asset)**
- **Notes to Required Schedules of Funding Progress for Register of Deed's Supplemental Pension Fund Proportionate Share of Net Pension Liability (Asset)**
- **Schedule of Funding Progress for Register of Deed's Supplemental Pension Fund Contributions**
- **Notes to Required Schedules of Register of Deed's Supplemental Pension Fund Contributions**

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TRANSYLVANIA COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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)
12/31/2006	\$ -	\$ 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%
12/31/2013	-	1,091,230	1,091,230	0.00%	2,353,950	46.36%
12/31/2014	-	1,148,019	1,148,019	0.00%	2,504,292	45.84%
12/31/2015	-	1,655,418	1,655,418	0.00%	2,838,700	58.32%

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	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50 -7.35%
*Includes inflation at	3%
Cost-of-living adjustments	N/A

*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 \$1,105,684 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, 2016

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%
12/31/2013	-	3,780,080	3,780,080	0.00%	2,240,116	168.7%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$ 366,110	35.81%
2015	358,545	55.26%
2014	322,509	60.94%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4%
Medical cost trend rate	5%-7.75%
Year of ultimate trend rate	2019

* Includes inflation at 3%

*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 \$1,891,468 of its fund balance as committed for this purpose.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**TRANSYLVANIA COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS***

Local Governmental Employees' Retirement System			
	2016	2015	2014
Transylvania County's proportion of the net pension liability (asset) (%)	0.21686%	0.21288%	0.21400%
Transylvania County's proportion of the net pension liability (asset) (\$)	\$ 973,254	\$ (1,255,453)	\$ 2,579,522
Transylvania County's covered-employee payroll	\$ 13,295,491	\$ 12,789,506	\$ 11,643,680
Transylvania County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.32%	-9.82%	22.15%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**This will be the same percentage for all participant employers in the LGERS plan.

TRANSYLVANIA COUNTY, NORTH CAROLINA

TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS**Local Governmental Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 932,593	\$ 939,521	\$ 903,438
Contributions in relation to the contractually required contribution	<u>932,593</u>	<u>939,521</u>	<u>903,438</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transylvania County's covered-employee payroll	\$ 13,754,619	\$ 13,295,491	\$ 12,789,506
Contributions as a percentage of covered-employee payroll	6.78%	7.07%	7.06%

TRANSYLVANIA COUNTY, NORTH CAROLINA

**TRANSYLVANIA COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS***

Register of Deeds' Supplemental Pension Fund			
	2016	2015	2014
Transylvania County's proportion of the net pension liability (asset) (%)	0.41405%	0.40700%	0.40500%
Transylvania County's proportion of the net pension liability (asset) (\$)	\$ (95,952)	\$ (92,215)	\$ (86,472)
Transylvania County's covered-employee payroll	\$ 64,593	\$ 62,675	\$ 61,449
Transylvania County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-148.55%	-147.13%	-140.72%
Plan fiduciary net position as a percentage of the total pension liability**	197.29%	193.88%	190.50%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the ROD plan.

TRANSYLVANIA COUNTY, NORTH CAROLINA

TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARSRegister of Deeds' Supplemental Pension Fund

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,437	\$ 3,313	\$ 3,322
Contributions in relation to the contractually required contribution	<u>3,437</u>	<u>3,313</u>	<u>3,322</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transylvania County's covered-employee payroll	\$ 67,880	\$ 64,593	\$ 62,675
Contributions as a percentage of covered-employee payroll	5.06%	5.13%	5.30%

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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 27,087,235	\$ 27,575,224	\$ 487,989
Penalties and interest	86,550	74,234	(12,316)
Total	<u>27,173,785</u>	<u>27,649,458</u>	<u>475,673</u>
Local Option Sales Taxes:			
Article 39 and 44	2,991,449	2,943,844	(47,605)
Article 40, one-half of one percent	2,188,873	2,176,491	(12,382)
Article 42, one-half of one percent	1,642,766	1,608,048	(34,718)
Medicaid hold harmless	647,500	652,243	4,743
Total	<u>7,470,588</u>	<u>7,380,626</u>	<u>(89,962)</u>
Other Taxes and Licenses:			
Deed stamp excise tax	130,000	126,510	(3,490)
Real estate transfer tax	489,487	511,204	21,717
Total	<u>619,487</u>	<u>637,714</u>	<u>18,227</u>
Unrestricted Intergovernmental Revenues:			
Payments in lieu of taxes - outside sources	206,500	210,419	3,919
ABC profit distribution & 5 cent bottle liquor	64,500	62,922	(1,578)
Video programming services tax	116,000	109,688	(6,312)
Total	<u>387,000</u>	<u>383,029</u>	<u>(3,971)</u>
Restricted Intergovernmental Revenues:			
State grants	1,502,278	1,181,655	(320,623)
Federal grants	5,514,896	5,255,055	(259,841)
Court facility fees	40,020	35,514	(4,506)
Other restricted funds	285,960	284,827	(1,133)
Total	<u>7,343,154</u>	<u>6,757,051</u>	<u>(586,103)</u>
Permits and Fees:			
Register of Deeds	71,974	74,326	2,352
Other	1,769	2,286	517
Building permits	315,000	415,362	100,362
Total	<u>388,743</u>	<u>491,974</u>	<u>103,231</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sales and Services:			
Rents, concessions, and fees	1,610,655	1,949,097	338,442
Ambulance fees	1,501,500	1,439,439	(62,061)
Recreation department	54,700	34,523	(20,177)
Town of Rosman	6,000	6,087	87
City of Brevard	148,000	147,093	(907)
Total	<u>3,320,855</u>	<u>3,576,239</u>	<u>255,384</u>
Investment Earnings	<u>7,500</u>	<u>59,358</u>	<u>51,858</u>
Miscellaneous:			
Joint Historical Preservation	-	180	180
Donations	15,729	17,084	1,355
County Recovery Fund	190	225	35
Other	185,943	190,546	4,603
Total	<u>201,862</u>	<u>208,035</u>	<u>6,173</u>
Total revenues	<u>46,912,974</u>	<u>47,143,484</u>	<u>230,510</u>
Expenditures:			
General Government:			
Governing Board:			
Salaries and employee benefits	80,854	79,816	1,038
Other operating expenditures	198,299	76,961	121,338
Total	<u>279,153</u>	<u>156,777</u>	<u>122,376</u>
Administration:			
Salaries and employee benefits	342,228	337,706	4,522
Other operating expenditures	902,292	761,619	140,673
Total	<u>1,244,520</u>	<u>1,099,325</u>	<u>145,195</u>
Elections:			
Salaries and employee benefits	251,269	230,086	21,183
Other operating expenditures	210,765	176,369	34,396
Total	<u>462,034</u>	<u>406,455</u>	<u>55,579</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
150th Celebration:			
Other operating expenditures	<u>482</u>	<u>-</u>	<u>482</u>
Finance:			
Salaries and employee benefits	395,276	389,893	5,383
Other operating expenditures	<u>93,413</u>	<u>89,861</u>	<u>3,552</u>
Total	<u>488,689</u>	<u>479,754</u>	<u>8,935</u>
Taxes:			
Salaries and employee benefits	927,545	876,212	51,333
Other operating expenditures	340,867	283,870	56,997
Capital outlay	<u>14,000</u>	<u>13,309</u>	<u>691</u>
Total	<u>1,282,412</u>	<u>1,173,391</u>	<u>109,021</u>
Legal:			
Contracted services	<u>44,300</u>	<u>39,724</u>	<u>4,576</u>
Register of Deeds:			
Salaries and employee benefits	294,847	295,851	(1,004)
Other operating expenditures	332,121	338,698	(6,577)
Capital outlay	<u>9,165</u>	<u>9,165</u>	<u>-</u>
Total	<u>636,133</u>	<u>643,714</u>	<u>(7,581)</u>
Public Buildings:			
Salaries and employee benefits	558,150	553,980	4,170
Other operating expenditures	551,054	480,378	70,676
Capital outlay	<u>481,222</u>	<u>381,263</u>	<u>99,959</u>
Total	<u>1,590,426</u>	<u>1,415,621</u>	<u>174,805</u>
Court Facilities:			
Other operating expenditures	<u>55,840</u>	<u>51,771</u>	<u>4,069</u>
Information Technology:			
Salaries and employee benefits	304,855	289,287	15,568
Other operating expenditures	60,942	60,532	410
Capital outlay	<u>50,197</u>	<u>49,104</u>	<u>1,093</u>
Total	<u>415,994</u>	<u>398,923</u>	<u>17,071</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Project Management:			
Salaries and employee benefits	79,856	79,361	495
Other operating expenditures	900	715	185
Total	<u>80,756</u>	<u>80,076</u>	<u>680</u>
Self Insurance:			
Claims cost	2,749,406	2,744,465	4,941
Employee premiums/cobra payments	(455,000)	(472,291)	17,291
Administrative costs	761,242	760,090	1,152
County portion of premiums charged	(3,114,824)	(3,114,825)	1
Reserve	182,015	-	182,015
Retiree insurance	(182,015)	(274,688)	92,673
Total	<u>(59,176)</u>	<u>(357,249)</u>	<u>298,073</u>
Employee Wellness Center:			
Other operating expenditures	161,525	147,940	13,585
Total	<u>161,525</u>	<u>147,940</u>	<u>13,585</u>
457 Contributions:			
Other operating expenditures	-	(17,232)	17,232
Total general government	<u>6,683,088</u>	<u>5,718,990</u>	<u>964,098</u>
Public Safety:			
Sheriff and Jail:			
Salaries and employee benefits	5,565,355	5,474,487	90,868
Other operating expenditures	1,543,663	1,503,336	40,327
Capital outlay	337,704	337,385	319
Total	<u>7,446,722</u>	<u>7,315,208</u>	<u>131,514</u>
Emergency Management:			
Salaries and employee benefits	277,810	274,291	3,519
Other operating expenditures	124,014	69,193	54,821
Total	<u>401,824</u>	<u>343,484</u>	<u>58,340</u>
Fire:			
Contracted services	<u>89,087</u>	<u>70,227</u>	<u>18,860</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Rescue Units:			
Contracted services	224,000	224,000	-
Emergency Medical Services:			
Salaries and employee benefits	1,807,867	1,794,168	13,699
Other operating expenditures	298,065	301,596	(3,531)
Capital outlay	91,626	92,265	(639)
Total	2,197,558	2,188,029	9,529
Medical Examiner:			
Contracted services	24,250	25,950	(1,700)
Emergency Communications:			
Salaries and employee benefits	717,864	680,378	37,486
Other operating expenditures	183,639	162,681	20,958
Capital outlay	84,555	133,211	(48,656)
Total	986,058	976,270	9,788
Animal Control:			
Salaries and employee benefits	250,760	230,534	20,226
Other operating expenditures	125,998	120,724	5,274
Total	376,758	351,258	25,500
Inspections:			
Salaries and employee benefits	330,354	322,502	7,852
Other operating expenditures	28,606	25,919	2,687
Total	358,960	348,421	10,539
Total public safety	12,105,217	11,842,847	262,370
Transportation:			
Salaries and employee benefits	349,572	324,682	24,890
Other operating expenditures	112,995	101,222	11,773
Capital outlay	53,500	-	53,500
Total transportation	516,067	425,904	90,163

TRANSYLVANIA COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits	230,038	218,752	11,286
Other operating expenditures	<u>20,630</u>	<u>15,532</u>	<u>5,098</u>
Total	<u>250,668</u>	<u>234,284</u>	<u>16,384</u>
Economic Development:			
Operating expenditures	<u>609,614</u>	<u>609,613</u>	<u>1</u>
Cooperative Extension:			
Salaries and employee benefits	137,382	121,819	15,563
Other operating expenditures	<u>21,616</u>	<u>18,329</u>	<u>3,287</u>
Total	<u>158,998</u>	<u>140,148</u>	<u>18,850</u>
Soil and Water Conservation:			
Salaries and employee benefits	133,108	132,114	994
Other operating expenditures	<u>63,934</u>	<u>62,709</u>	<u>1,225</u>
Total	<u>197,042</u>	<u>194,823</u>	<u>2,219</u>
Total economic and physical development	<u>1,216,322</u>	<u>1,178,868</u>	<u>37,454</u>
Human Services:			
Health:			
Administration:			
Salaries and employee benefits	2,026,003	1,960,099	65,904
Other operating expenditures	<u>365,779</u>	<u>309,113</u>	<u>56,666</u>
Total	<u>2,391,782</u>	<u>2,269,212</u>	<u>122,570</u>
Mental Health:			
Contracted services:			
Community mental health services	<u>99,261</u>	<u>99,261</u>	<u>-</u>
Total	<u>99,261</u>	<u>99,261</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Social Services:			
Administration:			
Salaries and employee benefits	3,164,577	3,003,771	160,806
Other operating expenditures	376,890	357,706	19,184
Capital outlay	25,000	22,530	2,470
Total	<u>3,566,467</u>	<u>3,384,007</u>	<u>182,460</u>
Public Assistance:			
Special assistance to adults:			
County participation only	210,315	197,006	13,309
Medicaid program:			
County participation only	-	58	(58)
Medicaid transportation	140,000	148,324	(8,324)
Workfirst recipient benefits:			
Other operating expenditures	-	6,798	(6,798)
Title III programs:			
Other operating expenditures	6,000	3,490	2,510
Other assistance:			
Other program expenditures	1,745,706	1,604,571	141,135
Total	<u>2,102,021</u>	<u>1,960,247</u>	<u>141,774</u>
Child Development:			
Salaries and employee benefits	627,079	620,723	6,356
Other operating expenditures	84,895	76,190	8,705
Capital outlay	5,200	5,066	134
Total	<u>717,174</u>	<u>701,979</u>	<u>15,195</u>
Total social services	<u>6,385,662</u>	<u>6,046,233</u>	<u>339,429</u>
Veteran's Service Officer:			
Salaries and employee benefits	18,597	18,592	5
Other operating expenditures	3,900	3,114	786
Total	<u>22,497</u>	<u>21,706</u>	<u>791</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Services:			
Transylvania vocational services	25,000	25,000	-
Juvenile crime prevention	104,406	104,267	139
Western Carolina Community Action	1,500	1,500	-
Children's Center	43,464	39,653	3,811
HCCBG	287,293	283,729	3,564
Other services	70,520	66,470	4,050
Total	<u>532,183</u>	<u>520,619</u>	<u>11,564</u>
 Total human services	 <u>9,431,385</u>	 <u>8,957,031</u>	 <u>474,354</u>
 Cultural and Recreational:			
Parks and Recreation:			
Salaries and employee benefits	519,456	496,770	22,686
Other operating expenditures	400,867	343,196	57,671
Capital outlay	235,057	141,410	93,647
Total	<u>1,155,380</u>	<u>981,376</u>	<u>174,004</u>
 Library:			
Salaries and employee benefits	973,639	945,698	27,941
Other operating expenditures	308,239	307,862	377
Capital outlay	45,150	-	45,150
Total	<u>1,327,028</u>	<u>1,253,560</u>	<u>73,468</u>
 Other:			
Brevard College	26,000	26,000	-
Transylvania Parks Commission	1,725	1,724	1
Other	9,795	8,406	1,389
Total	<u>37,520</u>	<u>36,130</u>	<u>1,390</u>
 Total cultural and recreational	 <u>2,519,928</u>	 <u>2,271,066</u>	 <u>248,862</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Education:			
Public schools - current	11,161,610	11,161,610	-
Public schools - distribution of lottery proceeds	242,000	-	242,000
Public schools - capital outlay	1,600,000	1,600,000	-
Blue Ridge Community College	430,096	430,096	-
	<u>13,433,706</u>	<u>13,191,706</u>	<u>242,000</u>
Total education			
Debt Service:			
Principal retirement	2,225,219	2,225,219	-
Interest and fees	250,913	250,913	-
Total	<u>2,476,132</u>	<u>2,476,132</u>	<u>-</u>
Total expenditures	<u>48,381,845</u>	<u>46,062,544</u>	<u>2,319,301</u>
Revenues over (under) expenditures	<u>(1,468,871)</u>	<u>1,080,940</u>	<u>2,549,811</u>
Other Financing Sources (Uses):			
Capital lease obligations issued	17,878	17,878	-
Transfers in:			
Capital project funds	25,810	5,810	(20,000)
Transfers out:			
Special revenue funds	(2,241)	-	2,241
Enterprise funds	(578,336)	(375,000)	203,336
Permanent Fund	(115,000)	(115,000)	-
Assigned and committed funds	(144,326)	-	144,326
Appropriated fund balance	2,265,086	-	(2,265,086)
Total other financing sources (uses)	<u>1,468,871</u>	<u>(466,312)</u>	<u>(1,935,183)</u>
Net change in fund balance	<u>\$ -</u>	614,628	<u>\$ 614,628</u>
Fund Balance:			
Beginning of year - July 1		<u>24,161,663</u>	
End of year - June 30		<u>\$ 24,776,291</u>	

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
Assets:				
Cash and investments	\$ 652,718	\$ 153,342	\$ 226,283	\$ 1,032,343
Accounts receivable, net	49,555	1,095,453	-	1,145,008
Taxes receivable, net	5,670	-	-	5,670
Cash and investments, restricted	-	22,125	108,367	130,492
Total assets	<u>\$ 707,943</u>	<u>\$ 1,270,920</u>	<u>\$ 334,650</u>	<u>\$ 2,313,513</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 16,327	\$ 167,873	\$ -	\$ 184,200
Total liabilities	<u>16,327</u>	<u>167,873</u>	<u>-</u>	<u>184,200</u>
Deferred Inflows of Resources:				
Property taxes receivable	5,670	-	-	5,670
Prepaid taxes	596	-	-	596
Total deferred inflows of resources	<u>6,266</u>	<u>-</u>	<u>-</u>	<u>6,266</u>
Fund Balances:				
Stabilization for State statute	49,555	1,095,453	-	1,145,008
Restricted, all other	635,795	22,125	108,367	766,287
Assigned	-	-	226,283	226,283
Unassigned	-	(14,531)	-	(14,531)
Total fund balances	<u>685,350</u>	<u>1,103,047</u>	<u>334,650</u>	<u>2,123,047</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 707,943</u>	<u>\$ 1,270,920</u>	<u>\$ 334,650</u>	<u>\$ 2,313,513</u>

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
Revenues:				
Ad valorem taxes	\$ 3,067,455	\$ -	\$ -	\$ 3,067,455
Restricted intergovernmental revenues	451,692	-	-	451,692
Donations and grants	-	20,000	8,500	28,500
Interest earned on investments	1,518	284	859	2,661
Total revenues	<u>3,520,665</u>	<u>20,284</u>	<u>9,359</u>	<u>3,550,308</u>
Expenditures:				
Current:				
General government	-	26,349	-	26,349
Public safety	3,349,516	-	-	3,349,516
Cultural and recreational	-	-	20,568	20,568
Capital outlay	96,132	1,054,362	112,896	1,263,390
Total expenditures	<u>3,445,648</u>	<u>1,080,711</u>	<u>133,464</u>	<u>4,659,823</u>
Revenues over (under) expenditures	<u>75,017</u>	<u>(1,060,427)</u>	<u>(124,105)</u>	<u>(1,109,515)</u>
Other Financing Sources (Uses):				
Debt issued	-	1,807,457	-	1,807,457
Transfers in	-	-	115,000	115,000
Transfers out	-	(5,810)	-	(5,810)
Total other financing sources (uses)	<u>-</u>	<u>1,801,647</u>	<u>115,000</u>	<u>1,916,647</u>
Net change in fund balances	75,017	741,220	(9,105)	807,132
Fund Balances:				
Beginning of year - July 1	<u>610,333</u>	<u>361,827</u>	<u>343,755</u>	<u>1,315,915</u>
End of year - June 30	<u>\$ 685,350</u>	<u>\$ 1,103,047</u>	<u>\$ 334,650</u>	<u>\$ 2,123,047</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.

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 – This 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 SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Fire Districts Fund	Emergency Telephone System Fund	Community Development Block Grant Fund	Total
Assets:				
Cash and investments	\$ 255,237	\$ 397,336	\$ 145	\$ 652,718
Accounts receivable	13,997	35,558	-	49,555
Taxes receivable, net	<u>5,670</u>	<u>-</u>	<u>-</u>	<u>5,670</u>
Total assets	<u>\$ 274,904</u>	<u>\$ 432,894</u>	<u>\$ 145</u>	<u>\$ 707,943</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 16,226	\$ 101	\$ 16,327
Total liabilities	<u>-</u>	<u>16,226</u>	<u>101</u>	<u>16,327</u>
Deferred Inflows of Resources:				
Property taxes receivable	5,670	-	-	5,670
Prepaid taxes	<u>596</u>	<u>-</u>	<u>-</u>	<u>596</u>
Total deferred inflows of resources	<u>6,266</u>	<u>-</u>	<u>-</u>	<u>6,266</u>
Fund Balances:				
Restricted:				
Stabilization for State statute	13,997	35,558	-	49,555
Restricted, all other	<u>254,641</u>	<u>381,110</u>	<u>44</u>	<u>635,795</u>
Total fund balances	<u>268,638</u>	<u>416,668</u>	<u>44</u>	<u>685,350</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 274,904</u>	<u>\$ 432,894</u>	<u>\$ 145</u>	<u>\$ 707,943</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, 2016

	Fire Districts Fund	Emergency Telephone System Fund	Community Development Block Grant Fund	Total
Revenues:				
Ad valorem taxes	\$ 3,067,455	\$ -	\$ -	\$ 3,067,455
Restricted intergovernmental	25,000	426,692	-	451,692
Investment earnings	903	615	-	1,518
Total revenues	<u>3,093,358</u>	<u>427,307</u>	<u>-</u>	<u>3,520,665</u>
Expenditures:				
Public safety	2,960,277	389,239	-	3,349,516
Capital outlay	-	96,132	-	96,132
Total expenditures	<u>2,960,277</u>	<u>485,371</u>	<u>-</u>	<u>3,445,648</u>
Net change in fund balances	133,081	(58,064)	-	75,017
Fund Balances:				
Beginning of year - July 1	<u>135,557</u>	<u>474,732</u>	<u>44</u>	<u>610,333</u>
End of year - June 30	<u>\$ 268,638</u>	<u>\$ 416,668</u>	<u>\$ 44</u>	<u>\$ 685,350</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 3,004,378	\$ 3,055,320	\$ 50,942
Prior year	-	3,781	3,781
Penalties and interest	-	8,354	8,354
Investment earnings	-	903	903
Restricted intergovernmental	25,000	25,000	-
Total revenues	<u>3,029,378</u>	<u>3,093,358</u>	<u>63,980</u>
Expenditures:			
Public safety:			
Brevard Fire District	385,801	308,700	77,101
Rosman Fire District	466,348	466,348	-
Little River Fire District	459,115	459,115	-
Connestee Falls Fire District	640,343	640,343	-
Cedar Mountain Fire District	172,000	172,000	-
Lake Toxaway Fire District	667,394	667,394	-
Balsam Grove Fire District	92,977	92,977	-
North Transylvania Fire District	153,400	153,400	-
Total expenditures	<u>3,037,378</u>	<u>2,960,277</u>	<u>77,101</u>
Revenues over (under) expenditures	(8,000)	133,081	141,081
Other Financing Sources (Uses):			
Appropriated fund balance	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>133,081</u>	<u>\$ 133,081</u>
Fund Balance:			
Beginning of year - July 1		<u>135,557</u>	
End of year - June 30		<u>\$ 268,638</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 498,132	\$ 426,692	\$ (71,440)
Investment earnings	-	615	615
Total revenues	<u>498,132</u>	<u>427,307</u>	<u>(70,825)</u>
Expenditures:			
Public safety:			
Phone and furniture	18,000	17,471	529
Software and hardware	238,674	211,564	27,110
Training	7,250	3,536	3,714
Implemental functions	94,891	92,101	2,790
Capital outlay	501,473	96,132	405,341
City distribution	<u>64,567</u>	<u>64,567</u>	-
Total expenditures	<u>924,855</u>	<u>485,371</u>	<u>439,484</u>
Revenues over (under) expenditures	<u>(426,723)</u>	<u>(58,064)</u>	<u>368,659</u>
Other Financing Sources (Uses):			
Transfer in	2,241	-	(2,241)
Appropriated fund balance	<u>424,482</u>	-	<u>(424,482)</u>
Total other financing sources (uses)	<u>426,723</u>	-	<u>(426,723)</u>
Net change in fund balance	<u>\$ -</u>	<u>(58,064)</u>	<u>\$ (58,064)</u>
Fund Balance:			
Beginning of year - July 1		<u>474,732</u>	
End of year - June 30		<u>\$ 416,668</u>	

PSAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP Revenue - Expenditure Report because:

Ending fund balance, reported on Budget to Actual	\$ 416,668
Transfer made in fiscal year 2015 from General Fund not included in PSAP report	(7,466)
Ineligible prior-year expenditures reported in Emergency Telephone System Fund	12,609
Eligible prior-year expenditures not reported in Emergency Telephone System Fund	(3,527)
Eligible current-year expenditures not reported in Emergency Telephone System Fund	<u>(361)</u>
Ending balance, PSAP Revenue - Expenditure Report	<u>\$ 417,923</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, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenues:					
CDBG #08-C-1849 Small Business & Entrepreneurial					
Assistance Grant	\$ 250,000	\$ 122,942	\$ -	\$ 122,942	\$ (127,058)
CDBG #11-C-2327 2011 Scattered Site Housing Project	400,000	406,003	-	406,003	6,003
Investment earnings	-	145	-	145	145
Total revenues	<u>650,000</u>	<u>529,090</u>	<u>-</u>	<u>529,090</u>	<u>(120,910)</u>
Expenditures:					
CDBG #08-C-1849 Small Business and Entrepreneurial					
Assistance Grant	250,000	123,181	-	123,181	126,819
CDBG #11-C-2327 2011 Scattered Site Housing Project	<u>400,000</u>	<u>406,104</u>	<u>-</u>	<u>406,104</u>	<u>(6,104)</u>
Total expenditures	<u>650,000</u>	<u>529,285</u>	<u>-</u>	<u>529,285</u>	<u>120,715</u>
Revenues over (under) expenditures	-	(195)	-	(195)	(195)
Other Financing Sources (Uses):					
Transfers in from General Fund	<u>-</u>	<u>239</u>	<u>-</u>	<u>239</u>	<u>239</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 44</u>	<u>-</u>	<u>\$ 44</u>	<u>\$ 44</u>
Fund Balance:					
Beginning of year - July 1			<u>44</u>		
End of year - June 30			<u>\$ 44</u>		

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Schools QZAB Fund	General Capital Projects Fund	Total
Assets:			
Cash and investments	\$ -	\$ 153,342	\$ 153,342
Accounts receivable, net	-	1,095,453	1,095,453
Cash and investments, restricted	<u>22,125</u>	<u>-</u>	<u>22,125</u>
Total assets	<u>\$ 22,125</u>	<u>\$ 1,248,795</u>	<u>\$ 1,270,920</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 167,873	\$ 167,873
Total liabilities	<u>-</u>	<u>167,873</u>	<u>167,873</u>
Fund Balances:			
Stabilization for State Statute	-	1,095,453	1,095,453
Restricted for:			
Education	22,125	-	22,125
Unassigned	<u>-</u>	<u>(14,531)</u>	<u>(14,531)</u>
Total fund balances	<u>22,125</u>	<u>1,080,922</u>	<u>1,103,047</u>
Total liabilities and fund balances	<u>\$ 22,125</u>	<u>\$ 1,248,795</u>	<u>\$ 1,270,920</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, 2016

	Schools QZAB Fund	General Capital Projects Fund	Total
Revenues:			
Donations and grants	\$ -	\$ 20,000	\$ 20,000
Interest earned on investments	-	284	284
Total revenues	-	20,284	20,284
Expenditures:			
Current:			
General government	-	26,349	26,349
Capital outlay	-	1,054,362	1,054,362
Total expenditures	-	1,080,711	1,080,711
Revenues over (under) expenditures	-	(1,060,427)	(1,060,427)
Other Financing Sources (Uses):			
Transfers out	-	(5,810)	(5,810)
Long-term debt issued	-	1,807,457	1,807,457
Total other financing sources (uses)	-	1,801,647	1,801,647
Net change in fund balances	-	741,220	741,220
Fund Balances:			
Beginning of year - July 1	22,125	339,702	361,827
End of year - June 30	\$ 22,125	\$ 1,080,922	\$ 1,103,047

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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Miscellaneous revenue	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Bond expenditures	-	-	-
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other Financing Sources (Uses):			
Transfers to General Fund	-	-	-
Appropriated fund balance	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund Balance:			
Beginning of year - July 1		22,125	
End of year - June 30		\$ 22,125	

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, 2016

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Donations and grants	\$ 373,757	\$ 353,811	\$ 20,000	\$ 373,811	\$ 54
Investment earnings	14,581	535,648	284	535,932	521,351
Total revenues	<u>388,338</u>	<u>889,459</u>	<u>20,284</u>	<u>909,743</u>	<u>521,405</u>
Expenditures:					
Capital outlay	7,416,748	5,694,782	1,054,362	6,749,144	667,604
Land improvements-non capital	-	260	3,022	3,282	(3,282)
Expensed architectural fees/other miscellaneous	-	101,478	23,327	124,805	(124,805)
Total expenditures	<u>7,416,748</u>	<u>5,796,520</u>	<u>1,080,711</u>	<u>6,877,231</u>	<u>539,517</u>
Revenues over (under) expenditures	<u>(7,028,410)</u>	<u>(4,907,061)</u>	<u>(1,060,427)</u>	<u>(5,967,488)</u>	<u>1,060,922</u>
Other Financing Sources (Uses):					
Transfers in from General Fund	4,535,408	4,535,408	-	4,535,408	-
Transfers to General Fund	(514,429)	(488,619)	(5,810)	(494,429)	20,000
Long-term debt issued	<u>1,807,457</u>	<u>-</u>	<u>1,807,457</u>	<u>1,807,457</u>	<u>-</u>
Total other financing sources (uses)	<u>5,828,436</u>	<u>4,046,789</u>	<u>1,801,647</u>	<u>5,848,436</u>	<u>20,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,199,974)</u>	<u>(860,272)</u>	<u>741,220</u>	<u>(119,052)</u>	<u>1,080,922</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>\$ (860,272)</u>	<u>741,220</u>	<u>\$ (119,052)</u>	<u>\$ (119,052)</u>
Fund Balance:					
Beginning of year - July 1			<u>339,702</u>		
End of year - June 30			<u>\$ 1,080,922</u>		

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PERMANENT FUND

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

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

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TRANSYLVANIA COUNTY, NORTH CAROLINA

PERMANENT FUND - SILVERMONT RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Donations and grants	\$ 8,500	\$ 8,500	\$ -
Investment earnings	750	859	109
Total revenues	<u>9,250</u>	<u>9,359</u>	<u>109</u>
Expenditures:			
Silvermont operating expenditure	18,500	20,568	(2,068)
Capital outlay	<u>260,327</u>	<u>112,896</u>	<u>147,431</u>
Total expenditures	<u>278,827</u>	<u>133,464</u>	<u>145,363</u>
Revenues over (under) expenditures	<u>(269,577)</u>	<u>(124,105)</u>	<u>145,472</u>
Other Financing Sources (Uses):			
Transfer in	115,000	115,000	-
Transfer out	(750)	-	750
Appropriated fund balance	<u>155,327</u>	<u>-</u>	<u>(155,327)</u>
Total other financing sources (uses)	<u>269,577</u>	<u>115,000</u>	<u>(154,577)</u>
Net change in fund balance	<u>\$ -</u>	<u>(9,105)</u>	<u>\$ (9,105)</u>
Fund Balance:			
Beginning of year - July 1		<u>343,755</u>	
End of year - June 30		<u>\$ 334,650</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services			
Solid waste charges	\$ 1,379,000	\$ 1,571,163	\$ 192,163
Recycling	152,560	132,866	(19,694)
Other operating revenues	2,400	2,072	(328)
Total operating revenues	<u>1,533,960</u>	<u>1,706,101</u>	<u>172,141</u>
Non-operating revenues:			
Investment earnings	400	6,258	5,858
Miscellaneous revenue	20,000	19,982	(18)
Total non-operating revenues	<u>20,400</u>	<u>26,240</u>	<u>5,840</u>
Total revenues	<u>1,554,360</u>	<u>1,732,341</u>	<u>177,981</u>
Expenditures:			
Landfill administration and operations:			
Salaries and employee benefits	882,996	864,600	18,396
Other operating expenditures	634,834	572,612	62,222
Capital outlay	100,836	80,684	20,152
Total expenditures	<u>1,618,666</u>	<u>1,517,896</u>	<u>100,770</u>
Revenues over (under) expenditures	<u>(64,306)</u>	<u>214,445</u>	<u>278,751</u>
Other Financing Sources (Uses):			
Transfer in	578,336	375,000	203,336
Transfer out	(514,030)	-	(514,030)
Total other financing sources (uses)	<u>64,306</u>	<u>375,000</u>	<u>310,694</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 589,445</u>	<u>\$ 589,445</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 589,445	
Reconciling items:			
Change in contributions made to the pension plan in the current year		18,921	
Change in pension expense		(16,264)	
Capital outlay capitalized		80,684	
Increase in OPEB		(10,927)	
Increase in compensated absences payable		(4,762)	
Increase in closure and post-closure care costs		(328,517)	
Depreciation		(306,847)	
Change in net position		<u>\$ 21,733</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 3 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, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 34,972	\$ 273,935	\$ 271,567	\$ 37,340
Liabilities:				
Miscellaneous liabilities	\$ 34,972	\$ 273,935	\$ 271,567	\$ 37,340
Miscellaneous:				
Assets:				
Cash and investments	\$ -	\$ 93,655	\$ 93,655	\$ -
Accounts receivable and accrued revenues	8,157	8,823	8,157	8,823
Total assets	\$ 8,157	\$ 102,478	\$ 101,812	\$ 8,823
Liabilities:				
Intergovernmental payables - Transylvania County Board of Education	\$ 8,157	\$ 102,478	\$ 101,812	\$ 8,823
Dare Camp:				
Assets:				
Cash and investments	\$ 4,316	\$ 4,684	\$ 4,134	\$ 4,866
Liabilities:				
Intergovernmental payables - Transylvania County	\$ 144	\$ 118	\$ -	\$ 262
Miscellaneous liabilities	4,172	4,684	4,252	4,604
Total liabilities	\$ 4,316	\$ 4,802	\$ 4,252	\$ 4,866
SHIELD Camp:				
Assets:				
Cash and investments	\$ 20,363	\$ 12,184	\$ 15,192	\$ 17,355
Liabilities:				
Intergovernmental payables - Transylvania County	\$ 5,001	\$ -	\$ -	\$ 5,001
Miscellaneous liabilities	15,362	12,184	15,192	12,354
Total liabilities	\$ 20,363	\$ 12,184	\$ 15,192	\$ 17,355

TRANSYLVANIA COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Cops 4 Kids:				
Assets:				
Cash and investments	\$ 13,208	\$ 30,891	\$ 26,128	\$ 17,971
Liabilities:				
Miscellaneous liabilities	\$ 13,208	\$ 30,891	\$ 26,128	\$ 17,971
Register of Deeds:				
Assets:				
Accounts receivable and accrued revenues	\$ -	\$ 29,977	\$ 29,977	\$ -
Liabilities:				
Intergovernmental payables - State of North Carolina	\$ -	\$ 33,120	\$ 33,120	\$ -
Total - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 72,859	\$ 415,349	\$ 410,676	\$ 77,532
Accounts receivable and accrued revenues	8,157	38,800	38,134	8,823
Total assets	\$ 81,016	\$ 454,149	\$ 448,810	\$ 86,355
Liabilities:				
Intergovernmental payables	\$ 13,302	\$ 135,716	\$ 134,932	\$ 14,086
Miscellaneous liabilities	67,714	321,694	317,139	72,269
Total liabilities	\$ 81,016	\$ 457,410	\$ 452,071	\$ 86,355

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, 2016

Year Ended June 30	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2016	\$ -	\$ 27,575,417	\$ 27,540,473	\$ 34,944
2015	37,034	-	18,897	18,137
2014	29,349	-	11,430	17,919
2013	21,986	-	6,625	15,361
2012	14,689	-	3,885	10,804
2011	14,587	-	1,193	13,394
2010	7,077	-	391	6,686
2009	8,952	-	334	8,618
2008	9,025	-	466	8,559
2007	11,407	-	547	10,860
2006	10,388	-	10,388	-
Total	<u>\$ 164,494</u>	<u>\$ 27,575,417</u>	<u>\$ 27,594,629</u>	<u>145,282</u>

Less allowance for uncollectible ad valorem taxes receivable:

General Fund

112,833**Ad Valorem Taxes Receivable, Net:**

General Fund

\$ 32,449**Reconciliation of Collections and Credits with Revenues:**

Ad valorem taxes - General Fund

\$ 27,649,458

Reconciling items:

Interest

\$ (72,915)

Tax refunds

10,037

Abatements - prior years

247

Advertising

(1,321)

Taxes written off

9,123

Total collections and credits

\$ 27,594,629

TRANSYLVANIA COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2016

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
County-wide:					
Property tax	\$ 6,034,539,620	\$ 0.4499	\$ 27,149,098	\$ 26,178,848	\$ 970,250
Motor vehicles taxed at prior year's rate	67,172,019	0.4499	292,228	-	292,228
Late list penalties	-		10,585	10,585	-
Total original levy	<u>6,101,711,639</u>		<u>27,451,911</u>	<u>26,189,433</u>	<u>1,262,478</u>
Discoveries:					
Current year taxes	6,475,867		29,135	29,135	-
Prior year taxes	<u>23,913,379</u>		<u>102,273</u>	<u>102,273</u>	-
Total discoveries	<u>30,389,246</u>		<u>131,408</u>	<u>131,408</u>	-
Abatements and Discounts	<u>(1,742,464)</u>		<u>(7,902)</u>	<u>(7,902)</u>	-
Total property valuation	<u>\$ 6,130,358,421</u>				
Net Levy			27,575,417	26,312,939	1,262,478
Uncollected taxes at June 30, 2016			<u>34,944</u>	<u>34,828</u>	<u>116</u>
Current Year's Taxes Collected			<u>\$ 27,540,473</u>	<u>\$ 26,278,111</u>	<u>\$ 1,262,362</u>
Current Levy Collection Percentage			<u>99.87%</u>	<u>99.87%</u>	<u>99.99%</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.

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TRANSLYANIA COUNTY, NORTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

TABLE 1

UNAUDITED	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 20,369,159	\$ 24,185,021	\$ 35,138,758	\$ 38,280,736	\$ 37,965,115	\$ 37,350,168	\$ 37,837,719	\$ 37,861,994	\$ 38,390,675	\$ 38,026,155
Restricted	1,697,216	1,794,717	1,091,782	1,491,646	4,337,434	4,211,048	4,318,916	4,304,835	4,549,498	5,629,711
Unrestricted	16,158,930	16,912,463	8,613,469	8,759,642	7,097,748	7,979,935	9,887,115	12,931,706	13,915,036	16,237,241
Total Governmental Activities Net Position	\$ 38,225,305	\$ 42,892,201	\$ 44,844,009	\$ 48,532,024	\$ 49,400,297	\$ 49,541,151	\$ 52,043,750	\$ 55,098,535	\$ 56,855,209	\$ 59,893,107
Business-Type Activities										
Net Investment in Capital Assets	\$ 2,792,276	\$ 4,939,310	\$ 4,624,518	\$ 4,366,733	\$ 4,085,921	\$ 3,859,314	\$ 3,603,550	\$ 3,498,127	\$ 3,851,511	\$ 3,625,348
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	194,584	(1,090,548)	(92,919)	1,016,654	1,808,089	2,166,778	2,466,038	818,626	1,399,206	1,647,102
Total Business-Type Activities Net Position	\$ 2,986,860	\$ 3,848,762	\$ 4,531,599	\$ 5,383,387	\$ 5,894,010	\$ 6,026,092	\$ 6,069,588	\$ 4,316,753	\$ 5,250,717	\$ 5,272,450
Primary Government										
Net Investment in Capital Assets	\$ 23,161,435	\$ 29,124,331	\$ 39,763,276	\$ 42,647,469	\$ 42,051,036	\$ 41,209,482	\$ 41,441,269	\$ 41,360,121	\$ 42,242,186	\$ 41,651,503
Restricted	1,697,216	1,794,717	1,091,782	1,491,646	4,337,434	4,211,048	4,318,916	4,304,835	4,549,498	5,629,711
Unrestricted	16,353,514	15,821,915	8,520,550	9,776,296	8,905,837	10,146,713	12,353,153	13,750,332	15,314,242	17,884,343
Total Primary Government Net Position	\$ 41,212,165	\$ 46,740,963	\$ 49,375,608	\$ 53,915,411	\$ 55,294,307	\$ 55,567,243	\$ 58,113,338	\$ 59,415,288	\$ 62,105,926	\$ 65,165,557

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

TABLE 2

UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General Government	\$ 5,472,674	\$ 4,985,239	\$ 5,042,645	\$ 4,617,015	\$ 5,155,747	\$ 5,083,686	\$ 4,427,635	\$ 4,670,679	\$ 5,195,765	\$ 5,617,567
Public Safety	9,051,987	10,399,235	11,042,467	11,777,713	12,386,788	12,979,401	13,441,859	14,233,023	14,908,286	15,700,514
Transportation	378,991	364,740	358,399	509,565	396,460	450,591	448,838	481,390	426,860	436,509
Economic and Physical Development	1,502,285	1,594,400	1,531,068	1,663,553	1,096,501	959,314	974,391	772,724	1,330,900	1,178,119
Human Services	9,308,209	9,522,922	9,448,473	8,094,451	8,069,619	8,169,147	8,316,088	8,598,738	8,795,596	9,037,670
Cultural and Recreational	1,699,971	1,814,530	1,968,016	1,560,709	1,904,003	1,847,675	1,965,938	2,072,839	2,113,365	2,435,648
Education	9,564,457	10,900,358	10,449,456	10,400,587	10,822,954	12,201,671	10,971,497	12,714,735	13,046,493	12,649,134
Interest on Long-Term Obligations	959,451	636,426	907,694	668,751	609,131	551,526	456,240	358,285	276,292	222,024
Total Governmental Activities Expenses	\$ 37,938,025	\$ 40,217,850	\$ 40,748,218	\$ 39,292,344	\$ 40,441,203	\$ 42,243,011	\$ 41,002,486	\$ 43,902,413	\$ 46,093,557	\$ 47,277,185
Business-Type Activities:										
Landfill	\$ 2,372,572	\$ 1,458,440	\$ 1,678,773	\$ 1,418,346	\$ 1,624,898	\$ 1,708,329	\$ 1,673,967	\$ 3,755,492	\$ 1,452,623	\$ 2,085,608
Total Governmental Activities Expenses	\$ 2,372,572	\$ 1,458,440	\$ 1,678,773	\$ 1,418,346	\$ 1,624,898	\$ 1,708,329	\$ 1,673,967	\$ 3,755,492	\$ 1,452,623	\$ 2,085,608
Total Primary Government Expenses	\$ 40,310,597	\$ 41,676,290	\$ 42,426,991	\$ 40,710,690	\$ 42,066,101	\$ 43,951,340	\$ 42,676,453	\$ 47,657,905	\$ 47,546,180	\$ 49,362,793
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 547,176	\$ 1,403,077	\$ 1,055,880	\$ 269,938	\$ 767,315	\$ 334,456	\$ 275,477	\$ 335,719	\$ 243,347	\$ 377,649
Public Safety	1,452,371	1,405,633	1,444,322	2,099,928	2,461,457	2,174,330	2,528,476	2,713,820	3,117,738	3,321,413
Transportation	-	-	-	-	-	-	7,202	4,739	4,592	4,458
Economic and Physical Development	-	-	11,467	6,712	31,791	22,638	21,240	12,926	10,442	11,843
Human Services	798,598	376,346	548,544	526,525	527,094	455,869	422,732	475,871	413,551	452,565
Cultural and Recreational	42,177	40,176	98,220	95,713	94,967	103,822	121,961	130,999	75,250	91,236
Education	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions:										
General Government	217,053	361,235	39,379	56,527	40,283	52,247	98,555	36,599	35,954	37,754
Public Safety	890,735	629,245	1,069,375	416,927	438,525	414,376	422,546	745,266	602,807	526,811
Transportation	-	219,801	341,357	234,881	278,738	272,129	269,173	274,445	259,300	222,422
Economic and Physical Development	1,401,118	686,949	459,808	169,696	65,711	70,882	65,063	57,374	70,006	50,128
Human Services	3,666,631	4,833,149	5,063,846	5,293,382	4,973,824	5,331,406	5,480,830	5,331,666	5,874,581	5,910,356
Cultural and Recreational	247,177	146,458	120,228	438,486	171,688	91,846	95,126	97,787	166,849	120,076
Education	546,646	124,754	137,268	137,842	161,664	363,784	544,124	811,018	667,751	205,430
Capital Grants and Contributions:										
General Government	4,760	50,695	-	-	-	-	-	-	-	-
Economic and Physical Development	-	-	-	475,799	42,249	80,163	7,686	105,588	289,415	-
Cultural and Recreational	141,404	-	-	-	-	-	89,780	-	-	181,350
Education	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	\$ 9,955,842	\$ 10,277,518	\$ 10,409,694	\$ 10,222,356	\$ 10,055,306	\$ 9,767,948	\$ 10,449,971	\$ 11,133,817	\$ 11,831,583	\$ 11,513,491

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

TABLE 2

UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-Type Activities:										
Charge for Services - Landfill	\$ 1,504,980	\$ 1,593,221	\$ 1,383,173	\$ 1,334,337	\$ 1,224,466	\$ 1,368,697	\$ 1,260,906	\$ 1,303,374	\$ 1,440,395	\$ 1,706,101
Operating Grants and Contributions - Landfill	-	-	12,728	19,469	19,389	21,043	19,967	19,863	57,327	19,982
Capital Grants and Contributions - Landfill	-	107,343	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	\$ 1,504,980	\$ 1,700,564	\$ 1,395,901	\$ 1,353,806	\$ 1,243,855	\$ 1,389,740	\$ 1,280,873	\$ 1,323,237	\$ 1,497,722	\$ 1,726,083
Total Primary Government Program Revenues	\$ 11,460,822	\$ 11,978,082	\$ 11,805,595	\$ 11,576,162	\$ 11,299,161	\$ 11,157,688	\$ 11,730,844	\$ 12,457,054	\$ 13,329,305	\$ 13,239,574
Net (Expense)/Revenue										
Governmental Activities	\$ (27,982,183)	\$ (29,940,332)	\$ (30,338,524)	\$ (29,069,988)	\$ (30,385,897)	\$ (32,475,063)	\$ (30,552,515)	\$ (32,768,596)	\$ (34,261,974)	\$ (35,763,694)
Business-Type Activities	(867,592)	242,124	(282,872)	(64,540)	(381,043)	(318,589)	(393,094)	(2,432,255)	45,099	(359,525)
Total Primary Government Net (Expense)/Revenue	\$ (28,849,775)	\$ (29,698,208)	\$ (30,621,396)	\$ (29,134,528)	\$ (30,766,940)	\$ (32,793,652)	\$ (30,945,609)	\$ (35,200,851)	\$ (34,216,875)	\$ (36,123,219)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 22,672,983	\$ 23,582,218	\$ 24,437,262	\$ 25,974,123	\$ 25,709,393	\$ 25,964,830	\$ 26,009,209	\$ 29,529,739	\$ 30,292,321	\$ 30,710,092
Local Option Sales Tax	8,145,834	8,234,107	6,720,265	5,239,883	5,540,551	5,820,469	6,122,549	6,560,048	7,011,688	7,380,626
Other Taxes and Licenses	1,694,466	1,440,731	763,293	811,378	774,223	848,735	994,340	484,691	610,459	637,714
Grants and Contributions Not Restricted	241,239	260,889	520,299	506,354	365,566	382,922	359,204	386,657	437,463	383,029
Investment Earnings	1,605,838	1,544,020	672,317	138,015	75,710	47,970	55,827	12,720	11,812	65,131
Miscellaneous	26,532	45,263	74,920	99,025	30,570	-	-	-	129,530	-
Transfers	(1,130,492)	(500,000)	(902,556)	(908,570)	(888,077)	(449,009)	(435,237)	(679,117)	(972,139)	(375,000)
Total Governmental Activities:	\$ 33,256,400	\$ 34,607,228	\$ 32,285,800	\$ 31,860,208	\$ 31,607,936	\$ 32,615,917	\$ 33,105,892	\$ 36,294,738	\$ 37,521,134	\$ 38,801,592
Business-Type Activities:										
Investment Earnings	\$ 140,494	\$ 119,778	\$ 49,630	\$ 5,471	\$ 3,589	\$ 1,662	\$ 1,353	\$ 303	\$ 530	\$ 6,258
Miscellaneous	-	-	13,523	2,287	-	-	-	-	-	-
Transfers	1,130,492	500,000	902,556	908,570	888,077	449,009	435,237	679,117	972,139	375,000
Total Business-Type Activities	\$ 1,270,986	\$ 619,778	\$ 965,709	\$ 916,328	\$ 891,666	\$ 450,671	\$ 436,590	\$ 679,420	\$ 972,669	\$ 381,258
Total Primary Government	\$ 34,527,386	\$ 35,227,006	\$ 33,251,509	\$ 32,776,536	\$ 32,499,602	\$ 33,066,588	\$ 33,542,482	\$ 36,974,158	\$ 38,493,803	\$ 39,182,850
Change in Net Position										
Governmental Activities	\$ 5,274,217	\$ 4,666,896	\$ 1,947,276	\$ 2,790,220	\$ 1,222,039	\$ 140,854	\$ 2,553,377	\$ 3,526,142	\$ 3,259,160	\$ 3,037,898
Business-Type Activities	403,394	861,902	682,837	851,788	510,623	132,082	43,496	(1,752,836)	1,017,768	21,733
Total Primary Government	\$ 5,677,611	\$ 5,528,798	\$ 2,630,113	\$ 3,642,008	\$ 1,732,662	\$ 272,936	\$ 2,596,873	\$ 1,773,307	\$ 4,276,928	\$ 3,059,631

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

TABLE 3

UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property Tax	\$ 22,672,983	\$ 23,582,218	\$ 24,437,262	\$ 25,974,123	\$ 25,709,393	\$ 25,964,830	\$ 26,009,209	\$ 29,529,739	\$ 30,292,321	\$ 30,710,092
Local Option Sales Tax	8,145,834	8,234,107	6,720,265	5,239,883	5,540,551	5,820,469	6,122,549	6,560,048	7,011,688	7,380,626
Other Taxes and Licenses	1,694,466	1,440,731	763,293	811,378	774,223	848,735	994,340	484,691	610,459	637,714
Total	\$ 32,513,283	\$ 33,257,056	\$ 31,920,820	\$ 32,025,384	\$ 32,024,167	\$ 32,634,034	\$ 33,126,098	\$ 36,574,478	\$ 37,914,468	\$ 38,728,432

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

UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 17,116,364	\$ 5,529,966	\$ 4,771,176	\$ 3,851,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Designated	3,042,494	3,064,060	3,180,255	5,223,495	-	-	-	-	-	-
Unreserved and Undesignated	10,524,826	8,575,637	9,758,729	10,261,746	-	-	-	-	-	-
Non-Spendable	-	-	-	-	13,007	16,215	40,893	40,733	41,292	49,334
Restricted	-	-	-	-	3,414,041	3,309,254	3,287,582	3,494,721	3,830,798	3,740,541
Committed	-	-	-	-	1,463,248	1,637,499	2,012,140	2,264,227	2,577,398	2,997,152
Assigned	-	-	-	-	3,547,977	4,513,591	4,320,436	5,227,709	4,934,391	5,530,465
Unassigned	-	-	-	-	11,889,227	11,562,233	12,302,809	12,519,329	12,777,784	12,458,799
Total General Fund	<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>	<u>\$ 23,546,719</u>	<u>\$ 24,161,663</u>	<u>\$ 24,776,291</u>
All other governmental funds										
Reserved	\$ 1,255,698	\$ 14,258,269	\$ 6,515,367	\$ 2,915,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Designated for Subsequent Years	224,052	280,286	161,944	90,700	-	-	-	-	-	-
Unreserved and Undesignated, reported in:										
Special revenue funds	1,193,880	1,205,703	557,518	852,935	-	-	-	-	-	-
Capital projects funds	3,280,163	2,796,275	26,564	2,014,826	-	-	-	-	-	-
Permanent fund	273,870	252,424	266,928	279,602	-	-	-	-	-	-
Restricted	-	-	-	-	2,094,397	928,351	1,031,334	835,593	740,825	1,911,295
Committed:	-	-	-	-	2,494,240	2,005,876	1,121,482	1,066,628	339,702	-
Assigned:	-	-	-	-	291,042	289,852	267,993	160,344	235,388	226,283
Unassigned:	-	-	-	-	(3,170)	(10,173)	-	(100,663)	(14,531)	(14,531)
Total All Other Governmental Funds	<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>	<u>\$ 1,961,902</u>	<u>\$ 1,315,915</u>	<u>\$ 2,123,047</u>

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

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

TABLE 5

UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes:										
Property	\$ 22,785,337	\$ 23,639,386	\$ 24,448,844	\$ 25,943,353	\$ 25,788,102	\$ 25,942,280	\$ 26,058,814	\$ 29,550,609	\$ 30,306,310	\$ 30,716,913
Sales	8,145,834	8,234,107	6,720,265	5,239,883	5,540,551	5,820,469	6,122,549	6,560,048	7,011,688	7,380,626
Other	1,694,466	1,440,731	763,293	811,378	774,223	848,735	994,340	484,691	610,459	637,714
Intergovernmental	7,091,932	7,299,455	7,727,445	7,602,085	6,536,112	7,024,402	7,375,926	7,530,798	8,192,073	7,551,642
Permits and Fees	681,158	588,976	382,955	372,047	340,518	327,956	386,593	386,854	431,325	491,974
Sales and Services	2,007,284	2,772,465	2,620,231	2,613,934	3,463,380	2,663,364	2,934,017	3,131,303	3,362,263	3,576,239
Donations and Grants		50,695	22,443	50	23,320	23,676	20,882	315,652	134,878	45,584
Investment Earnings	1,688,093	1,632,630	714,057	172,950	72,598	44,858	52,715	9,608	8,700	62,019
Miscellaneous	334,452	121,115	191,117	220,499	69,559	111,472	91,757	155,867	278,037	231,081
Total Revenues	\$ 44,428,556	\$ 45,779,560	\$ 43,590,650	\$ 42,976,179	\$ 42,608,363	\$ 42,807,212	\$ 44,037,593	\$ 48,125,430	\$ 50,335,733	\$ 50,693,792
Expenditures										
General Government	\$ 5,555,278	\$ 5,265,368	\$ 4,981,840	\$ 4,464,852	\$ 4,869,425	\$ 4,807,780	\$ 4,391,102	\$ 4,473,554	\$ 5,182,733	\$ 5,745,339
Public Safety	9,196,175	10,294,586	11,621,984	11,917,256	11,910,027	12,132,089	12,817,385	13,423,846	14,583,400	15,192,363
Economic Development	1,499,832	1,599,827	1,523,660	1,660,458	1,094,476	958,080	973,545	771,572	1,342,574	1,178,868
Human Services	9,556,843	9,760,521	9,728,524	8,653,766	8,284,399	8,435,813	8,639,033	8,870,369	9,315,804	9,382,935
Culture and Recreation	1,494,744	1,598,213	1,858,012	1,839,077	1,846,950	1,741,432	1,800,266	1,840,635	2,257,226	2,291,634
Education	9,564,457	10,900,358	10,449,456	10,400,587	10,822,954	12,201,671	10,971,497	12,714,735	13,046,493	13,191,706
Capital Outlay	719,161	4,236,863	13,490,731	2,553,303	270,781	238,416	1,184,769	1,122,909	1,012,106	1,263,390
Debt Service:										
Principal	1,666,015	1,706,015	2,032,681	2,144,348	2,287,496	2,270,976	2,240,026	2,240,026	2,346,832	2,225,219
Interest	982,313	905,710	646,781	702,038	638,937	565,657	498,010	393,358	307,469	250,913
Bond Issuance Cost	-	86,843	-	-	-	-	-	-	-	-
Total Expenditures	\$ 40,234,818	\$ 46,354,304	\$ 56,333,669	\$ 44,335,685	\$ 42,025,445	\$ 43,351,914	\$ 43,515,633	\$ 45,851,004	\$ 49,394,637	\$ 50,722,367
Excess of Revenues Over (Under) Expenditures	\$ 4,193,738	\$ (574,744)	\$ (12,743,019)	\$ (1,359,506)	\$ 582,918	\$ (544,702)	\$ 521,960	\$ 2,274,426	\$ 941,096	\$ (28,575)
Other Financing Sources (Uses)										
Capital Lease Obligations Issued	-	-	\$ -	\$ -	\$ -	\$ 42,400	\$ 45,248	\$ -	\$ -	\$ 17,878
Transfers In	3,897,037	16,881,080	921,127	340,422	811,804	160,828	341,814	703,233	353,894	120,810
Transfers Out	(5,086,937)	(17,441,441)	(1,881,699)	(1,248,992)	(1,699,881)	(609,837)	(777,051)	(1,382,350)	(1,326,033)	(495,810)
Bond Proceeds	-	15,810,000	-	-	-	-	-	-	-	-
Proceeds from Financing	-	-	2,900,000	1,297,778	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	(15,668,890)	-	-	-	-	-	-	-	-
Proceeds from Sale of Assets	51,157	45,263	74,920	19,120	18,553	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ (1,138,743)	\$ (373,988)	\$ 2,014,348	\$ 408,328	\$ (869,524)	\$ (406,609)	\$ (389,989)	\$ (679,117)	\$ (972,139)	\$ 1,450,335
Net Change in Fund Balances	\$ 3,054,995	\$ (948,732)	\$ (10,728,671)	\$ (951,178)	\$ (286,606)	\$ (951,311)	\$ 131,971	\$ 1,595,309	\$ (31,043)	\$ 1,421,760
Capital Asset Expenditures	\$ 1,713,907	\$ 5,171,929	\$ 14,891,453	\$ 4,146,581	\$ 906,651	\$ 862,657	\$ 1,959,372	\$ 1,499,926	\$ 2,071,081	\$ 3,745,876
Debt Service as a Percentage of Noncapital Expenditures	6.9%	6.6%	6.5%	7.1%	7.1%	6.7%	6.6%	5.9%	5.6%	5.3%

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

TABLE 6

UNAUDITED

Fiscal Year	Assessed Real Property				Business & Personal Property	Motor Vehicles	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio
	Residential Property	Commercial Property	Industrial Property	Present-Use Value Property							
2007	\$ 2,948,509,951	\$ 380,509,285	\$ 23,576,270	\$ 17,886,590	\$ 104,335,156	\$ 281,028,678	\$ 102,736,690	\$ 3,858,582,620	\$ 0.5400	\$ 5,030,090,757	76.71%
2008	3,076,368,614	399,253,678	22,203,760	17,664,820	120,695,865	290,866,014	103,348,541	4,030,401,292	0.5400	5,056,330,814	79.71%
2009	3,170,849,787	411,709,931	22,868,640	18,362,840	134,460,424	284,380,776	104,032,339	4,146,664,737	0.5400	4,163,318,009	99.60%
2010	4,764,318,694	629,514,046	23,918,710	28,502,210	146,576,514	263,874,984	108,960,742	5,965,665,900	0.3949	5,999,865,131	99.43%
2011	4,785,474,713	634,041,204	22,610,710	30,117,670	142,339,963	242,266,720	107,930,454	5,964,781,434	0.3949	6,039,061,895	98.77%
2012	4,836,410,339	644,224,921	19,543,080	35,363,310	131,701,081	242,374,009	111,182,488	6,020,799,228	0.3949	6,023,811,134	99.95%
2013	4,812,488,501	646,077,963	19,543,080	36,920,380	121,121,343	252,868,748	113,441,884	6,002,461,899	0.3949	5,846,363,981	102.67%
2014	4,850,300,603	651,579,476	19,543,080	38,076,950	122,470,128	220,099,982	116,053,034	6,018,123,253	0.4369	5,803,397,544	103.70%
2015	4,872,870,761	654,896,272	19,543,080	34,227,630	123,069,054	271,843,835	122,471,320	6,098,921,952	0.4499	5,802,970,459	105.10%
2016	4,902,001,241	655,795,543	22,718,280	34,309,780	113,984,029	275,754,915	119,489,707	6,124,053,495	0.4499	6,130,797,372	99.89%

Source: Annual County Report of Valuation and Property Tax Levies
 Transylvania County Tax Department

Note: Real property was revalued on January 1, 2009 and January 1, 2016.
 The rates are per \$100 of assessed value.

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

TABLE 7

UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transylvania County	\$ 0.5400	\$ 0.5400	\$ 0.5400	\$ 0.3949	\$ 0.3949	\$ 0.3949	\$ 0.3949	\$ 0.4369	\$ 0.4499	\$ 0.4499
<u>Municipality Rates:</u>										
City of Brevard	0.4950	0.4950	0.4950	0.3875	0.4325	0.4325	0.4325	0.4525	0.4525	0.4725
Town of Rosman	0.4600	0.4600	0.4600	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100
<u>Fire Districts:</u>										
Etowah-Horseshoe	0.0305	0.0291	-	-	-	-	-	-	-	-
Brevard	0.0257	0.0301	0.0331	0.0269	0.0269	0.0269	0.0316	0.0338	0.0339	0.0443
Rosman	0.0758	0.0756	0.0877	0.0626	0.0626	0.0649	0.0685	0.0756	0.0901	0.0980
Little River	0.0797	0.0797	0.0797	0.0577	0.0577	0.0577	0.0577	0.0675	0.0715	0.0849
Connestee Falls	0.0604	0.0649	0.0697	0.0494	0.0494	0.0512	0.0512	0.0551	0.0610	0.0656
Cedar Mountain	0.1059	0.1059	0.1150	0.0802	0.0756	0.0756	0.0756	0.0957	0.1098	0.1115
Lake Toxaway	0.0305	0.0323	0.0359	0.0275	0.0287	0.0287	0.0302	0.0328	0.0350	0.0359
Balsam Grove	0.1391	0.1391	0.1391	0.0968	0.0968	0.0968	0.0968	0.1248	0.1056	0.1056
North Transylvania	0.1242	0.1242	0.1242	0.0911	0.0911	0.0911	0.0911	0.1116	0.1279	0.1279

Source: Transylvania County Tax Department

Note: Real property was revalued on January 1, 2002, January 1, 2009, and January 1, 2016.

TRANSLYANIA COUNTY, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGC

TABLE 8

UNAUDITED

	Fiscal Year 2016				Fiscal Year 2007			
	Taxpayer	Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
	Duke Energy Corp	Electric utility	\$ 59,590,936	1	0.97%	\$ 46,861,472	1	1.22%
	Citizens/Comporium Telephone	Communications utility	25,888,677	2	0.42%	37,280,620	2	0.97%
	Brevard Retirement Investors	Retirement home facilities	22,498,210	3	0.37%	12,490,400	5	0.32%
	Haywood Electric Member Corp	Electric utility	22,402,334	4	0.37%	13,665,339	4	0.35%
	Champion Cattle & Tree Farm	Farming	20,798,086	5	0.34%			
	Epsilon Realty Company LP	Real estate development	17,870,570	6	0.29%	8,062,801	7	0.21%
	Lake Toxaway Company	Real estate development	15,019,410	7	0.25%			
	Davidson River Village	Real estate development	14,985,760	8	0.24%	14,741,953	3	0.38%
	Ingles Markets, Inc.	Retail grocery store	14,920,531	9	0.24%			
	Asheville Savings Bank SSB	Banking	13,933,120	10	0.23%			
	Teton Village House FLLC	Real estate development				8,776,145	6	0.22%
	Coats American, Inc.	Textiles Manufacturing				7,998,168	9	0.20%
	Bear Wallow Springs Inc.	Real estate development				7,236,429	10	0.18%
	Ecusta Business Development	Real estate development				8,055,678	8	0.21%
	Totals		\$ 227,907,634		3.72%	\$ 165,169,005		4.26%

Source: Transylvania County Tax Department

**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
2007	20,727,898	20,575,914	99.27%	141,125	20,717,039	99.95%
2008	21,651,249	21,543,523	99.50%	99,167	21,642,690	99.96%
2009	22,373,595	22,248,962	99.44%	116,015	22,364,977	99.96%
2010	23,646,198	23,572,169	99.69%	67,343	23,639,512	99.97%
2011	23,615,556	23,496,491	99.50%	105,671	23,602,162	99.94%
2012	23,668,341	23,580,022	99.63%	77,515	23,657,537	99.95%
2013	23,704,178	23,627,172	99.68%	61,645	23,688,817	99.94%
2014	26,847,544	26,791,840	99.79%	37,785	26,829,625	99.93%
2015	27,436,607	27,399,573	99.87%	18,897	27,418,470	99.93%
2016	27,575,417	27,540,474	99.87%		27,540,474	99.87%

Source: Transylvania County Tax Department

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

TABLE 10

UNAUDITED

Fiscal Year	Governmental Activities					Business-type Activities				
	General Obligation Bonds	General Obligation Bonds-Premium	Other Bonds	Installment Financing Contract	Capital Lease	Other Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita	
2007	\$ 18,020,000	\$ -	\$ 419,926	\$ -	\$ -	-	\$ 18,439,926	0.00%	\$ 607	
2008	16,460,000	-	383,911	-	-	-	16,843,911	0.00%	548	
2009	14,560,000	26,702	347,897	2,803,332	-	-	17,737,931	0.00%	572	
2010	12,645,000	23,590	1,609,659	2,610,000	-	-	16,888,249	0.00%	543	
2011	10,695,000	20,478	1,465,496	2,416,667	-	-	14,597,641	0.00%	441	
2012	8,770,000	17,366	1,321,333	2,223,334	33,920	-	12,365,953	0.00%	372	
2013	6,885,000	14,254	1,177,170	2,030,001	61,638	-	10,168,063	0.00%	306	
2014	5,000,000	11,142	1,033,007	1,836,668	44,108	-	7,924,925	0.00%	239	
2015	3,140,000	8,030	757,038	1,643,335	26,578	-	5,574,981	0.00%	167	
2016	1,300,000	4,918	648,890	3,197,210	20,967	-	5,171,985		153	

(1) Information not yet available for 2016

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			
2007	18,020,000	-	-	18,020,000	0.00%	0.47%	594
2008	16,460,000 \$	29,814	-	16,489,814	0.00%	0.41%	535
2009	14,560,000	26,702	-	14,586,702	0.00%	0.35%	471
2010	12,645,000	23,590	-	12,668,590	0.00%	0.21%	407
2011	10,695,000	20,478	-	10,715,478	0.00%	0.18%	324
2012	8,770,000	17,366	-	8,787,366	0.00%	0.15%	264
2013	6,685,000	14,254	-	6,699,254	0.00%	0.11%	202
2014	5,000,000	11,142	-	5,011,142	0.00%	0.08%	151
2015	3,140,000	8,030	-	3,148,030	0.00%	0.05%	94
2016	1,300,000	4,918	-	1,304,918			39

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 2016 personal income not available to calculate fiscal year 2016.

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

TABLE 12

UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 306,056	\$ 319,586	\$ 331,061	\$ 475,559	\$ 477,794	\$ 479,109	\$ 480,073	\$ 492,518	\$ 487,871	\$ 490,429
Total Net Debt Applicable to Debt Limit	18,446	16,849	17,711	16,865	14,598	12,366	10,168	7,925	5,575	5,172
Legal Debt Margin	\$ 287,610	\$ 302,737	\$ 313,350	\$ 458,694	\$ 463,196	\$ 466,743	\$ 469,905	\$ 484,593	\$ 482,296	\$ 485,257
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	6.0%	5.3%	5.3%	3.5%	3.1%	2.6%	2.1%	1.6%	1.1%	1.1%

Legal Debt Margin Calculation for Fiscal Year 2016

Total Assessed Value	\$ 6,130,358
Debt Limit (8% of Total Assessed Value)	\$ 490,429
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 1,954
Installment Contracts	3,197
Capital Leases	21
Total Amount of Debt Applicable to Debt Limit	\$ 5,172
Legal Debt Margin	\$ 485,257

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.

**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)
2007	30,360	880,111,000	29,642	3,799	4.30%	268
2008	30,760	953,613,000	31,837	3,775	4.80%	184
2009	30,991	1,018,379,000	33,771	3,759	8.60%	113
2010	31,095	1,033,164,000	34,207	3,663	8.60%	111
2011	33,090	1,023,272,000	30,937	3,554	8.80%	86
2012	33,275	1,007,674,000	30,703	3,531	9.60%	78
2013	33,188	1,073,785,000	32,689	3,567	8.80%	71
2014	33,220	1,072,817,000	32,605	3,517	6.20%	72
2015	33,428	1,094,188,000	33,112	3,523	6.00%	78
2016	33,745			3,462	4.80%	106

Data Sources:

- (1) Population projections from the N.C. Planning Office, using the 2015 certified number for 2016, 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. Department of Commerce.
- (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	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Transylvania County Board of Education	492	1	3.5%	512	2	6.0%
Transylvania Health System, Inc.	407	2	2.9%	541	1	6.2%
Transylvania County Government	343	3	2.4%	317	3	3.6%
Brevard College	230	4	1.6%	221	4	2.5%
Gaia Herbs*	192	5	1.4%	104	8	1.2%
Ingles Markets, Inc.	180	6	1.3%			
Transylvania Vocational Services	134	7	0.9%			
M-B Industries	121	8	0.9%	151	5	1.7%
City of Brevard	95	9	0.7%			
The Oaks Retirement Home	91	10	0.6%			
Brian Center				96	9	1.1%
Wal-Mart Associates Inc.				107	7	1.2%
Ivy Hill Retirement Home				127	6	1.5%
City of Brevard				90	10	1.0%
Total	2,285		16.2%	2,266		26.0%

Source: Information provided directly by employers

Note: Employment figures include estimates of full-time equivalents for part-time employees.

* Excluding seasonal workers

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

TABLE 15

UNAUDITED										
Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
General Government	45	46	48	50	46	49	48	48	48	48
Public Safety	116	126	131	130	130	137	139	137	138	139
Transportation	9	9	9	9	9	9	9	9	9	9
Economic and Physical Development	3	3	3	3	2	2	2	3	3	3
Environmental Protection	2	2	2	2	2	2	2	2	2	2
Human Services	92	93	94	95	90	90	90	92	95	96
Cultural and Recreation	32	32	27	27	27	29	29	29	29	30
Total Governmental Activities	299	311	314	316	306	318	319	320	324	327
Business-Type Activities										
Solid Waste	18	18	19	19	17	16	16	16	16	16
Total Business-Type Activities	18	18	19	19	17	16	16	16	16	16
Total All	317	329	333	335	323	334	335	336	340	343

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.

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

TABLE 16

UNAUDITED

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Registered Voters	21,880	22,203	22,926	23,516	23,224	24,070	24,028	24,017	23,643	24,376
Number of Tax Bills (excl motor vehicles)	30,139	30,856	30,650	30,615	30,207	30,159	30,159	30,136	30,073	29,999
Public Safety										
Crime Rate/1000 Citizens (calendar year)	17.04	18.11	18.20	22.42	19.22	17.82	19.88	16.65	N/A	N/A
911 Calls	30,629	32,585	35,142	44,361	47,944	49,045	48,094	47,001	48,286	50,444
Building Permits Issued*	1,238	1,215	1,036	1,133	1,160	1,034	1,070	1,100	1,346	1,464
Planning										
Subdivisions approved	12	12	24	18	3	0	3	9	18	11
Culture and Recreation										
Library Material Circulation	303,650	314,667	329,208	340,378	352,980	361,519	353,015	349,162	333,422	371,175
Solid Waste										
Tons disposed	28,090	28,912	23,828	22,328	19,495	21,578	19,935	21,302	24,068	27,270

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

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

TABLE 17

UNAUDITED										
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety:										
Sheriff Department Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	61	64	64	66	66	66	66	66	69	71
Culture and Recreation:										
Libraries	1	1	1	1	1	1	1	1	1	1
Parks	4	4	4	4	6	6	6	6	6	6
Acreage	55	55	55	55	74	74	74	74	74	74
Athletic fields	7	7	7	7	7	9	9	9	9	9
Recreation centers	1	1	1	1	1	1	1	1	1	1