

**TRANSYLVANIA COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

**TRANSYLVANIA COUNTY
NORTH CAROLINA**

Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

Prepared by the Finance Department

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**TRANSYLVANIA COUNTY
NORTH CAROLINA**

JUNE 30, 2017

BOARD OF COUNTY COMMISSIONERS

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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
Larry Chapman, Chair
Page Lemel, Vice-Chair
Jason Chappell
Mike Hawkins
Kelvin Phillips



COUNTY MANAGER
Jaime Laughter
828-884-3100
Fax 828-884-3119

101 South Broad Street
Brevard, NC 28712

November 22, 2017

The Board of Commissioners
Transylvania County
North Carolina

The Comprehensive Annual Financial Report of Transylvania County for the fiscal year ended June 30, 2017, 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, and P.A. The firm has rendered an unmodified opinion, which appears at the beginning of the financial section of this report. The responsibility, however, for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Transylvania County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner to present fairly the financial position and results of operation of the various activities and funds of the government. All disclosures necessary to enable the reader to gain an understanding of the government's financial transactions have been included.

The County is also required to undergo an annual single audit in conformity with generally accepted auditing standards; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB 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, 2016 was 34,139. 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, County Attorney, 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 support, cultural and recreational opportunities, and general administration services. While the Transylvania County Schools are a separate entity, the County provides 33% of the annual funding for the school system. Including debt service on school bonds, the amount appropriated for education represents 28% of the County's annual budget. Another 25% is allocated to public safety and 20% 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, 2017, the county's unemployment rate was 3.9%, well below the prior year-end rate of 4.8% and less than the statewide average of 4.2%.

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 16 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 2016 travel and tourism contributed \$94.62 million to the local economy – 6.5% more than in 2015 - including \$17.7 million in payrolls and \$8.0 million in tax revenues. Local occupancy tax receipts that grew by 12.9% from FY 16 to FY 17 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 415 employees, TRH is still the county's largest private sector employer and has an annual payroll of almost \$19 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 committed to an experience-based learning approach. The 2018 edition of U.S. News Best Colleges recently ranked Brevard College 21st in Southern regional colleges. With an 11.0% increase in the enrollment of new students this academic year, total enrollment for the fall of 2017 reached 677, and the current number of faculty and staff is 235. The local economic impact of Brevard College is estimated to be over \$35 million annually. The Transylvania County School system has almost 500 employees and is the largest 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 16, Transylvania County's taxable retail sales grew by 10.2%, making this the seventh 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 17 – apparel, automotive, food, general merchandise, and lumber and building supplies. The only decrease occurred in purchases of furniture and was less than 5.0%. 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 expanded its business this summer, 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 has recently been completed and has added more space for retail ventures in the downtown area. Based on data from the BLS website, approximately 17% of the local labor force works in this sector, down slightly from a year ago. Retail activity, however, shows signs of continuing to strengthen in the current fiscal year, with first quarter taxable sales in the county 4.6% higher than for the first quarter of FY 17.

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 08. This sector began turning around in FY 14, which saw a boost in both 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. This improvement continued into FY 17, though with commercial activity outpacing residential 133.3% to 13.4%, to generate an overall increase of 23.6% in volume. Values also rose – commercial by 212.1%

and residential by 23.8%, for a combined total of 54.5%. Likewise, both the number and average value of residential and commercial renovations and alterations increased in FY 17, by 11.7% and 45.8%, respectively. Over the last five years, \$211.6 million in new construction has been permitted, most of which has been added to the tax base. In the first quarter of 2017, the latest period for which employment records are available from the BLS, 7.7% of the local work force was directly involved in construction versus 7.1% for the first quarter of 2016. 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 4.8% over the first four months of FY 16. However, due to a shift toward more residential units, the overall value is currently down 39.4%. Sales of land and existing homes, as evidenced by a 13.4% increase in revenues from real property transfer taxes from FY 16 to FY 17, are also improving. These positive trends in construction as well as property sales indicate that this sector is recovering from the recession at a healthy 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 close to 900 people, compared to approximately 600 people five years ago. The largest of these, Gaia Herbs with 255 full-time employees plus seasonal workers, is a vertically integrated grower and producer of organic herbal products. Over the past several years, the company has added new product lines and increased plant capacity to keep up with double-digit growth in consumer demand. In 2016 Gaia Herbs announced another expansion, now underway, that will require a \$5 million capital investment and create a number 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. The second largest manufacturer in the County is also the oldest. M-B Industries moved to the area in 1962 to be closer to the textile industry that it supplied with thread guides, tension guides and other specialized products. Today, with a 120+ workforce, the company makes metal stampings, wire forms, and precision tooling for a wide array of customers including the lawn and garden, automotive, health care and power tool industries. Since its inception in 1967 as a Sheltered Workshop for individuals with developmental disabilities, Transylvania Vocational Services (TVS) has evolved to become the County's third largest manufacturer with a current headcount of 115. 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. 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 completed a \$6.5 million project last year anticipated to double its production in 2017 and increase its workforce by almost 25%. Other smaller local companies such as New Excelsior, 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 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 based on a policy adopted by the Board of Commissioners. 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. The County recently received notification that Davidson River Village, a former industrial site, has been selected to participate in Duke Energy's 2017 Site Readiness Program. According to the press release, Duke Energy chose the site based on its "excellent infrastructure, easy access to major transportation corridors, a creative workforce, and immediate access to major public recreational lands" and its consequential potential to bring large businesses and industries to the area. In addition to providing assistance with preparing a site for development, the program offers assistance with strategic marketing of the site nationwide to companies interested in expanding or relocating their operations. The program also makes the County

eligible to apply for a \$10,000 matching grant from Duke Energy for the site. In partnership with TEA, the County will continue to actively seek opportunities such as the Duke Energy program as well as 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 upgraded the County's bond rating in recent years 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 recover, 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.

FY 15's and FY 16's General Fund budgets grew by 5.1% and 2.5%, respectively, and allowed the County to continue investing in recreational facilities and economic development, begin addressing deferred maintenance and capital equipment needs, implement a Classification and Compensation Study, and add resources required in some areas to meet greater citizen demand and government mandates. An increase in the school system's operating costs in FY 15 was funded entirely by a 3% increase in the tax rate approved by the Board of Commissioners specifically for that purpose. All other expenditures over the two year period, including a 4.6% increase in financial support for the Local Education Agency (LEA) in FY 16, were covered by current revenue streams supplemented by withdrawals from fund balance.

A property reappraisal in 2016 resulted in an 8% overall reduction in the tax base, which reflected the nationwide decline in the housing market that began shortly before the County's January 1, 2009 property revaluation. To maintain existing service levels and generate additional funds for major capital projects, the Board of Commissioners raised the tax rate for FY 17 above the revenue-neutral level of \$.4910/\$100 to \$.5110/\$100. The resulting FY 17 General Fund budget was only 1.1 percent more than FY 16's, but supported the County's top priorities. During the budget process, the Board of Commissioners adopted a school funding formula based on the school's projected enrollment for the coming year, the average two-year growth rate in per pupil funding by the 25 highest-ranking counties, and inflation. Designed to preserve the County's high ranking in the State (fifth in FY 16) for funding per student, the formula resulted in 3.6% increase in the FY 17 appropriation for the LEA. FY 17's budget also included additional funding for personnel costs, particularly for employee health insurance; facility maintenance; and capital equipment. In addition, funds were allocated to go into reserves for Parks and Recreation projects and Emergency Management services. The increase in expenditures was almost entirely offset by the combination of the increase in the tax rate and a decrease in debt service on general obligation school bonds nearing maturity. Consequently, the amount appropriated from fund balance to bridge the gap between revenues and expenditures was minimal.

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:

Economic Development

In April of 2016, the County was awarded a Golden LEAF Foundation grant in the amount of \$1.1 million. One hundred thousand dollars was earmarked for Science, Technology, Engineering and Mathematics (STEM) education in the local school system, and the remainder was designated for the creation of advanced manufacturing jobs in the community. Since then Transylvania County has been working diligently with the City of Brevard and the Transylvania Economic Alliance (TEA) to address the critical need for a certified business park with an existing warm shell building to attract new businesses considering moving to the area. This collaboration resulted in a plan to develop a seven acre tract as an industrial site and to construct a 60,750 square foot, multi-tenant building on the site. The City currently owns the property, which is in a prime location with access to water, sewer, natural gas, electricity, and telecommunications, but has agreed to contribute the property valued at \$1,000,000 to the venture. TEA has been responsible for overseeing and obtaining regulatory approvals for the initial site preparation, developing a site master plan, and securing engineering and architectural services. In addition, TEA will contribute a \$200,000 grant it received from the North Carolina Department of Commerce specifically for this project. 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 to pay the remaining costs associated with the project. With input from the County, TEA had architectural plans and bid specifications prepared during the latter part of FY 17. The building was designed with two areas to be leased for industrial use, shared office space, and all of the mechanical, plumbing, electrical, lighting, sprinkler, and alarm systems required for the building to be fully functional upon its completion. Invitations for bids were issued in early FY 18, and the contract is scheduled to be awarded by the end of November 2017.

The total estimated cost of the project is \$5.8 to \$6.0 million, with funding to be provided as outlined above. Net income from lease payments will be prorated between the County and TEA with a portion of the funds slated to be reinvested in future economic development projects.

Parks and Recreation

In another collaborative effort, the Brevard City Council and Transylvania County Board of Commissioners appointed a joint Parks and Recreation Task Force in FY 16 to develop a Master Plan for a coordinated and comprehensive approach to the expansion of recreational facilities and resources in the community. The Task Force presented the plan in September 2016. It proposed improvements to existing parks, the construction of a new community sports complex and a multi-generational recreation center, and the development of additional parks, greenway trails, and blueways on the French Broad River. While implementing all of the plan's components at once would be cost-prohibitive, the Council and the Board have expressed interest in working together and phasing in various projects, based on available funding and community priorities. Commissioners have adopted the Master Plan without a proposed chapter on implementation, but the City has not adopted the Master Plan. In March of 2017 the Board of Commissioners approved funding to install air conditioning in the Recreation Center's gymnasium, one of the renovations recommended in the plan, and in June the Board formally adopted portions of the plan. These included the Parks and Recreation Department's vision "to be the conservation, park and recreation leader of a vital, active, nature based community," its mission "to protect the region's natural heritage and provide quality recreation and park facilities and programs that inspire a personal connection with the outdoors and health and wellness related activities," and more specific visions for parks and trails, facilities, and programming to support the overall vision.

The Board of Commissioners appropriated \$40,000 in the FY 18 General Fund budget for improved ADA accessibility for recreational facilities and upgraded river access points. Over the past two years, 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, the Board has also assigned \$500,000 in fund balance towards implementation of the Parks and Recreation Master Plan.

Public Safety

Last May the Board of Commissioners approved moving forward with the installation of a VHF non-proprietary simulcast repeater system to address public safety communications issues. The existing analog VHF repeater system, which was installed in 1992, handled dispatches for law enforcement, fire and rescue, and emergency medical services adequately through five transmit sites and one receive site until fairly recently. Due to the Federal Communications Commissions' Narrowbanding mandate in 2013, the number of radio frequencies available for licensing doubled, and similar or same frequency transmitters were allowed to operate in closer proximity. Over time as the number of transmitters in the County's operational band has grown, the airwaves have become extremely cluttered with traffic, causing interference on County dispatch frequencies. In turn, the strong interference blocks signals from lower power two-way handheld radios and mobile radios used by public safety personnel and first responders in areas already dealing with the challenges posed by the mountainous terrain. The resulting poor communication from field units to dispatch presents a serious safety concern not only for those providing emergency services to the citizens of the County but also for those citizens receiving law enforcement and emergency services. The VHF simulcast repeater system will alleviate the reception issues by automatically routing signals based on audio quality to the most appropriate tower for reception. In addition, the proposed system will provide three simulcast channels – one for each of the three emergency service functions – and a single, countywide dispatch channel, thereby eliminating the need for the responder to select the appropriate channel on the radio to reach the dispatch center.

Like other major initiatives for FY 17, this project spans multiple years. The Board of Commissioners approved up to \$530,000 for this project, with funds to come from fund balance assigned for emergency services. Following the acceptance of the proposed solution in May, options for implementing it have been studied and thoroughly vetted. The Request for Proposals for the new system will be issued within the next few weeks.

For The Future:

Major Capital Projects

Courthouse

Earlier this month the Board of Commissioners approved the construction of a new courthouse to replace the County's historic courthouse built in 1881. A Space Needs and Utilization Assessment conducted in 2005 evaluated the adequacy of all existing facilities County-wide, taking into account factors such as security, convenient accessibility for citizens, workspace needs, and availability of parking for employees and visitors. The study concluded that the courthouse had the most serious deficiencies. At that time, however, facing the construction of a multi-million dollar Public Safety Facility, the Board of Commissioners focused on measures to remedy those deficiencies without having to build a new courthouse. Establishing a single point of entry with an X-ray machine and a metal detector mitigated the most urgent of the security concerns, and moving non-court related functions to another building alleviated the worst of the space constraints. Over the next several years the County examined in depth both medium and long-term options as well as alternative locations for court facilities. The Board of Commissioners weighed the pros and cons of constructing an annex on adjacent property that would extend the life and functionality of the existing courthouse 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 were other factors such as economic implications for the downtown area that the Commissioners took into careful consideration. After much deliberation the Board unanimously agreed that a longer term solution was a more prudent investment of public funds and that the advantages of locating the new courthouse near the Public Safety Facility outweighed the disadvantages. Based on preliminary plans, the new

courthouse will have approximately 61,000 finished square feet (more than double the space currently available) on two levels plus a 30,000 square foot shelled-in third level to allow for future expansion. The building will house four courtrooms, jury pool and deliberation rooms, a prisoner sally port and holding cells, and offices for the Administrative Office of the Court, District Attorney, Public Defender, Community Corrections, and other court-related functions. Designed with security as the top priority, the facility will offer adequate space for public screening and separate entrances, passageways, and common areas to prevent commingling of prisoners, victims, judges, staff, and others involved in judicial proceedings. Locating the new courthouse on the Public Safety Facility property has multiple benefits including reduced risk and time associated with transporting prisoners for court dates, close proximity to Law Enforcement personnel, ample parking, and easy access. This project from the preparation of architectural drawings through construction is anticipated to take approximately three years.

The projected cost of constructing the new courthouse is \$31 million. The financing method has not been determined yet.

Transylvania County Schools

The Transylvania County Board of Education and the Board of Commissioners held a joint meeting in April 2017 to discuss 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 four years to 72 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 by an outside consultant for the Board of Education, the latest estimated cost to address all of the identified items would be approximately \$93 million. The County's last general obligation school bonds, which were issued in 1999, will reach maturity in February of 2018. While there are still many variables to be determined, the Board of Commissioners expects the Board of Education to submit a formal petition for a General Obligation bond referendum to be held in November 2018 for the purpose of providing funds for school capital projects.

Other

As mentioned above, the Board of Commissioners has been considering the recommendations put forth in the Parks and Recreation Master Plan and setting aside funds to implement 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 November of 2016, 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.

LONG-TERM PLANNING

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.

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.

While the adoption of the Strategic Plan underscored the Board's recognition of the importance of long-term planning and commitment to expanding the process, the County has for many years prepared a multi-year capital plan for significant equipment acquisitions, building and land improvements, and new facilities. Using the strategic plan as a framework 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.

In addition, every 10 years the Transylvania County Planning Board in conjunction with County staff has formulated a comprehensive long-term plan 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 adopted in March 2017. 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. The Comprehensive Plan will augment the Strategic Plan by providing additional information for sound decision-making.

These long-term planning tools are intended not only to advance the County in a clearly-stated, deliberate, and unified direction but also to promote the efficient and effective allocation of resources to better serve the citizens for years to come.

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, 2016. (This was the 30th 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,



Gay V. Poor
Finance Director



Government Finance Officers Association

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

Presented to

**Transylvania County
North Carolina**

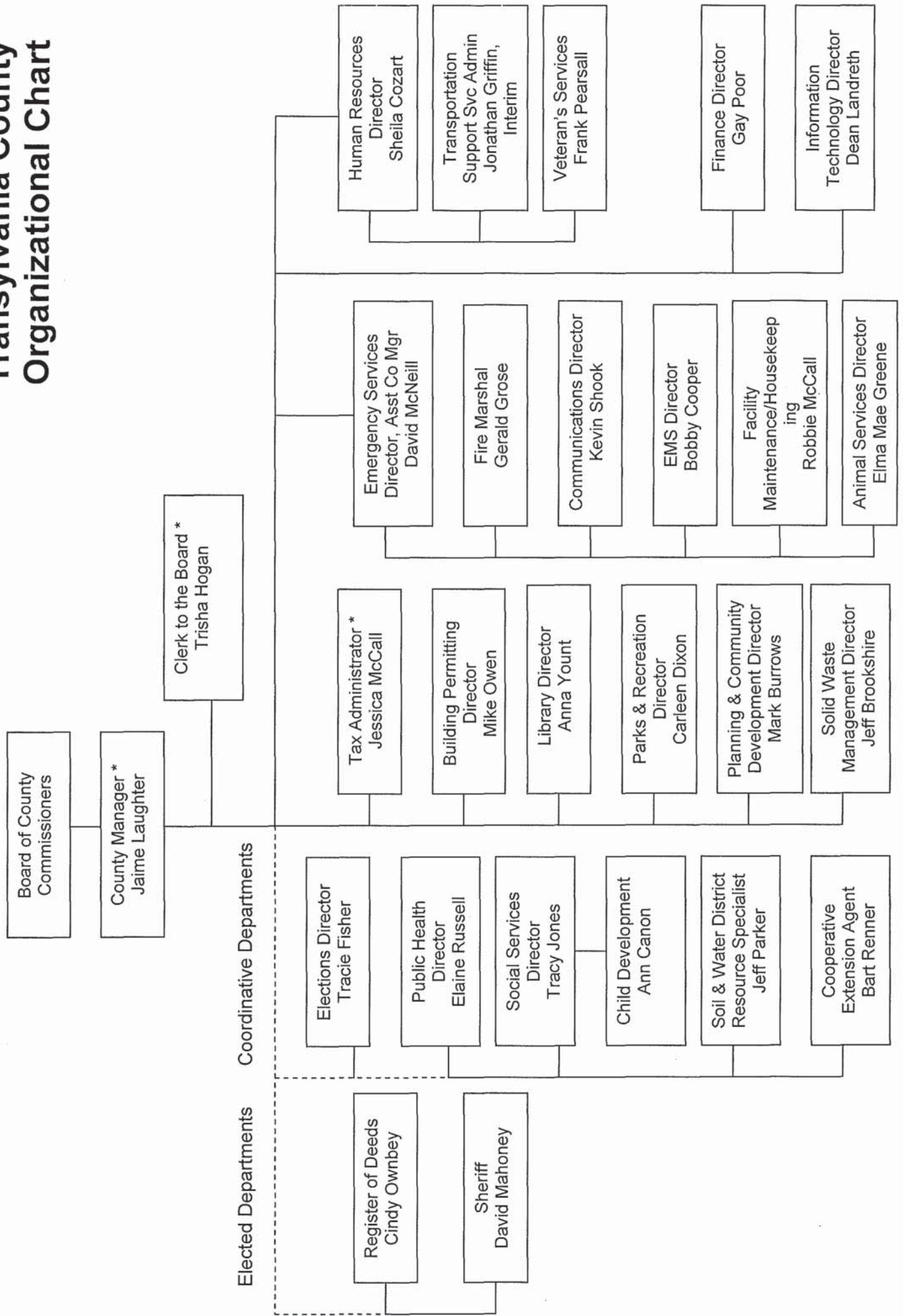
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

Transylvania County Organizational Chart



* Appointed by County Commissioners

As of 06/30/2017

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, 2017, 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, 2017, 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 Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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, budgetary 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, budgetary 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, budgetary 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 22, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Transylvania County's 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 22, 2017

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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, 2017. 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

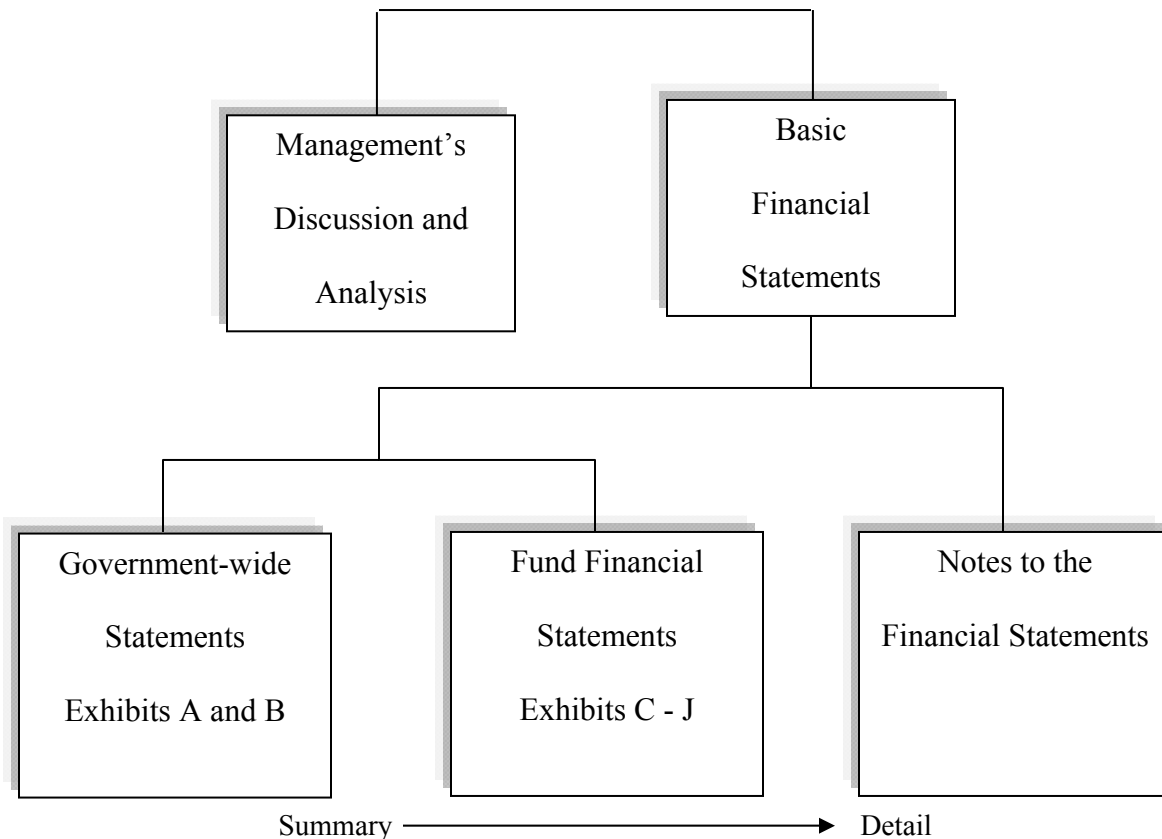
- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2017 by \$67,517,789 (*net position*). Of this amount, \$19,920,769 (29.5 percent) is unrestricted and, therefore, may be used to meet the government's ongoing obligations to citizens and creditors.
- A prior period adjustment for pension liability and costs associated with the Law Enforcement Officers' Special Separation Allowance reduced the total net position for governmental activities reported at the end of fiscal year 2016 by \$826,170 and resulted in the government-wide total net position being restated as \$64,339,387. The adjustment was required due to the County's implementation in fiscal year 2017 of Governmental Accounting Standards Board (GASB) Statement No. 73.
- The government's total net position grew by \$3,178,402 (4.9 percent). Current year governmental activities and business-type activities generated an additional \$3,085,316 and \$93,086, respectively.
- At the close of the fiscal year, the County's governmental funds reported combined fund balances of \$28,850,587, reflecting an increase of \$1,951,249 over the prior year. Approximately 18.1 percent of the balance, or \$5,229,155, is restricted or non-spendable. Another 44.3 percent, or \$12,765,108, is either committed or assigned for specific purposes, leaving the remaining \$10,856,324 (37.6 percent) unassigned.
- The County's General Fund balance grew by \$2,663,989 to finish the year at \$27,440,280. The unassigned amount of this balance is \$10,856,324, which represents 22.9 percent of total General Fund expenditures and transfers out for the fiscal year.
- The County achieved an ad valorem tax collection rate of 99.83 percent in fiscal year 2017, slightly less than the 99.87 percent realized the prior year. Fiscal year 2016's rate was the highest in the State, which reported an average collection rate of 98.82 percent for counties.
- As of June 30, 2017, the County had long-term outstanding debt of \$3,951,886, down \$1,220,099, or 23.6 percent, from the previous year. The County did not assume any new debt during fiscal year 2017.
- 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 20 to 23 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 41-45 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 through 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 33 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 79 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, 2017, Transylvania County's government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67,517,789 - reflecting growth of \$3,178,402 resulting from financial transactions that occurred during fiscal year 2017 (see Figure 2).

Transylvania County's Net Position

Figure 2

| | Governmental Activities | | Business-type Activities | | Government-wide Total | |
|-----------------------------------|----------------------------|---------------|-----------------------------|---------------|--------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 31,333,855 | \$ 29,378,460 | \$ 7,998,541 | \$ 7,538,408 | \$ 39,332,396 | \$ 36,916,868 |
| Net pension asset | \$ 78,658 | \$ 95,952 | \$ - | \$ - | \$ 78,658 | \$ 95,952 |
| Capital assets | 41,635,492 | 41,244,332 | 3,601,564 | 3,625,348 | 45,237,056 | 44,869,680 |
| Total assets | \$ 73,048,005 | \$ 70,718,744 | \$ 11,600,105 | \$ 11,163,756 | \$ 84,648,110 | \$ 81,882,500 |
| Deferred outflows of resources | \$ 3,986,131 | \$ 989,358 | \$ 206,694 | \$ 51,616 | \$ 4,192,825 | \$ 1,040,974 |
| Long-term liabilities outstanding | \$ 12,221,719 | \$ 9,666,836 | \$ 6,345,895 | \$ 5,830,061 | \$ 18,567,614 | \$ 15,496,897 |
| Other liabilities | 2,443,645 | 2,484,233 | 87,272 | 87,568 | 2,530,917 | 2,571,801 |
| Total liabilities | \$ 14,665,364 | \$ 12,151,069 | \$ 6,433,167 | \$ 5,917,629 | \$ 21,098,531 | \$ 18,068,698 |
| Deferred inflows of resources | \$ 216,519 | \$ 490,096 | \$ 8,096 | \$ 25,293 | \$ 224,615 | \$ 515,389 |
| Net position: | | | | | | |
| Net investment in capital assets | \$ 38,746,154 | \$ 38,026,155 | \$ 3,601,564 | \$ 3,625,348 | \$ 42,347,718 | \$ 41,651,503 |
| Restricted | 5,249,302 | 5,629,711 | - | - | 5,249,302 | 5,629,711 |
| Unrestricted | 18,156,797 | 15,411,071 | 1,763,972 | 1,647,102 | 19,920,769 | 17,058,173 |
| Total net position | \$ 62,152,253 | \$ 59,066,937 | \$ 5,365,536 | \$ 5,272,450 | \$ 67,517,789 | \$ 64,339,387 |

Governmental activities were responsible for \$3,085,316, or 97.1 percent, of the increase in net position while business-type activities produced the remaining \$93,086, or 2.9 percent.

At \$42,347,718, net investment in capital assets are the largest component, 62.7 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 increased by \$696,215 as current year investments in capital and decreases in related debt exceeded depreciation and retirements.

Another portion of the County's net position, \$5,249,302, or 7.8 percent, represents resources that are subject to external restrictions on how the funds may be used. These restrictions are legally binding and are imposed by general statutes, grants, or contracts. Stabilization funds required by State statute make up \$3,651,116 of this classification, which also includes fire district taxes, court fees, E911 Communications charges, Register of Deeds enhancement funds and pension plan, and various other grants and donations. A reduction in stabilization funds, largely due to loan proceeds received during the fiscal year, pulled down restricted net position by \$644,186. However, additions in several funding sources, most notably Inspections fees and the Federal Equitable Sharing Program, compensated for this somewhat so that the final reduction in restricted net position in fiscal year 2017 was only \$380,409.

The remaining government-wide balance in net position, \$19,920,769 or 29.5 percent, is unrestricted and therefore available to meet the County's ongoing obligations. As a result of fiscal year 2017 transactions, the unrestricted net position grew overall by 16.8 percent, or \$2,862,596, with \$2,745,726 (95.9 percent) generated by governmental activities and \$116,870 (4.1 percent) by business-type activities.

Governmental activities – At the end of fiscal year 2017, the County's governmental activities reported a net position of \$62,152,253, which was \$3,085,316 or 5.2 percent higher than the prior year's net position (see Figure 3). This growth was \$47,418 more than that realized the prior year.

Revenues: Compared to fiscal year 2016, revenues were \$2,773,755 higher, mainly because of substantial gains in property taxes, other taxes, and operating grants and contributions. The decrease in the tax base due to the 2016 property revaluation was more than offset by an increase in the tax rate, which was set two cents above the revenue-neutral rate and resulted in an additional \$1,653,698 collected in ad valorem taxes. As the economy improved, so did other taxes. Sales taxes were boosted by 7.0 percent and real estate taxes by 12.8 percent to generate \$597,605 more than in the prior year. Revenues from operating grants and contributions grew by \$469,529. Over one third of this increase was attributable to \$174,291 in North Carolina Education Lottery funds passed through the County in fiscal year 2017 versus none in fiscal year 2016. In addition, the County received \$143,026 more in funding for public assistance programs, especially foster care and special child adoptions, and \$127,962 more in funding for Public Safety functions, mostly through the Federal Equitable Sharing Program. Charges for services also surpassed the prior year's by \$151,156, led by a \$156,562 jump in fees collected for building permits and inspections, another indicator of the turnaround in the local economy. The County did not receive any capital grants in fiscal year 2017 and consequently showed a decrease of \$181,350 for this revenue source. Miscellaneous unrestricted revenues and interest earned on investments accounted for the remaining \$83,117 addition to revenues.

Expenses: Expenses and transfers in fiscal year 2017 were also significantly higher than the prior year's - by a total of \$2,726,337.

Transylvania County's Changes in Net Position
Figure 3

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,410,320 | \$ 4,259,164 | \$ 1,790,349 | \$ 1,706,101 | \$ 6,200,669 | \$ 5,965,265 |
| Operating grants and contributions | 7,542,506 | 7,072,977 | 46,596 | 19,982 | 7,589,102 | 7,092,959 |
| Capital grants and contributions | - | 181,350 | - | - | - | 181,350 |
| General revenues: | | | | | | |
| Property taxes | 32,363,790 | 30,710,092 | - | - | 32,363,790 | 30,710,092 |
| Other taxes | 8,615,945 | 8,018,340 | - | - | 8,615,945 | 8,018,340 |
| Grants and contributions unrestrict to specific programs | - | - | - | - | 398,562 | 383,029 |
| Miscellaneous unrestricted | - | - | - | - | - | - |
| Interest | 132,715 | 65,131 | 1,616 | 6,258 | 134,331 | 71,389 |
| Total revenues | \$ 53,463,838 | \$ 50,690,083 | \$ 1,838,561 | \$ 1,732,341 | \$ 55,302,399 | \$ 52,422,424 |
| Expenses: | | | | | | |
| General government | \$ 5,591,288 | \$ 5,617,567 | \$ - | \$ - | \$ 5,591,288 | \$ 5,617,567 |
| Public safety | 16,364,189 | 15,700,514 | - | - | 16,364,189 | 15,700,514 |
| Transportation | 472,854 | 436,509 | - | - | 472,854 | 436,509 |
| Economic and physical development | 1,250,752 | 1,178,119 | - | - | 1,250,752 | 1,178,119 |
| Human services | 9,591,901 | 9,037,670 | - | - | 9,591,901 | 9,037,670 |
| Cultural and recreation | 2,529,905 | 2,435,648 | - | - | 2,529,905 | 2,435,648 |
| Education | 13,797,948 | 12,649,134 | - | - | 13,797,948 | 12,649,134 |
| Interest on long-term debt | 153,568 | 222,024 | - | - | 153,568 | 222,024 |
| Landfill | - | - | 2,371,592 | 2,085,608 | 2,371,592 | 2,085,608 |
| Total expenses | \$ 49,752,405 | \$ 47,277,185 | \$ 2,371,592 | \$ 2,085,608 | \$ 52,123,997 | \$ 49,362,793 |
| Change in net position before transfers | \$ 3,711,433 | \$ 3,412,898 | \$ (533,031) | \$ (353,267) | \$ 3,178,402 | \$ 3,059,631 |
| Transfers | \$ (626,117) | \$ (375,000) | \$ 626,117 | \$ 375,000 | \$ - | \$ - |
| Change in net position | \$ 3,085,316 | \$ 3,037,898 | \$ 93,086 | \$ 21,733 | \$ 3,178,402 | \$ 3,059,631 |
| Net position, July 1 | \$ 59,893,107 | \$ 56,855,209 | \$ 5,272,450 | \$ 5,250,717 | \$ 65,165,557 | \$ 62,105,926 |
| Prior period adjustment | \$ (826,170) | | \$ - | | \$ (826,170) | \$ - |
| Net position, July 1, restated | \$ 59,066,937 | \$ 56,855,209 | \$ 5,272,450 | \$ 5,250,717 | \$ 64,339,387 | \$ 62,105,926 |
| Net position, June 30 | \$ 62,152,253 | \$ 59,893,107 | \$ 5,365,536 | \$ 5,272,450 | \$ 67,517,789 | \$ 65,165,557 |

The largest contributors to this variance were:

- \$1,148,814 growth in Education expenses, which included an additional \$405,995 in appropriations for the local school system and community college and the \$174,291 in lottery funds passed through the County but more significantly reflected the return to more normal funding levels after a reduction was recorded in fiscal year 2016 for the transfer of school property back to the Board of Education
- \$732,248 increase in salaries, wages, and fringes spread throughout the organization and mostly attributable to approximately \$318,000 for new positions, reclassifications and changes to work schedules, and a 2.1% COLA that went into effect in February 2017; \$78,000 for an 8.4% hike in State retirement rates; and \$277,000 for higher insurance claims and administrative costs
- \$536,451 addition to Other Post-Employment Benefit and pension plan obligations also allocated across all functions
- \$251,117 increase in the transfer to business-type activities to replace an excavator and ensure compliance with North Carolina Division of Waste Management daily landfill coverage requirements

A multitude of relatively minor variances throughout the organization in expenses such as computers, property and liability and workers' compensation insurance, maintenance, supplies, and programs funded by grants and other external sources netted to a small overall increase of less than \$100,000.

In fiscal year 2017, charges for services, grants, and contributions covered 24.0 percent of the expenses of governmental activities and comprised 22.4 percent of total revenues. In fiscal year 2016, these external revenue sources supported 24.4 percent of the cost of governmental activities and made up 22.7 percent of total revenues.

Business-type activities – Transylvania County's business-type activities closed the year with a net position of \$5,365,536, reflecting growth of 1.8 percent or \$93,086, compared to growth of just \$21,733 recorded in fiscal year 2016.

Revenues from Solid Waste operations in fiscal year 2017 exceeded the prior year's by \$84,248. This increase, which was fairly evenly split between scale and sticker sales and recycling revenues, was attributable to higher volume of municipal solid waste and construction and demolition debris and both higher prices for and greater supply of recyclable materials. The receipt of insurance proceeds and funds from the sale of an asset drove non-operating revenues up by \$21,972, and brought the total increase in revenues for the year to \$106,220. Expenses, however, grew by \$285,984, led by almost \$150,000 in additional costs associated with providing better intermediate coverage of open cells and maintaining access roads to the landfill. Other routine operational expenses such as leachate disposal, equipment rental, engineering services, and personnel costs were also contributing factors. The \$251,117 increase in the transfer from governmental activities more than compensated for the operational loss and resulted in the overall fiscal year 2017 gain in net position for business-type activities.

Through tipping and recycling fees, users of the solid waste facility paid 87.9 percent of operating expenses (excluding potential assessment and corrective action (PACA) costs and closure and post-closure care costs) in fiscal year 2017, versus 97.1 percent in fiscal year 2016, and contributed 97.4 percent to the landfill's total operating revenues versus 98.5 percent in the prior year. Transfers from governmental activities supplemented these revenues. Please refer to the analysis of the proprietary fund on page 15 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 2017. The non-major governmental funds consist of Special Revenue Funds, Capital Projects Funds, and the Permanent Fund.

The General Fund is the chief operating fund of Transylvania County. At the end of the current fiscal year, the total fund balance equaled \$27,440,280, with \$58,479 non-spendable and \$3,360,206 restricted for stabilization by State statute. Another \$837,109 was restricted by general statutes for court facilities and Register of Deed's Office technology enhancements and by grant requirements and other external restrictions, most notably for Public Safety activities. Of the remainder, \$3,458,830 was committed by the Board of Commissioners for post-employment health benefits for employees (\$2,196,108) and pension payments for retired law enforcement officers (\$1,262,722). An additional \$8,869,332 was assigned for specific uses, including \$3,600,000 for economic development, \$1,178,109 for employee health insurance, \$1,066,527 for accrued vacation, \$830,352 for Parks and Recreation facility improvements, and \$530,000 for Emergency Management communications upgrades. The rest of the fund balance, \$10,856,324 or 39.6 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 22.9 percent and total fund balance represents 57.9 percent of expenditures and transfers for fiscal year 2017. The comparable figures for fiscal year 2016, respectively, were 26.8 percent and 53.2 percent.

The General Fund balance grew during fiscal year 2017 by \$2,663,989 (10.8 percent), considerably more than the prior year's increase of \$614,628 (2.5 percent). Operations generated a surplus of \$3,292,192. Actual revenues exceeded projections, with the majority of funding sources greater than budgeted as explained on page 12. Of even more significance though were actual expenditures county-wide that came in \$3,406,490 below budget. The major factors and their approximate contributions to this favorable variance were:

- \$1,047,000 of a \$1,100,000 Golden LEAF Foundation grant budgeted but neither received nor used prior to year-end
- \$395,000 from reductions in salaries, wages, and fringes resulting from retirements and resignations, attrition, and the time required to fill new and vacated positions
- \$268,000 budgeted to go into fund balance for the annual required contribution (ARC) to the retiree health insurance plan
- \$256,000 related to ongoing decreases in usage and changes in delivery methods of some of the public assistance programs managed by Social Services
- \$203,000 for capital projects that were either initiated but not fully completed by year-end or were postponed to the coming year

- \$200,000 for outside services and studies that cost less than estimated, were not required, or were put on temporary hold
- \$127,000 due to employee health insurance claims that were lower than projected
- \$107,000 remaining in other grant funds budgeted during the year, primarily for Public Safety purposes

Lower fuel, utility, and maintenance costs in conjunction with department heads' continuing conservative use of funds for supplies and discretionary items accounted for most of the additional savings compared to projected spending levels. A transfer of \$628,203 to other funds reduced the surplus from general operations to \$2,663,989. Because of this overall gain, the County avoided having to appropriate reserves as originally planned and was instead able to build fund balance.

The combined fund balances of the non-major governmental funds, however, decreased by \$712,740 to a total of \$1,410,307. The majority of this decrease - \$623,645 - occurred in the Capital Projects Funds as proceeds received in the prior year from an installment financing contract for a building renovation were withdrawn to complete the project in fiscal year 2017. The ending balance of \$479,402 in the Capital Projects Funds included \$385,260 earmarked for other renovation projects, \$72,017 set aside for Information Technology enhancements, and \$22,125 restricted for Education. The Special Revenue Funds as a whole saw a reduction of \$90,365 to end the year with a balance of \$594,985. While the Fire Districts Fund grew by \$57,310, the Emergency Telephone System Fund fell by \$147,675 due to the planned withdrawal of funds to cover ongoing 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 Permanent Fund was established for the maintenance of an historic mansion and grounds bequeathed to the County for use as a recreation facility. Following extensive repairs and restoration work completed in recent years, there was very little activity during fiscal year 2017. The slight increase of \$1,270 to the balance in this fund reflected investment earnings. Part of the \$335,920 ending balance in the Permanent Fund - \$108,367 - was restricted; the remainder was assigned. Sixty-nine percent of the combined fund balances of the non-major governmental funds was restricted at year-end; the rest was assigned.

As of June 30, 2017, Transylvania County's governmental funds reported a total ending balance of \$28,850,587 - \$1,951,249 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 2016. The amendments approved in fiscal year 2017 increased the General Fund's original budget by \$2,852,538, or 5.9 percent, and included adjustments made for the following:

- \$1,100,000 awarded by the Golden LEAF Foundation to support STEM education (\$100,000) and provide funding for economic development (\$1,000,000)
- \$372,066 carried forward from the prior year for major projects including: playground construction, roof and gutter repairs, window replacements, a van replacement, and an upgrade to the library's audio-visual system
- \$236,160 received in additional funding and grants for various Public Health and Social Services programs
- \$224,615 appropriated from unassigned fund balance and transferred to the Solid Waste Fund to replace heavy equipment (\$134,525) and to comply with State landfill regulations (\$90,090)

- \$218,733 withdrawn from fund balance assigned for compensated absences for vacations cashed out in lieu of leave taken or paid out to terminated employees
- \$143,933 more collected in fees for services provided by Public Safety, Register of Deeds, Animal Control, and Parks and Recreation

Compared to the final budget, actual fiscal year 2017 operating revenues reported in the General Fund were favorable by \$187,488, or 0.4 percent. Both the actual tax base and collection rate exceeded projections, which resulted in total ad valorem tax revenues being over the budgeted level by \$446,905. Local option sales taxes likewise were higher than expected by \$707,554. Continuing the upward trend that began in the latter half of fiscal year 2016, sales taxes improved considerably more than anticipated – by 6.75 percent versus the 1.5 percent estimated based on sluggish performance the first half of the year. Intergovernmental revenues, conversely, came in under budget by \$1,523,501. Over a million dollars of this shortfall was attributable to Golden LEAF Foundation grant funds that were not received prior to yearend. Other factors included lower reimbursements for Social Services administrative costs (\$143,000) and funding for public assistance programs (\$110,000) and delayed receipt of over \$100,000 in budgeted grant funds. The reductions in the intergovernmental revenues, however, were largely offset by corresponding reductions in related expenditures. Permits and fees showed a gain of \$233,754 over projections, reflecting the renewed activity in construction in the area. While revenues from most services offered by the County increased, generating an additional \$292,358, there was a notable decrease of \$188,000 in fees for ambulance transports due to revised policies for non-emergency transports. Jail fees for housing inmates from the State and other counties, on the other hand, contributed \$416,308 more than budgeted to help defray costs associated with operating the detention center. No significant variances were reported in any of the other revenue streams, which surpassed budget by a combined total of \$30,418.

As noted above, the General Fund's actual expenditures finished the year \$3,406,490, or 6.8 percent, below the final budget. Favorable variances of \$1,086,157 in General Government, \$1,062,311 in Economic and Physical Development, and \$560,796 in Human Services contributed 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 due to for 37.0 percent of the unspent General Government funds. Unused allocations for contract services, including legal fees, accounted for another 16.0 percent, and incomplete building and land improvement projects and lapsed salaries each accounted for an additional 10.0 percent.
- Almost all of the favorable variance in Economic and Physical Development was due to the Golden LEAF Foundation grant. Only \$52,699 of the \$1,100,000 budgeted in fiscal year 2017 was spent during the year.
- Just under half of the favorable variance in Human Services stemmed from disbursements for public assistance programs - particularly foster care and adoptions - that were less than anticipated. Lapsed salaries reduced budgeted spending by an additional 30.0 percent.
- Of the \$370,064 variance for Public Safety, 53.0 percent was attributable to Emergency Services, with most of the savings shared equally between personnel and equipment maintenance costs. The majority of the Sheriff's Office's portion of the variance - 43.0 percent – may be traced back to Federal Equitable Sharing Program funds received, but not used, in fiscal year 2017. The remaining 4.0 percent of this function's variance was derived from lapsed part-time salaries in Building Permitting and Enforcement.
- Spending for Transportation came in \$48,027 under budget, 74.0 percent of which resulted from decreased compensation costs caused by retirements and a subsequent reorganization.

- Culture and Recreation ended the year \$210,746 favorable to budget, with 45.0 percent of the amount attributable to capital outlays deferred to fiscal year 2018. Unexpended grant funds and contract services still in progress accounted for another 18.0 percent of the difference between budgeted and actual spending.
- All of the \$68,386 variance shown for Education was due to budgeted lottery funds that were not drawn down in fiscal year 2017.

As stated 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 \$93,086 in fiscal year 2017. Actual operating revenues of \$1,790,349 exceeded 2017 projections by \$192,439, or 12.0 percent, as solid waste tonnage grew significantly more than anticipated. Nevertheless, there was an operating loss of \$581,243 due to operating expenses totaling \$2,371,592. As intended, a transfer of \$626,117 was made from the General Fund to supplement revenues generated by Solid Waste transactions. This transfer plus the non-operating revenues of \$48,212 more than compensated for the operating loss.

Capital Asset and Debt Administration

Capital assets: Transylvania County's capital assets for its governmental and business – type activities as of June 30, 2017, totaled \$45,237,056 (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 2017, the County invested \$2,516,923 in capital assets, which included the following major items:

- \$ 638,732 – Completed renovations for the Elections Center and Employee Wellness Clinic
- \$ 243,765 – Replaced Sheriff Office vehicles
- \$ 193,418 – Replaced an EMS ambulance
- \$ 158,525 – Replaced an excavator at the Solid Waste landfill
- \$ 146,075 – Replaced a Mack truck used by Solid Waste
- \$ 113,208 – Began roof and window replacement project at the Community Services Building
- \$ 100,388 – Replaced Transportation vans (90% funded through grants)
- \$ 92,308 – Upgraded the Library audio-visual system in a public meeting area

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

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 3,379,666 | \$ 3,379,666 | \$ 1,130,910 | \$ 1,130,910 | \$ 4,510,576 | \$ 4,510,576 |
| Landfill Cells | - | - | 1,157,425 | 1,321,394 | 1,157,425 | 1,321,394 |
| Buildings | 32,998,635 | 32,249,191 | 12,491 | 16,457 | 33,011,126 | 32,265,648 |
| Improvements to buildings and land | 1,196,205 | 1,121,167 | 153,421 | 178,550 | 1,349,626 | 1,299,717 |
| Machinery and equipment | 2,108,240 | 1,904,140 | 831,572 | 764,554 | 2,939,812 | 2,668,694 |
| Vehicles and motor equipment | 1,813,793 | 1,462,061 | 315,745 | 213,483 | 2,129,538 | 1,675,544 |
| Construction in progress | 138,953 | 1,128,107 | - | - | 138,953 | 1,128,107 |
| Total | \$ 41,635,492 | \$ 41,244,332 | \$ 3,601,564 | \$ 3,625,348 | \$ 45,237,056 | \$ 44,869,680 |

Long-term Debt: As of June 30, 2017, Transylvania County had total bonded debt outstanding of \$1,062,548, all of which is backed by the full faith and credit of the County.

Transylvania County's total debt decreased by \$1,220,099 – 23.6 percent – during the year. The County retired \$891,260 in debt for general obligation and qualified school construction bonds, which were issued to finance major school capital projects. In addition, the County paid \$193,333 on a 2008 installment financing contract for the Public Safety Facility; \$120,497 on a 2016 installment financing contract for the Elections Center and Employee Wellness Clinic; and \$15,009 on two capital leases for equipment for Emergency Medical Services (EMS). The County did not incur any new debt during fiscal year 2017. The general obligation bonds will be fully matured and retired in February 2018.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|---------------------|-----------------------------|-------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| General Obligation Bonds | \$ 520,000 | \$ 1,300,000 | \$ - | \$ - | \$ 520,000 | \$ 1,300,000 |
| General Obligation Bonds-Premium | 1,806 | 4,918 | - | - | 1,806 | 4,918 |
| Qualified Zone Academy Bonds | - | - | - | - | - | - |
| Qualified School Construction Bonds | 540,742 | 648,890 | - | - | 540,742 | 648,890 |
| Total Bonded Debt Outstanding | 1,062,548 | 1,953,808 | - | - | 1,062,548 | 1,953,808 |
| Installment Financing | 2,883,380 | 3,197,210 | | | 2,883,380 | 3,197,210 |
| Capital Lease | 5,958 | 20,967 | - | - | 5,958 | 20,967 |
| Total | \$ 3,951,886 | \$ 5,171,985 | \$ - | \$ - | \$ 3,951,886 | \$ 5,171,985 |

As mentioned in the financial highlights section of this document, Standard and Poor's raised the County's bond rating from A+ to AA in July 2014, and Moody's Investors Service raised their rating from A1 to Aa2 in May 2016. Both cited the County's strong overall tax base and economy, exceptionally low debt, high liquidity and available fund balance, and sound financial management as driving factors for the upgrades. These 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 \$454,328,537, versus the County's current outstanding debt of \$3,951,886.

Additional information regarding Transylvania County's long-term debt can be found in note 2. B. of the Notes, beginning on page 71 of this report.

Economic Factors and Next Year's Budgets and Rates

- March 2017's unemployment rate for Transylvania County was 4.6 percent, down a full percent from March 2016's rate of 5.6 percent and just under the State's rate of 4.7 percent.
- Through April 2017 the County had received seven months' worth of sales taxes. The total exceeded the amount received for the same period the prior year by approximately 9.0 percent.
- New construction continued its recovery through the third quarter of fiscal year 2017. The number of new units grew by 38.6 percent and the average value by 55.9 percent over March 2016 year-to-date levels, with particularly strong activity in commercial projects.
- During this same nine-month timeframe, real estate transfer and deed stamp excise taxes collected by the Register of Deeds increased by 15.3 percent.
- Lagging somewhat behind these positive indicators, the County's projected tax base for fiscal year 2018 was only marginally higher than the previous year's, which reflected the reduction from the 2016 property reappraisal.

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 continue 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 2018 of \$51,243,973, versus fiscal year 2017's original budget of \$48,387,036.

Revenues: Total revenues from operations and other financing sources for fiscal year 2018 were projected to be \$2,711,940, or 5.6 percent, higher than fiscal year 2017's original budget. The Board held the tax rate steady at the fiscal year 2017 level of \$.5110/\$100. With no change in the rate and very little growth in the tax base, ad valorem taxes were budgeted to be only \$351,372 more than the prior year's. Sales taxes, however, were expected to continue their upward trend and exceed the fiscal year 2017 budgeted level by \$1,168,762. Intergovernmental revenues likewise showed an increase of \$815,157, with the remaining Golden LEAF Foundation grant to be received in fiscal year 2018 more than offsetting reductions in funding for Social Services administration and public assistance programs. As a result of the upturn in construction activity and real-estate transactions, Register of Deeds taxes and Building permits and fees were predicted to grow by \$145,802. The fiscal year 2018 budget also assumed \$165,000 more for investment earnings due to rising interest rates. Other revenue sources, including sales and services, were expected to remain relatively constant.

Excluding appropriations from fund balance and transfers from other funds, fiscal year 2018's revenues are estimated to be 1.6 percent higher than fiscal year 2017's actual revenues.

Expenditures: Budgeted expenditures approved for fiscal year 2018, including transfers to other funds, were \$3,014,691, or 6.3 percent, more than fiscal year 2017's original budget. Once again, the Golden LEAF Foundation grant for economic development was a significant factor, accounting for over one-third of the total increase. Personnel costs contributed another \$857,657. The majority of this addition provided funds for a net of three new staff positions; several position reclassifications; more part-time help; and a cost-of-living adjustment to go in effect in February 2018. Also included were funds to cover higher anticipated employee health insurance costs, based on medical trend data, and higher retirement costs, based on the State's employer contribution rate. The fiscal year 2018 budget allowed \$773,938 more for capital outlays as well. Over half of the increase was attributable to the replacement of voting equipment, as required by legislative mandate (HB 836), and will be funded largely from fund balance

assigned for this purpose. The County demonstrated its ongoing commitment to education by raising fiscal year 2018 funding for the local school system and community college by \$461,663. Of this total, \$415,128 was appropriated for current spending for Transylvania County schools and was expected to maintain the County's high ranking in the State (fifth the last two years) on per pupil spending. Because of these factors plus relatively minor increases for other operational expenditures such as outside services, supplies, utilities, employee training, and computer software and hardware, the budgets for all governmental functions except debt service were more than the prior year's. With the general obligation school bonds nearing maturity and general debt service declining slightly, total debt service dropped by \$304,858. Transfers to other County funds, which were limited to transfers to the Solid Waste Fund for fiscal year 2018, decreased by \$190,658 primarily due to anticipated growth in landfill revenues.

Expenditures and transfers budgeted for fiscal year 2018 are 7.9% higher than those actually incurred in fiscal year 2017.

While the Commissioners made appropriations from restricted and assigned fund balance in the General Fund for specific purposes, most notably replacement of voting equipment, they did not need to appropriate unassigned funds to balance the fiscal year 2018 budget.

Business – type Activities. The fiscal year 2018 budget for the Solid Waste Fund was \$81,867, or 4.1 percent, more than fiscal year 2017's original budget mainly because of higher PACA and landfill closure and post-closure care costs. Operating revenues, which included a \$3/ton increase in tipping fees, were projected to exceed the prior year's by over \$268,325, or 17.2 percent, and exceed operating expenses, excluding capital items, by \$278,753. A transfer of \$197,314 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.

**BASIC
FINANCIAL
STATEMENTS**

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2017

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|---------------|---|
| | Governmental Activities | Business-Type Activities | Total | Transylvania County Tourism Development Authority |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 27,449,533 | \$ 4,544,967 | \$ 31,994,500 | \$ 351,386 |
| Taxes receivable, net | 44,235 | - | 44,235 | - |
| Accounts receivable, net | 3,651,116 | 132,820 | 3,783,936 | 86,939 |
| Inventories | 36,782 | - | 36,782 | - |
| Prepaid items | 21,697 | - | 21,697 | - |
| Cash and investments, restricted | 130,492 | 3,320,754 | 3,451,246 | - |
| Total current assets | 31,333,855 | 7,998,541 | 39,332,396 | 438,325 |
| Non-current assets: | | | | |
| Net pension asset (ROD) | 78,658 | - | 78,658 | - |
| Land and other non-depreciable assets | 3,518,619 | 1,130,910 | 4,649,529 | - |
| Depreciable assets, net | 38,116,873 | 2,470,654 | 40,587,527 | - |
| Non-current assets, net | 41,714,150 | 3,601,564 | 45,315,714 | - |
| Total assets | 73,048,005 | 11,600,105 | 84,648,110 | 438,325 |
| Deferred Outflows of Resources: | | | | |
| Contributions to pension plans in current fiscal year | 1,066,610 | 54,149 | 1,120,759 | - |
| Pension deferrals | 2,919,521 | 152,545 | 3,072,066 | - |
| Total deferred outflows of resources | 3,986,131 | 206,694 | 4,192,825 | - |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 2,184,902 | 87,272 | 2,272,174 | 36,743 |
| Prepaid fees | 224,994 | - | 224,994 | - |
| Accrued interest payable | 33,749 | - | 33,749 | - |
| Total current liabilities | 2,443,645 | 87,272 | 2,530,917 | 36,743 |
| Non-current liabilities: | | | | |
| Net pension liability (LGERS) | 4,389,710 | 231,037 | 4,620,747 | - |
| Total pension liability (LEOSSA) | 1,694,384 | - | 1,694,384 | - |
| Due within one year | 1,856,290 | 23,661 | 1,879,951 | - |
| Due in more than one year | 4,281,335 | 6,091,197 | 10,372,532 | - |
| Total non-current liabilities | 12,221,719 | 6,345,895 | 18,567,614 | - |
| Total liabilities | 14,665,364 | 6,433,167 | 21,098,531 | 36,743 |

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2017

| | Primary Government | | | Component Unit |
|---------------------------------------|-------------------------|--------------------------|---------------|---|
| | Governmental Activities | Business-Type Activities | Total | Transylvania County Tourism Development Authority |
| Deferred Inflows of Resources: | | | | |
| Prepaid taxes | 29,137 | - | 29,137 | - |
| Pension deferrals | 187,382 | 8,096 | 195,478 | - |
| Total deferred inflows of resources | 216,519 | 8,096 | 224,615 | - |
| Net Position: | | | | |
| Net investment in capital assets | 38,746,154 | 3,601,564 | 42,347,718 | - |
| Restricted for: | | | | |
| Stabilization by State statute | 3,651,116 | - | 3,651,116 | 86,939 |
| Register of Deeds | 101,199 | - | 101,199 | - |
| Register of Deeds Pension Plan | 100,751 | - | 100,751 | - |
| Court facilities | 52,724 | - | 52,724 | - |
| Public safety | 511,004 | - | 511,004 | - |
| Fire departments | 308,025 | - | 308,025 | - |
| Emergency telephone system | 243,934 | - | 243,934 | - |
| Economic and tourism development | 12,874 | - | 12,874 | - |
| Health department programs | 40,238 | - | 40,238 | - |
| Social services | 93,091 | - | 93,091 | - |
| Recreation programs and facilities | 127,548 | - | 127,548 | - |
| Historical preservation | 6,798 | - | 6,798 | - |
| Tourism promotion | - | - | - | 314,643 |
| Unrestricted | 18,156,797 | 1,763,972 | 19,920,769 | - |
| Total net position | \$ 62,152,253 | \$ 5,365,536 | \$ 67,517,789 | \$ 401,582 |

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | | Program Revenues | | |
|-----------------------------------|----------------------|---------------------|---------------------|---------------|
| | | Charges for | Operating | Capital |
| | Expenses | Services | Grants and | Grants and |
| | | | Contributions | Contributions |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 5,591,288 | \$ 383,751 | \$ 34,713 | \$ - |
| Public safety | 16,364,189 | 3,438,424 | 511,487 | - |
| Transportation | 472,854 | 7,584 | 400,036 | - |
| Economic and physical development | 1,250,752 | 14,636 | 101,782 | - |
| Human services | 9,591,901 | 470,649 | 6,049,701 | - |
| Cultural and recreational | 2,529,905 | 95,276 | 156,178 | - |
| Education | 13,797,948 | - | 288,609 | - |
| Interest and fees | 153,568 | - | - | - |
| Total governmental activities | <u>49,752,405</u> | <u>4,410,320</u> | <u>7,542,506</u> | <u>-</u> |
| Business-Type Activities: | | | | |
| Solid waste | <u>2,371,592</u> | <u>1,790,349</u> | <u>46,596</u> | <u>-</u> |
| Total primary government | <u>\$ 52,123,997</u> | <u>\$ 6,200,669</u> | <u>\$ 7,589,102</u> | <u>\$ -</u> |
| Component Unit: | | | | |
| Tourism Development Authority | <u>\$ 743,568</u> | <u>\$ 22,550</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, 2017

| | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|---|--------------------------|----------------|---|
| | Primary Government | | | Transylvania County Tourism Development Authority |
| | Governmental Activities | Business-Type Activities | Total | |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ (5,172,824) | \$ - | \$ (5,172,824) | \$ - |
| Public safety | (12,414,278) | - | (12,414,278) | - |
| Transportation | (65,234) | - | (65,234) | - |
| Economic and physical development | (1,134,334) | - | (1,134,334) | - |
| Human services | (3,071,551) | - | (3,071,551) | - |
| Cultural and recreational | (2,278,451) | - | (2,278,451) | - |
| Education | (13,509,339) | - | (13,509,339) | - |
| Interest and fees | (153,568) | - | (153,568) | - |
| Total governmental activities | (37,799,579) | - | (37,799,579) | - |
| Business-Type Activities: | | | | |
| Solid waste | - | (534,647) | (534,647) | - |
| Total primary government | (37,799,579) | (534,647) | (38,334,226) | - |
| Component Unit: | | | | |
| Tourism Development Authority | - | - | - | (721,018) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | 32,363,790 | - | 32,363,790 | - |
| Local option sales taxes | 7,896,435 | - | 7,896,435 | - |
| Deed stamp excise tax | 140,028 | - | 140,028 | - |
| Real estate transfer tax | 579,482 | - | 579,482 | - |
| Occupancy tax | - | - | - | 706,547 |
| Unrestricted intergovernmental revenues | 398,562 | - | 398,562 | - |
| Investment earnings, unrestricted | 132,715 | 1,616 | 134,331 | 1,578 |
| Total general revenues excluding transfers | 41,511,012 | 1,616 | 41,512,628 | 708,125 |
| Transfers | (626,117) | 626,117 | - | - |
| Total general revenues and transfers | 40,884,895 | 627,733 | 41,512,628 | 708,125 |
| Change in net position | 3,085,316 | 93,086 | 3,178,402 | (12,893) |
| Net Position: | | | | |
| Beginning of year - July 1 | 59,893,107 | 5,272,450 | 65,165,557 | 414,475 |
| Restatement | (826,170) | - | (826,170) | - |
| Beginning of year - July 1, restated | 59,066,937 | 5,272,450 | 64,339,387 | 414,475 |
| End of year - June 30 | \$ 62,152,253 | \$ 5,365,536 | \$ 67,517,789 | \$ 401,582 |

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>Major</u> | <u>Nonmajor</u> | |
|---|----------------------|---------------------|----------------------|
| | <u>General</u> | <u>Other</u> | <u>Total</u> |
| | <u>Fund</u> | <u>Governmental</u> | <u>Governmental</u> |
| | <u>Funds</u> | <u>Funds</u> | <u>Funds</u> |
| Assets: | | | |
| Cash and investments | \$ 26,412,572 | \$ 1,036,961 | \$ 27,449,533 |
| Taxes receivable, net | 36,869 | 7,366 | 44,235 |
| Accounts receivable, net | 3,360,206 | 290,910 | 3,651,116 |
| Inventories | 36,782 | - | 36,782 |
| Prepaid items | 21,697 | - | 21,697 |
| Cash and investments, restricted | - | 130,492 | 130,492 |
| Total assets | <u>\$ 29,868,126</u> | <u>\$ 1,465,729</u> | <u>\$ 31,333,855</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 2,141,960 | \$ 42,942 | \$ 2,184,902 |
| Prepaid fees | 224,994 | - | 224,994 |
| Total liabilities | <u>2,366,954</u> | <u>42,942</u> | <u>2,409,896</u> |
| Deferred Inflows of Resources: | | | |
| Property taxes receivable | 36,869 | 7,366 | 44,235 |
| Prepaid taxes | 24,023 | 5,114 | 29,137 |
| Total deferred inflows of resources | <u>60,892</u> | <u>12,480</u> | <u>73,372</u> |
| Fund Balances: | | | |
| Non-spendable: | | | |
| Inventories | 36,782 | - | 36,782 |
| Prepaid items | 21,697 | - | 21,697 |
| Restricted: | | | |
| Stabilization for State statute | 3,360,206 | 290,910 | 3,651,116 |
| Restricted, all other | 837,109 | 682,451 | 1,519,560 |
| Committed | 3,458,830 | - | 3,458,830 |
| Assigned | 8,869,332 | 436,946 | 9,306,278 |
| Unassigned | 10,856,324 | - | 10,856,324 |
| Total fund balances | <u>27,440,280</u> | <u>1,410,307</u> | <u>28,850,587</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 29,868,126</u> | <u>\$ 1,465,729</u> | <u>\$ 31,333,855</u> |

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Total Governmental Funds |
|---|---|
| Total fund balances | \$ 28,850,587 |
| 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. | 41,635,492 |
| Net pension asset | 78,658 |
| Net pension liability | (4,389,710) |
| Total pension liability | (1,694,384) |
| Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position. | 1,066,610 |
| Pension related deferrals | 2,732,139 |
| Liabilities for earned, but deferred, inflows of resources in fund statements | 44,235 |
| 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 | (3,945,928) |
| Capital lease | (5,958) |
| Compensated absences | (1,066,527) |
| Other post-employment benefits | (1,119,212) |
| Interest payable | (33,749) |
| Net position of governmental activities | <u>\$ 62,152,253</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, 2017

| | Major | Nonmajor | |
|---|----------------------|---------------------|----------------------|
| | General | Other | Total |
| | Fund | Governmental | Governmental |
| | | Funds | Funds |
| Revenues: | | | |
| Ad valorem taxes | \$ 29,245,577 | \$ 3,112,097 | \$ 32,357,674 |
| Local option sales taxes | 7,896,435 | - | 7,896,435 |
| Other taxes and licenses | 719,510 | - | 719,510 |
| Unrestricted intergovernmental revenues | 398,562 | - | 398,562 |
| Restricted intergovernmental revenues | 7,177,971 | 300,703 | 7,478,674 |
| Permits and fees | 649,025 | - | 649,025 |
| Sales and services | 3,607,609 | - | 3,607,609 |
| Donations and grants | 16,582 | 20,000 | 36,582 |
| Interest earned on investments | 124,608 | 4,995 | 129,603 |
| Miscellaneous | 180,936 | - | 180,936 |
| Total revenues | <u>50,016,815</u> | <u>3,437,795</u> | <u>53,454,610</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 5,539,054 | 644,214 | 6,183,268 |
| Public safety | 12,414,017 | 3,508,405 | 15,922,422 |
| Transportation | 539,499 | - | 539,499 |
| Economic and physical development | 1,246,243 | - | 1,246,243 |
| Human services | 9,397,368 | - | 9,397,368 |
| Cultural and recreational | 2,429,753 | 2 | 2,429,755 |
| Intergovernmental: | | | |
| Education | 13,771,992 | - | 13,771,992 |
| Debt service: | | | |
| Principal repayments | 1,216,987 | - | 1,216,987 |
| Interest | 169,710 | - | 169,710 |
| Total expenditures | <u>46,724,623</u> | <u>4,152,621</u> | <u>50,877,244</u> |
| Revenues over (under) expenditures | <u>3,292,192</u> | <u>(714,826)</u> | <u>2,577,366</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | - | 2,086 | 2,086 |
| Transfers out | (628,203) | - | (628,203) |
| Total other financing sources (uses) | <u>(628,203)</u> | <u>2,086</u> | <u>(626,117)</u> |
| Net change in fund balances | 2,663,989 | (712,740) | 1,951,249 |
| Fund Balances: | | | |
| Beginning of year - July 1 | <u>24,776,291</u> | <u>2,123,047</u> | <u>26,899,338</u> |
| End of year - June 30 | <u>\$ 27,440,280</u> | <u>\$ 1,410,307</u> | <u>\$ 28,850,587</u> |

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

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) | \$ 1,951,249 |
| Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement. | 6,116 |
| Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement. | 19,254 |
| Compensated absences expense and net pension and OPEB obligations and pension expense and net pension obligation are reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds statement. | (215,772) |
| Change in deferred outflow - pension | 2,996,773 |
| Change in deferred inflows - pension | 296,052 |
| Change in net pension liability | (3,576,504) |
| 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. | 2,196,973 |
| Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. | (1,783,746) |
| Gain/(loss) on disposal of capital assets is reported in the Statement of Activities; however, proceeds from the sale of assets are not affected by gain/(loss) in the governmental funds statements. | (22,066) |
| Debt 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. | <u>1,216,987</u> |
| Change in net position of governmental activities (Exhibit B) | <u>\$ 3,085,316</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, 2017

| | Budgeted Amounts | | | Variance with |
|---|------------------|---------------|---------------|-------------------------|
| | Original | Final | Actual | Final Budget Over/Under |
| Revenues: | | | | |
| Ad valorem taxes | \$ 28,798,672 | \$ 28,798,672 | \$ 29,245,577 | \$ 446,905 |
| Local option sales taxes | 7,188,881 | 7,188,881 | 7,896,435 | 707,554 |
| Other taxes and licenses | 635,000 | 713,709 | 719,510 | 5,801 |
| Unrestricted intergovernmental revenues | 400,432 | 400,432 | 398,562 | (1,870) |
| Restricted intergovernmental revenues | 7,211,503 | 8,699,602 | 7,177,971 | (1,521,631) |
| Permits and fees | 413,231 | 415,271 | 649,025 | 233,754 |
| Sales and services | 3,205,589 | 3,315,251 | 3,607,609 | 292,358 |
| Investment earnings | 105,000 | 105,000 | 124,608 | 19,608 |
| Donations | 1,000 | 9,850 | 16,582 | 6,732 |
| Miscellaneous | 152,570 | 182,659 | 180,936 | (1,723) |
| Total revenues | 48,111,878 | 49,829,327 | 50,016,815 | 187,488 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 6,527,960 | 6,625,211 | 5,539,054 | 1,086,157 |
| Public safety | 12,288,046 | 12,784,081 | 12,414,017 | 370,064 |
| Transportation | 513,500 | 587,526 | 539,499 | 48,027 |
| Economic and physical development | 1,124,692 | 2,308,554 | 1,246,243 | 1,062,311 |
| Human services | 9,512,827 | 9,958,164 | 9,397,368 | 560,796 |
| Cultural and recreational | 2,340,385 | 2,640,499 | 2,429,753 | 210,746 |
| Intergovernmental: | | | | |
| Education | 13,840,378 | 13,840,378 | 13,771,992 | 68,386 |
| Debt service: | | | | |
| Principal retirement | 1,201,978 | 1,216,988 | 1,216,987 | 1 |
| Interest and fees | 169,040 | 169,712 | 169,710 | 2 |
| Total expenditures | 47,518,806 | 50,131,113 | 46,724,623 | 3,406,490 |
| Revenues over (under) expenditures | 593,072 | (301,786) | 3,292,192 | 3,593,978 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 20,000 | 20,000 | - | (20,000) |
| Transfers out | (387,972) | (628,203) | (628,203) | - |
| Assigned and committed funds | (369,555) | (369,555) | - | 369,555 |
| Appropriated fund balance | 144,455 | 1,279,544 | - | (1,279,544) |
| Total other financing sources (uses) | (593,072) | 301,786 | (628,203) | (929,989) |
| Net change in fund balance | \$ - | \$ - | 2,663,989 | \$ 2,663,989 |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | 24,776,291 | |
| End of year - June 30 | | | \$ 27,440,280 | |

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

| | <u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u> |
|--|---|
| Assets: | |
| Current assets: | |
| Cash and investments | \$ 4,544,967 |
| Accounts receivable, net | 132,820 |
| Cash and investments, restricted | <u>3,320,754</u> |
| Total current assets | <u>7,998,541</u> |
| Non-current assets: | |
| Land and other non-depreciable assets | 1,130,910 |
| Depreciable assets, net of depreciation | <u>2,470,654</u> |
| Total non-current assets | <u>3,601,564</u> |
| Total assets | <u>11,600,105</u> |
| Deferred Outflows of Resources: | |
| Contributions to pension plan in current fiscal year | 54,149 |
| Pension deferrals | <u>152,545</u> |
| Total deferred outflows of resources | <u>206,694</u> |
| Liabilities, Deferred Inflows of Resources, and Net Position: | |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 87,272 |
| Current portion of compensated absences | <u>23,661</u> |
| Total current liabilities | <u>110,933</u> |
| Non-current liabilities: | |
| Accrued landfill closure and post-closure care costs | 6,034,130 |
| OPEB | 52,892 |
| Compensated absences | 4,175 |
| Net pension liability | <u>231,037</u> |
| Total non-current liabilities | <u>6,322,234</u> |
| Total liabilities | <u>6,433,167</u> |
| Deferred Inflows of Resources: | |
| Pension deferrals | <u>8,096</u> |
| Net Position: | |
| Net investment in capital assets | 3,601,564 |
| Unrestricted | <u>1,763,972</u> |
| Total net position | <u>\$ 5,365,536</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, 2017

| | <u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u> |
|--|---|
| Operating Revenues: | |
| Charges for services | \$ 1,790,349 |
| Operating Expenses: | |
| Landfill operations: | |
| Salaries and employee benefits | 936,291 |
| Landfill closure and post-closure care costs | 335,404 |
| Other operating expenses | 774,898 |
| Depreciation | 324,999 |
| Total operating expenses | <u>2,371,592</u> |
| Operating income (loss) | <u>(581,243)</u> |
| Non-Operating Revenues (Expenses): | |
| Investment earnings | 1,616 |
| Other non-operating revenues | 40,831 |
| Gain on disposal | 5,765 |
| Total non-operating revenues (expenses) | <u>48,212</u> |
| Income (loss) before transfers | (533,031) |
| Transfers In (Out): | |
| Transfers in | <u>626,117</u> |
| Change in net position | 93,086 |
| Net Position: | |
| Beginning of year - July 1 | <u>5,272,450</u> |
| End of year - June 30 | <u>\$ 5,365,536</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, 2017

| | <u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u> |
|---|---|
| Cash Flows from Operating Activities: | |
| Cash received from customers | \$ 1,787,477 |
| Cash paid for goods and services | (756,593) |
| Cash paid to employees for services | (946,737) |
| Net cash provided (used) by operating activities | <u>84,147</u> |
| Cash Flows from Non-Capital Financing Activities: | |
| Solid waste disposal tax | 21,019 |
| Proceeds from insurance claims | 19,812 |
| Interfund transfer in (out) | 626,117 |
| Net cash provided (used) by non-capital financing activities | <u>666,948</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Acquisition and construction of capital assets | (319,950) |
| Proceeds from disposal of asset | 24,500 |
| Net cash provided (used) by capital and related financing activities | <u>(295,450)</u> |
| Cash Flows from Investing Activities: | |
| Interest on investments | <u>1,616</u> |
| Net increase (decrease) in cash and cash equivalents | 457,261 |
| Cash and Cash Equivalents: | |
| Beginning of year - July 1 | <u>7,408,460</u> |
| End of year - June 30 | <u><u>\$ 7,865,721</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ (581,243) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 324,999 |
| Pension expense | 10,100 |
| Landfill closure and post-closure care costs | 335,404 |
| (Increase) decrease in accounts receivable | (2,872) |
| Increase (decrease) in accounts payable and accrued liabilities | (296) |
| Increase (decrease) in OPEB | 9,476 |
| Increase (decrease) in accrued compensated absences | <u>(11,421)</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 84,147</u></u> |
| Non-Cash Transactions: | |
| Transfer of assets from General Fund | <u><u>\$ 2,255</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, 2017**

| | Agency Funds |
|--|------------------------------|
| | <hr/> |
| Assets: | |
| Cash and investments | \$ 78,593 |
| Accounts receivable and accrued revenues | <hr/> 7,678 |
| Total assets | <hr/> \$ 86,271 <hr/> |
| Liabilities: | |
| Intergovernmental payables | \$ 12,941 |
| Miscellaneous liabilities | <hr/> 73,330 |
| Total liabilities | <hr/> \$ 86,271 <hr/> |

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, 2017

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, 2017

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, 2017

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, 2017

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.

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, 2017

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, 2017

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.

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, 2017

The County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Government 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, 2017, \$3,320,754 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, 2016.

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, 2017

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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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 criteria - 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, 2017

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 criteria 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 other financing sources.

Net Position/Fund Balance

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, 2017

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 and Register of Deeds pension plan of \$100,751.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Restricted fund balance at June 30, 2017 is as follows:

| Purpose | General Fund | Nonmajor Special Revenue Funds | Nonmajor Capital Project Funds | Permanent Funds | Total |
|------------------------------------|-------------------------|---|---|----------------------------|---------------------|
| Restricted, All Other: | | | | | |
| Register of Deeds | \$ 101,199 | \$ - | \$ - | \$ - | \$ 101,199 |
| Court facilities | 52,724 | - | - | - | 52,724 |
| Public safety | 511,004 | - | - | - | 511,004 |
| Fire departments | - | 308,025 | - | - | 308,025 |
| Economic development | 12,874 | - | - | - | 12,874 |
| Emergency telephone system | - | 243,934 | - | - | 243,934 |
| Health department programs | 40,238 | - | - | - | 40,238 |
| Social services | 93,091 | - | - | - | 93,091 |
| Recreation programs and facilities | 19,181 | - | - | 108,367 | 127,548 |
| Historical preservation | 6,798 | - | - | - | 6,798 |
| Qualified Zone Academy Bonds | - | - | 22,125 | - | 22,125 |
| Total | \$ 837,109 | \$ 551,959 | \$ 22,125 | \$ 108,367 | \$ 1,519,560 |

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 obligations.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| <u>Purpose</u> | <u>General Fund</u> | <u>Total</u> |
|---|-------------------------|---------------------|
| Committed: | | |
| Retiree health insurance | \$ 2,196,108 | \$ 2,196,108 |
| Law Enforcement Officers' Special Separation Allowance | <u>1,262,722</u> | <u>1,262,722</u> |
| Total | <u>\$ 3,458,830</u> | <u>\$ 3,458,830</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, 2017

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, 2017 is as follows:

| Purpose | General Fund | Permanent Funds | Total |
|------------------------------------|-------------------------|----------------------------|---------------------|
| Assigned: | | | |
| Subsequent year's expenditures | \$ 136,708 | \$ - | \$ 136,708 |
| Employee health insurance | 1,178,109 | - | 1,178,109 |
| Accrued vacation | 1,066,527 | - | 1,066,527 |
| Special projects | 1,001,356 | - | 1,001,356 |
| Storm water control | 233,042 | - | 233,042 |
| Public safety projects | 681,187 | - | 681,187 |
| Economic development | 3,600,000 | - | 3,600,000 |
| Environmental protection | 59,532 | - | 59,532 |
| Human services programs | 80,605 | - | 80,605 |
| Recreation programs and facilities | 832,266 | 436,946 | 1,269,212 |
| Total | <u>\$ 8,869,332</u> | <u>\$ 436,946</u> | <u>\$ 9,306,278</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, 2017

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 | \$ 27,440,280 |
| Less: | |
| Prepays | (21,697) |
| Inventories | (36,782) |
| Stabilization for State statute | <u>(3,360,206)</u> |
| Total available fund balance | <u>\$ 24,021,595</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, 2017

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. The County does not have a policy regarding custodial credit risk for deposits.

At June 30, 2017, the County's deposits had a carrying amount of \$1,909,742 and a bank balance of \$2,066,084. Of the bank balance, \$414,254 was covered by federal depository insurance and \$1,651,830 by collateral held under the Pooling Method. Cash on hand was \$4,116 at June 30, 2017.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Investments

At June 30, 2017, the County had the following investments and maturities:

| <u>Investment Type</u> | <u>Valuation Measurement Method</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1-3 Years</u> |
|----------------------------|---|---------------------|---------------------------------|----------------------|
| NC Capital Management | | | | |
| Trust Government Portfolio | Amortized Cost | \$30,135,758 | N/A | N/A |
| NC Capital Management | | | | |
| Trust Term Portfolio* | Fair Value - Level 1 | 15,675 | \$ 15,675 | N/A |
| Government Agencies | Fair Value - Level 2 | 3,459,048 | 1,353,779 | \$2,105,269 |
| | | <u>\$33,610,481</u> | <u>\$1,369,454</u> | <u>\$2,105,269</u> |

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) inactive markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). To best mitigate against credit risk, the County requires a diversification of investments. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2017. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments, as permitted under North Carolina General Statutes 159-30 as amended.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in a portfolio investment including Federal Home Loan Bank securities, Federal National Mortgage Association Securities, Federal Home Loan Mortgage Corporation Securities, and US Treasury Notes. This investment is 10% of the County's total investments.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

| Year Ended June 30 | Tax | Interest | Total |
|-----------------------|---------------------|-------------------|---------------------|
| 2014 | \$ 1,508,780 | \$ 391,848 | \$ 1,900,628 |
| 2015 | 1,095,983 | 182,372 | 1,278,355 |
| 2016 | 1,095,017 | 87,601 | 1,182,618 |
| 2017 | 1,305,007 | - | 1,305,007 |
| Total | <u>\$ 5,004,787</u> | <u>\$ 661,821</u> | <u>\$ 5,666,608</u> |

Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

| | Accounts Receivable | Taxes Receivable | Due from Other Governments | Total |
|----------------------------------|------------------------|---------------------|----------------------------------|---------------------|
| Governmental Activities: | | | | |
| General | \$ 121,569 | \$ 154,529 | \$ 3,238,637 | \$ 3,514,735 |
| Other governmental | <u>247,884</u> | <u>16,958</u> | <u>43,026</u> | <u>307,868</u> |
| Total receivables | 369,453 | 171,487 | 3,281,663 | 3,822,603 |
| Allowance for doubtful accounts | <u>-</u> | <u>(127,252)</u> | <u>-</u> | <u>(127,252)</u> |
| Total governmental activities | <u>\$ 369,453</u> | <u>\$ 44,235</u> | <u>\$ 3,281,663</u> | <u>\$ 3,695,351</u> |
| Business-Type Activities: | | | | |
| Solid waste | <u>\$ 107,941</u> | <u>\$ -</u> | <u>\$ 24,879</u> | <u>\$ 132,820</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Due from other governments that is owed to the County consists of the following:

Governmental Activities:

| | |
|--|---------------------|
| Local option sales tax | \$1,995,854 |
| Sales taxes receivable | 195,589 |
| State and federal funding | 839,009 |
| Fire department motor vehicle taxes | 49,691 |
| General government motor vehicle taxes | 158,494 |
| Fire department motor vehicle taxes | 17,967 |
| NC 911 PSAP funds | <u>25,059</u> |
| Total governmental activities | <u>\$ 3,281,663</u> |

Business-Type Activities:

| | |
|--------------------------------|------------------|
| Scale sales | \$ 4,011 |
| Sticker sales | 187 |
| Recycling revenues | 389 |
| Tire recycling | 12,011 |
| White goods | 3,251 |
| Solid waste disposal tax | <u>5,030</u> |
| Total business-type activities | <u>\$ 24,879</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets

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

| | <u>July 1, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2017</u> |
|---------------------------------------|----------------------|-------------------|--------------------|--------------------|----------------------|
| Non-Depreciable Assets: | | | | | |
| Land | \$ 3,379,666 | \$ - | \$ - | \$ - | \$ 3,379,666 |
| Construction in progress | 1,128,107 | 105,944 | - | (1,095,098) | 138,953 |
| Total non-depreciable assets | <u>4,507,773</u> | <u>105,944</u> | <u>-</u> | <u>(1,095,098)</u> | <u>3,518,619</u> |
| Depreciable Assets: | | | | | |
| Buildings | 42,496,264 | 607,115 | - | 1,095,098 | 44,198,477 |
| Improvements | 1,828,235 | 164,903 | - | - | 1,993,138 |
| Equipment | 7,183,729 | 596,370 | - | - | 7,780,099 |
| Vehicles | <u>4,559,382</u> | <u>722,641</u> | <u>(198,119)</u> | <u>(22,557)</u> | <u>5,061,347</u> |
| Total depreciable assets | <u>56,067,610</u> | <u>2,091,029</u> | <u>(198,119)</u> | <u>1,072,541</u> | <u>59,033,061</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 10,247,073 | 952,769 | - | - | 11,199,842 |
| Improvements | 707,068 | 89,865 | - | - | 796,933 |
| Equipment | 5,279,589 | 392,270 | - | - | 5,671,859 |
| Vehicles | <u>3,097,321</u> | <u>348,842</u> | <u>(178,307)</u> | <u>(20,302)</u> | <u>3,247,554</u> |
| Total accumulated depreciation | <u>19,331,051</u> | <u>1,783,746</u> | <u>(178,307)</u> | <u>(20,302)</u> | <u>20,916,188</u> |
| Depreciable assets, net | <u>36,736,559</u> | <u>307,283</u> | <u>(19,812)</u> | <u>1,092,843</u> | <u>38,116,873</u> |
| Capital assets, net | <u>\$ 41,244,332</u> | <u>\$ 413,227</u> | <u>\$ (19,812)</u> | <u>\$ (2,255)</u> | <u>\$ 41,635,492</u> |

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

| | |
|---------------------------------|---------------------|
| General government | \$ 302,966 |
| Public safety | 1,031,146 |
| Transportation | 22,300 |
| Education | 25,956 |
| Economic & physical development | 695 |
| Human services | 158,306 |
| Cultural and recreational | <u>242,377</u> |
| Total depreciation expense | <u>\$ 1,783,746</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

| | <u>July 1, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2017</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 | 2,666,215 | 173,875 | (162,904) | - | 2,677,186 |
| Vehicles | 986,265 | 146,075 | - | 22,557 | 1,154,897 |
| Landfill cells - Woodruff | <u>8,205,437</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,205,437</u> |
| Total depreciable assets | <u>12,778,117</u> | <u>319,950</u> | <u>(162,904)</u> | <u>22,557</u> | <u>12,957,720</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 261,040 | 3,966 | - | - | 265,006 |
| Land improvements | 464,153 | 25,129 | - | - | 489,282 |
| Equipment | 1,901,661 | 85,867 | (141,914) | - | 1,845,614 |
| Vehicles | 772,782 | 46,068 | - | 20,302 | 839,152 |
| Landfill cells - Woodruff | <u>6,884,043</u> | <u>163,969</u> | <u>-</u> | <u>-</u> | <u>7,048,012</u> |
| Total accumulated depreciation | <u>10,283,679</u> | <u>\$ 324,999</u> | <u>\$ (141,914)</u> | <u>\$ 20,302</u> | <u>10,487,066</u> |
| Total depreciable assets, net | <u>2,494,438</u> | | | | <u>2,470,654</u> |
| Capital assets, net | <u>\$ 3,625,348</u> | | | | <u>\$ 3,601,564</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2017 were as follows:

| | Vendors | Salaries and Benefits | Accrued Insurance Claims Incurred, But Not Reported | Total |
|----------------------------------|---------------------|--------------------------|---|---------------------|
| Governmental Activities: | | | | |
| General | \$ 1,113,645 | \$ 659,294 | \$ 369,021 | \$ 2,141,960 |
| Other governmental | 41,652 | 1,290 | - | 42,942 |
| Total governmental activities | <u>\$ 1,155,297</u> | <u>\$ 660,584</u> | <u>\$ 369,021</u> | <u>\$ 2,184,902</u> |
| Business-Type Activities: | | | | |
| Solid waste | <u>\$ 74,276</u> | <u>\$ 12,996</u> | <u>\$ -</u> | <u>\$ 87,272</u> |

Pension Plan and Other Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS 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.

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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, was 8.00% of compensation for law enforcement officers and 7.34% 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 \$1,082,984 for the year ended June 30, 2017.

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.

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

At June 30, 2017, the County reported a liability of \$4,620,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2016, the County's proportion was .21772%, which was an increase of .00086% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,284,971. At June 30, 2017, 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 | \$ 86,816 | \$ 161,916 |
| Changes of assumptions | 316,480 | - |
| Net difference between projected and actual earnings on pension plan investments | 2,554,692 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 92,904 | - |
| County contributions subsequent to the measurement date | 1,082,984 | - |
| Total | <u>\$ 4,133,876</u> | <u>\$ 161,916</u> |

\$1,082,984 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 ending June 30, 2018. 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 |
|--------------------------------|---------------------|
| 2018 | \$ 458,299 |
| 2019 | 458,551 |
| 2020 | 1,233,371 |
| 2021 | 738,755 |
| 2022 | - |
| Total | <u>\$ 2,888,976</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increase | 3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. 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, 2016 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% | 1.4% |
| Global equity | 42.0% | 5.3% |
| Real estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation protection | <u>6.0%</u> | 4.0% |
| Total | <u>100.00%</u> | |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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.

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) | \$ 10,967,190 | \$ 4,620,747 | \$ (680,273) |

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of 59 active plan members and four retired and terminated members. A separate report was not issued for the plan.

| | |
|-----------------------------|------------------|
| Retirees receiving benefits | 4 |
| Active plan members | <u>59</u> |
| Total | <u><u>63</u></u> |

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.

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.86 percent |

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP- 2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$54,866 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$1,694,384. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$124,866.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Changes of assumptions | \$ - | \$ 30,774 |
| County benefit payments and plan administrative expense made subsequent to the measurement date | 34,068 | - |
| Total | <u>\$ 34,068</u> | <u>\$ 30,774</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$34,068 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending | |
|--------------------|------------------|
| June 30 | Amount |
| 2018 | \$ 5,918 |
| 2019 | 5,918 |
| 2020 | 5,918 |
| 2021 | 5,918 |
| 2022 | 5,918 |
| Thereafter | 1,184 |
| Total | <u>\$ 30,774</u> |

\$33,938 paid as benefits came due and \$130 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate. The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

| | 1% Decrease (2.86%) | Discount Rate (3.86%) | 1% Increase (4.86%) |
|-------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total pension liability | <u>\$ 1,824,676</u> | <u>\$ 1,694,384</u> | <u>\$ 1,574,500</u> |

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

| | 2017 |
|---|---------------------|
| Beginning balance | \$ 1,655,418 |
| Service cost | 72,405 |
| Interest on the total pension liability | 58,119 |
| Changes of assumptions or other inputs | (36,692) |
| Benefit payments | <u>(54,866)</u> |
| Ending balance of the total pension liability | <u>\$ 1,694,384</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. The law enforcement officers may make voluntary contributions to the Plan.

The County made contributions of \$144,068 for the reporting year. No amounts were forfeited.

Register 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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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 \$3,707 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$78,658 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .42072%, which was an increase of .007% from its proportion measured as of June 30, 2015.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

For the year ended June 30, 2017, the County recognized pension expense of \$4,696. At June 30, 2017, 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 | \$ 84 | \$ 1,018 |
| Net difference between projected and actual earnings on pension plan investments | 134 | - |
| Changes of assumptions | 20,956 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | - | 1,770 |
| County contributions subsequent to the measurement date | 3,707 | - |
| Total | <u>\$ 24,881</u> | <u>\$ 2,788</u> |

\$3,707 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 ending June 30, 2018. 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 |
|--------------------------------|------------------|
| 2018 | \$ 7,413 |
| 2019 | 8,356 |
| 2020 | 3,499 |
| 2021 | (882) |
| 2022 | - |
| Total | <u>\$ 18,386</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increase | 3.5 to 7.75 percent, including inflation and productivity factor |
| Investment rate of return | 3.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. 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, 2016 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 3.05%. All rates of return and inflation are annualized.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Discount Rate. The discount rate used to measure the total pension liability was 3.75%. 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 3.75 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

| | 1% Decrease (2.75%) | Discount Rate (3.75%) | 1% Increase (4.75%) |
|--|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability (asset) | \$ (63,424) | \$ (78,658) | \$ (91,456) |

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.

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 June 30, 2016, the date of the latest actuarial valuation:

| | General Employees | Law Enforcement Officers |
|--|------------------------------|---|
| Retirees and dependents receiving benefits | 21 | - |
| Active plan members | 24 | 12 |
| Total | 45 | 12 |

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, 2017, the County has committed \$2,196,108 for the payment of future retiree health benefits.

The current ARC rate is 16.8 percent of annual covered payroll. For the current year, the County contributed \$123,160, or 6.06 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 \$19,450; this includes amounts paid for dependent coverage. The County's obligation to contribute to the Retiree Health Benefit Plan is established and may be amended by the Board of County Commissioners.

The plan is a single-employer defined benefit plan.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside in a trust to pay benefits and administration costs. These expenditures are paid as they come due. However, each year since the plan's inception, the County has committed funds in the approximate amount of the ARC for this OPEB obligation. The Board of Commissioners has also passed a resolution committing prior and future contributions to the Retiree Health Insurance Plan for the specific purposes of paying current and accumulating funds for future retiree health insurance costs.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 | \$ 342,897 |
| Interest on net OPEB obligation | 39,303 |
| Adjustments to annual required contribution | <u>(69,520)</u> |
| Annual OPEB cost (expense) | 312,680 |
| Contributions made | <u>(123,160)</u> |
| Increase (decrease) in net OPEB obligation | 189,520 |
| Net OPEB obligation: | |
| Beginning of year - July 1 | <u>982,584</u> |
| End of year - June 30 | <u><u>\$ 1,172,104</u></u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 were as follows:

| <u>Year Ended</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> |
|-------------------------------------|-----------------------------------|---|--|
| 2015 | \$ 345,250 | 57.4% | \$ 764,045 |
| 2016 | 349,645 | 37.5% | 982,584 |
| 2017 | 312,680 | 39.4% | 1,172,104 |

Funding Status and Funding Progress. As of June 30, 2016, 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 \$3,641,982. The County's fund balance, however, shows \$2,196,108 in funds committed for this purpose. The covered payroll (annual payroll of active employees covered by the plan) was \$2,033,757, and the ratio of the UAAL to the covered payroll was 179.1 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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 June 30, 2016, 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 June 30, 2016, was 20 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 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.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 \$6,034,130 reported as landfill closure and post-closure care and PACA liability at June 30, 2017, \$4,285,878 is for closure and post-closure care costs and \$1,748,252 is for PACA costs. Both are a cumulative amount reported to date based on the use of 83 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 2017. 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 10.3 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, 2017, the County had funds of \$3,320,754 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, 2017

Deferred Outflows and Inflows of Resources

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

| Source | Amount |
|---|---------------------|
| Contributions to pension plan in current fiscal year (LGERS, ROD) | \$ 1,086,691 |
| Benefit payments made and administration expenses for LEOSSA | 34,068 |
| Differences between expected and actual experience (LGERS, ROD) | 86,900 |
| Changes of assumptions (LGERS, ROD) | 337,436 |
| Net difference between projected and actual experience (LGERS, ROD) | 2,554,826 |
| Changes in proportion and differences between employer contributions and proportionate share (LGERS) | 92,904 |
| | <u>\$ 4,192,825</u> |

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

| Source | Amount |
|---|-------------------|
| Changes in assumptions (LEOSSA) | \$ 30,774 |
| Differences between expected and actual experience (LGERS, ROD) | 162,934 |
| Changes in proportion and differences between employer contributions and proportionate share (ROD) | 1,770 |
| Prepaid taxes (General Fund) | 24,023 |
| Prepaid taxes (Special Revenue Fund) | 5,114 |
| Taxes receivable, net (General Fund) | 36,869 |
| Taxes receivable, net (Special Revenue Fund) | 7,366 |
| Total | <u>\$ 268,850</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 \$57.2 million for any one occurrence; general, auto, public officials, law enforcement and employment practices liability coverage of \$2 million per occurrence; cyber liability coverage of \$1,000,000 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

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 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.

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>2017</u> | <u>2016</u> |
|--------------------------|--------------------|--------------------|
| Unpaid claims, beginning | \$ 58,317 | \$ 111,001 |
| Incurred claims | 2,946,401 | 2,819,328 |
| Claim payments | <u>(2,635,697)</u> | <u>(2,872,012)</u> |
| Unpaid claims, ending | <u>\$ 369,021</u> | <u>\$ 58,317</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.

The agreement was executed on July 20, 2015 for the lease of emergency medical services equipment and requires three annual payments of \$5,958 at -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, 2017

At June 30, 2017, 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 | \$ 17,878 | \$ 11,920 | \$ 5,958 |

For Transylvania County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

| <u>June 30</u> | <u>Amount</u> |
|---|-----------------|
| 2018 | \$ 5,958 |
| Total minimum lease payments | 5,958 |
| Less: amount representing interest | - |
| Present value of the minimum lease payments | <u>\$ 5,958</u> |

General Obligation Indebtedness

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

The County's general obligation bond payable at June 30, 2017 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. \$ 520,000

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> |
|----------------|------------------|-----------------|--------------|
| 2018 | \$ 520,000 | \$ 20,800 | \$ 540,800 |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, totaled \$540,742.

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

| Year Ending | | | | |
|--------------------|-------------------|------------------|-------------------|--|
| June 30 | Principal | Interest | Total | |
| 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>\$ 540,742</u> | <u>\$ 33,904</u> | <u>\$ 574,646</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, 2017 totaled \$1,256,669.

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, 2017 totaled \$1,626,711.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2018 | \$ 313,830 | \$ 92,079 | \$ 405,909 |
| 2019 | 313,830 | 80,681 | 394,511 |
| 2020 | 313,830 | 69,284 | 383,114 |
| 2021 | 313,830 | 57,886 | 371,716 |
| 2022 | 313,830 | 46,488 | 360,318 |
| 2023-2027 | 892,486 | 108,206 | 1,000,692 |
| 2028-2031 | <u>421,744</u> | <u>20,876</u> | <u>442,620</u> |
| Total | <u>\$ 2,883,380</u> | <u>\$ 475,500</u> | <u>\$ 3,358,880</u> |

At June 30, 2017, the County had a legal debt margin of \$454,328,537.

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017:

| | <u>July 1, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2017</u> | <u>Current Portion</u> |
|--|---------------------|--------------------|---------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| General obligation debt | \$ 1,300,000 | \$ - | \$ 780,000 | \$ 520,000 | \$ 520,000 |
| Premium - general obligation debt | 4,918 | - | 3,112 | 1,806 | 1,806 |
| Qualified School Construction debt | 648,890 | - | 108,148 | 540,742 | 108,148 |
| Installment financing | 3,197,210 | - | 313,830 | 2,883,380 | 313,830 |
| Capital lease | 20,967 | - | 15,009 | 5,958 | 5,958 |
| Net pension obligation - LGERS | 924,592 | 3,465,118 | - | 4,389,710 | - |
| Net pension obligation - LEO | 774,122 | 920,262 | - | 1,694,384 | - |
| OPEB | 939,168 | 180,044 | - | 1,119,212 | - |
| Compensated absences | <u>1,030,799</u> | <u>984,894</u> | <u>949,166</u> | <u>1,066,527</u> | <u>906,548</u> |
| Total | <u>\$ 8,840,666</u> | <u>\$5,550,318</u> | <u>\$ 2,169,265</u> | <u>\$ 12,221,719</u> | <u>\$1,856,290</u> |
| Business-Type Activities: | | | | | |
| OPEB | \$ 43,416 | \$ 9,476 | \$ - | \$ 52,892 | \$ - |
| Net pension obligation - LGERS | 48,662 | 182,375 | - | 231,037 | - |
| Accrued landfill closure and post-closure care costs | 5,698,726 | 335,404 | - | 6,034,130 | - |
| Compensated absences | <u>39,257</u> | <u>38,138</u> | <u>49,559</u> | <u>27,836</u> | <u>23,661</u> |
| Total | <u>\$ 5,830,061</u> | <u>\$ 565,393</u> | <u>\$ 49,559</u> | <u>\$ 6,345,895</u> | <u>\$ 23,661</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, 2017

C. Net Investment in Capital Assets

The total net investment in capital assets as of June 30, 2017, is composed of the following elements:

| | Governmental Activities | Business-Type Activities |
|--|------------------------------------|-------------------------------------|
| Capital assets, net of accumulated depreciation | <u>\$ 41,635,492</u> | <u>\$ 3,601,564</u> |
| Less: capital debt | | |
| Gross debt | 3,951,886 | - |
| Less: | | |
| School debt related to assets to which the County does not hold title | <u>(1,062,548)</u> | <u>-</u> |
| Net capital debt | <u>2,889,338</u> | <u>-</u> |
| Net investment in capital assets | <u>\$ 38,746,154</u> | <u>\$ 3,601,564</u> |

Unspent debt proceeds related to the school are not included in net investments in capital assets calculation.

D. Interfund Balances and Activity

Transfers from/to other funds at June 30, 2017 consist of the following:

| | |
|--|-------------------|
| From the General Fund to the Solid Waste Fund to supplement other funding sources | \$ 626,117 |
| From the General Fund to the Emergency Telephone System Fund for increases in implemental functions | <u>2,086</u> |
| Total transfers from General Fund to other funds | <u>\$ 628,203</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

| | <u>Federal</u> | <u>State</u> |
|--|----------------------|----------------------|
| Temporary Assistance to Needy Families | \$ 219,930 | \$ 1 |
| Medicaid | 26,531,168 | 14,048,863 |
| State Children's Health Insurance Program - NC Health Choice | 904,274 | 3,607 |
| WIC | 375,317 | - |
| SAA/SAD HB 1030 | - | 9,979 |
| CWS adoption subsidy | - | 67,370 |
| F/C at-risk maximization | - | 10,146 |
| SC/SA domiciliary care payments | - | 187,590 |
| SFHF maximization | - | 60,761 |
| State foster home | - | 41,438 |
| Foster care | 77,253 | 22,445 |
| Total | <u>\$ 28,107,942</u> | <u>\$ 14,452,200</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

6. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

7. Claims and Judgments

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's Management and the County Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

8. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for governmental activities decreased by \$826,170.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- **Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance**
- **Schedule of Total Pension Liability as a Percentage of Covered Payroll for 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 Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System**
- **Schedule of Contributions to Local Government Employees' Retirement System – Last Four Fiscal Years**
- **Schedule of Proportionate Share of Net Pension Liability for Register of Deed's Supplemental Pension Fund**
- **Schedule of Contributions to Register of Deed's Supplemental Pension Fund – Last Four Fiscal Years**

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TRANSYLVANIA COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017

| Law Enforcement Officers' Special Separation Allowance | |
|---|---------------------|
| | <u>2017</u> |
| Beginning balance | \$ 1,655,418 |
| Service cost | 72,405 |
| Interest on the total pension liability | 58,119 |
| Changes of assumptions or other inputs | (36,692) |
| Benefit payments | <u>(54,866)</u> |
| Ending balance of the total pension liability | <u>\$ 1,694,384</u> |

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

TRANSYLVANIA COUNTY, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

| Law Enforcement Officers' Special Separation Allowance | |
|---|--------------|
| | 2017 |
| Total pension liability | \$ 1,694,384 |
| Covered payroll | 2,838,700 |
| Total pension liability as a percentage of covered payroll | 59.69% |

Notes to the Schedules:

Transylvania County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

TRANSYLVANIA COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2017

| 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% |
| 6/30/2016 | - | 3,641,982 | 3,641,982 | 0.00% | 2,033,757 | 179.1% |

| Schedule of Employer Contributions | | |
|------------------------------------|------------------------------------|---------------------------|
| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
| 2017 | \$ 342,897 | 35.92% |
| 2016 | 366,110 | 35.81% |
| 2015 | 358,545 | 55.26% |
| 2014 | 119,094 | 45.53% |
| 2013 | 109,189 | 39.36% |

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|-----------------------------|
| Valuation date | 6/30/2016 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level dollar amount, closed |
| Remaining amortization period | 20 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 | 2022 |

* 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 \$2,196,108 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 FOUR FISCAL YEARS***

| Local Governmental Employees' Retirement System | | | | |
|--|---------------|---------------|----------------|---------------|
| | 2017 | 2016 | 2015 | 2014 |
| Transylvania County's proportion of the net pension liability (asset) (%) | 0.21772% | 0.21686% | 0.21288% | 0.21400% |
| Transylvania County's proportion of the net pension liability (asset) (\$) | \$ 4,620,747 | \$ 973,254 | \$ (1,255,453) | \$ 2,579,522 |
| Transylvania County's covered-employee payroll | \$ 13,754,619 | \$ 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 | 33.59% | 7.32% | -9.82% | 22.15% |
| Plan fiduciary net position as a percentage of the total pension liability** | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TRANSYLVANIA COUNTY, NORTH CAROLINA**TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS**

| Local Governmental Employees' Retirement System | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually required contribution | \$ 1,082,984 | \$ 932,593 | \$ 939,521 | \$ 903,438 |
| Contributions in relation to the contractually required contribution | <u>1,082,984</u> | <u>932,593</u> | <u>939,521</u> | <u>903,438</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Transylvania County's covered-employee payroll | \$ 14,615,583 | \$ 13,754,619 | \$ 13,295,491 | \$ 12,789,506 |
| Contributions as a percentage of covered-employee payroll | 7.41% | 6.78% | 7.07% | 7.06% |

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

| Register of Deeds' Supplemental Pension Fund | | | | |
|--|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2014 |
| Transylvania County's proportion of the net pension liability (asset) (%) | 0.42072% | 0.41405% | 0.40700% | 0.40500% |
| Transylvania County's proportion of the net pension liability (asset) (\$) | \$ (78,658) | \$ (95,952) | \$ (92,215) | \$ (86,472) |
| Transylvania County's covered-employee payroll | \$ 67,880 | \$ 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 | -115.88% | -148.55% | -147.13% | -140.72% |
| Plan fiduciary net position as a percentage of the total pension liability** | 160.17% | 197.29% | 193.88% | 190.50% |

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TRANSYLVANIA COUNTY, NORTH CAROLINA**TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS**

| Register of Deeds' Supplemental Pension Fund | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually required contribution | \$ 3,707 | \$ 3,437 | \$ 3,313 | \$ 3,322 |
| Contributions in relation to the contractually required contribution | <u>3,707</u> | <u>3,437</u> | <u>3,313</u> | <u>3,322</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Transylvania County's covered-employee payroll | \$ 69,825 | \$ 67,880 | \$ 64,593 | \$ 62,675 |
| Contributions as a percentage of covered-employee payroll | 5.31% | 5.06% | 5.13% | 5.30% |

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

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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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|---|-------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Ad Valorem Taxes: | | | |
| Taxes | \$ 28,726,847 | \$ 29,166,942 | \$ 440,095 |
| Penalties and interest | 71,825 | 78,635 | 6,810 |
| Total | <u>28,798,672</u> | <u>29,245,577</u> | <u>446,905</u> |
| Local Option Sales Taxes: | | | |
| Article 39 and 44 | 2,933,102 | 3,221,955 | 288,853 |
| Article 40, one-half of one percent | 2,135,820 | 2,255,964 | 120,144 |
| Article 42, one-half of one percent | 1,560,959 | 1,704,494 | 143,535 |
| Medicaid hold harmless | 559,000 | 714,022 | 155,022 |
| Total | <u>7,188,881</u> | <u>7,896,435</u> | <u>707,554</u> |
| Other Taxes and Licenses: | | | |
| Deed stamp excise tax | 135,000 | 140,028 | 5,028 |
| Real estate transfer tax | 578,709 | 579,482 | 773 |
| Total | <u>713,709</u> | <u>719,510</u> | <u>5,801</u> |
| Unrestricted Intergovernmental Revenues: | | | |
| Payments in lieu of taxes - outside sources | 216,732 | 214,065 | (2,667) |
| ABC profit distribution & 5 cent bottle liquor | 79,600 | 73,998 | (5,602) |
| Video programming services tax | 104,100 | 110,499 | 6,399 |
| Total | <u>400,432</u> | <u>398,562</u> | <u>(1,870)</u> |
| Restricted Intergovernmental Revenues: | | | |
| State grants | 2,554,851 | 1,418,291 | (1,136,560) |
| Federal grants | 5,862,886 | 5,490,394 | (372,492) |
| Court facility fees | 38,165 | 30,713 | (7,452) |
| Other restricted funds | 243,700 | 238,573 | (5,127) |
| Total | <u>8,699,602</u> | <u>7,177,971</u> | <u>(1,521,631)</u> |
| Permits and Fees: | | | |
| Register of Deeds | 75,117 | 77,096 | 1,979 |
| Other | 154 | 5 | (149) |
| Building permits | 340,000 | 571,924 | 231,924 |
| Total | <u>415,271</u> | <u>649,025</u> | <u>233,754</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, 2017

| | Budget | Actual | Variance Over/Under |
|--------------------------------|------------|------------|------------------------|
| Sales and Services: | | | |
| Rents, concessions, and fees | 1,577,733 | 2,091,943 | 514,210 |
| Ambulance fees | 1,549,461 | 1,333,305 | (216,156) |
| Recreation department | 55,757 | 43,166 | (12,591) |
| Town of Rosman | 2,300 | 2,502 | 202 |
| City of Brevard | 130,000 | 136,693 | 6,693 |
| Total | 3,315,251 | 3,607,609 | 292,358 |
| Investment Earnings | 105,000 | 124,608 | 19,608 |
| Miscellaneous: | | | |
| Joint Historical Preservation | - | 460 | 460 |
| Donations | 9,850 | 16,582 | 6,732 |
| County Recovery Fund | 200 | 261 | 61 |
| Other | 182,459 | 180,215 | (2,244) |
| Total | 192,509 | 197,518 | 5,009 |
| Total revenues | 49,829,327 | 50,016,815 | 187,488 |
| Expenditures: | | | |
| General Government: | | | |
| Governing Board: | | | |
| Salaries and employee benefits | 84,010 | 83,286 | 724 |
| Other operating expenditures | 148,727 | 46,445 | 102,282 |
| Total | 232,737 | 129,731 | 103,006 |
| Administration: | | | |
| Salaries and employee benefits | 410,964 | 367,927 | 43,037 |
| Other operating expenditures | 796,526 | 651,371 | 145,155 |
| Total | 1,207,490 | 1,019,298 | 188,192 |
| Elections: | | | |
| Salaries and employee benefits | 253,958 | 254,900 | (942) |
| Other operating expenditures | 150,261 | 136,698 | 13,563 |
| Total | 404,219 | 391,598 | 12,621 |

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Over/Under |
|--------------------------------|-----------|-----------|------------------------|
| 150th Celebration: | | | |
| Other operating expenditures | 482 | 236 | 246 |
| Finance: | | | |
| Salaries and employee benefits | 423,195 | 424,871 | (1,676) |
| Other operating expenditures | 99,203 | 90,291 | 8,912 |
| Total | 522,398 | 515,162 | 7,236 |
| Taxes: | | | |
| Salaries and employee benefits | 899,624 | 842,544 | 57,080 |
| Other operating expenditures | 446,700 | 359,959 | 86,741 |
| Capital outlay | 15,894 | 13,699 | 2,195 |
| Total | 1,362,218 | 1,216,202 | 146,016 |
| Legal: | | | |
| Contracted services | 61,429 | 44,204 | 17,225 |
| Other operating expenditures | 6,283 | 6,540 | (257) |
| Total | 67,712 | 50,744 | 16,968 |
| Register of Deeds: | | | |
| Salaries and employee benefits | 301,685 | 301,433 | 252 |
| Other operating expenditures | 383,195 | 382,289 | 906 |
| Total | 684,880 | 683,722 | 1,158 |
| Public Buildings: | | | |
| Salaries and employee benefits | 588,025 | 561,124 | 26,901 |
| Other operating expenditures | 524,439 | 475,359 | 49,080 |
| Capital outlay | 433,738 | 333,955 | 99,783 |
| Total | 1,546,202 | 1,370,438 | 175,764 |
| Court Facilities: | | | |
| Other operating expenditures | 59,240 | 49,774 | 9,466 |
| Information Technology: | | | |
| Salaries and employee benefits | 310,127 | 310,362 | (235) |
| Other operating expenditures | 90,276 | 90,650 | (374) |
| Capital outlay | 32,165 | 30,292 | 1,873 |
| Total | 432,568 | 431,304 | 1,264 |

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Over/Under |
|------------------------------------|-------------|-------------|------------------------|
| Project Management: | | | |
| Salaries and employee benefits | 82,071 | 81,654 | 417 |
| Other operating expenditures | 500 | 238 | 262 |
| Total | 82,571 | 81,892 | 679 |
| Self Insurance: | | | |
| Claims cost | 3,050,896 | 2,949,532 | 101,364 |
| Employee premiums/cobra payments | (467,315) | (468,655) | 1,340 |
| Administrative costs | 785,393 | 805,009 | (19,616) |
| County portion of premiums charged | (3,507,000) | (3,519,723) | 12,723 |
| Reserve | 267,945 | - | 267,945 |
| Retiree insurance | (267,945) | (304,640) | 36,695 |
| Total | (138,026) | (538,477) | 400,451 |
| Employee Wellness Center: | | | |
| Other operating expenditures | 160,520 | 147,532 | 12,988 |
| 457 Contributions: | | | |
| Other operating expenditures | - | (10,102) | 10,102 |
| Total general government | 6,625,211 | 5,539,054 | 1,086,157 |
| Public Safety: | | | |
| Sheriff and Jail: | | | |
| Salaries and employee benefits | 5,725,249 | 5,700,271 | 24,978 |
| Other operating expenditures | 1,608,843 | 1,478,235 | 130,608 |
| Capital outlay | 351,973 | 349,477 | 2,496 |
| Total | 7,686,065 | 7,527,983 | 158,082 |
| Emergency Management: | | | |
| Salaries and employee benefits | 301,888 | 295,244 | 6,644 |
| Other operating expenditures | 38,072 | 35,821 | 2,251 |
| Capital outlay | 55,329 | 54,950 | 379 |
| Total | 395,289 | 386,015 | 9,274 |
| Fire: | | | |
| Contracted services | 94,542 | 79,313 | 15,229 |

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Over/Under |
|------------------------------------|------------|------------|------------------------|
| Rescue Units: | | | |
| Contracted services | 229,000 | 229,000 | - |
| Emergency Medical Services: | | | |
| Salaries and employee benefits | 1,847,668 | 1,837,328 | 10,340 |
| Other operating expenditures | 291,759 | 284,673 | 7,086 |
| Capital outlay | 195,556 | 193,418 | 2,138 |
| Total | 2,334,983 | 2,315,419 | 19,564 |
| Medical Examiner: | | | |
| Contracted services | 34,250 | 27,100 | 7,150 |
| Emergency Communications: | | | |
| Salaries and employee benefits | 747,195 | 702,813 | 44,382 |
| Other operating expenditures | 291,801 | 190,709 | 101,092 |
| Capital outlay | 98,764 | 109,663 | (10,899) |
| Total | 1,137,760 | 1,003,185 | 134,575 |
| Animal Control: | | | |
| Salaries and employee benefits | 301,980 | 295,239 | 6,741 |
| Other operating expenditures | 110,449 | 107,102 | 3,347 |
| Capital outlay | 30,453 | 30,452 | 1 |
| Total | 442,882 | 432,793 | 10,089 |
| Inspections: | | | |
| Salaries and employee benefits | 347,849 | 338,880 | 8,969 |
| Other operating expenditures | 34,183 | 27,053 | 7,130 |
| Capital outlay | 47,278 | 47,276 | 2 |
| Total | 429,310 | 413,209 | 16,101 |
| Total public safety | 12,784,081 | 12,414,017 | 370,064 |
| Transportation: | | | |
| Salaries and employee benefits | 374,415 | 337,864 | 36,551 |
| Other operating expenditures | 107,111 | 101,247 | 5,864 |
| Capital outlay | 106,000 | 100,388 | 5,612 |
| Total transportation | 587,526 | 539,499 | 48,027 |

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Over/Under |
|---|-----------|-----------|------------------------|
| Economic and Physical Development: | | | |
| Planning: | | | |
| Salaries and employee benefits | 244,770 | 244,503 | 267 |
| Other operating expenditures | 20,546 | 18,014 | 2,532 |
| Total | 265,316 | 262,517 | 2,799 |
| Economic Development: | | | |
| Operating expenditures | 1,646,441 | 599,139 | 1,047,302 |
| Cooperative Extension: | | | |
| Salaries and employee benefits | 189,727 | 181,019 | 8,708 |
| Other operating expenditures | 21,845 | 19,033 | 2,812 |
| Total | 211,572 | 200,052 | 11,520 |
| Soil and Water Conservation: | | | |
| Salaries and employee benefits | 135,181 | 135,702 | (521) |
| Other operating expenditures | 50,044 | 48,833 | 1,211 |
| Total | 185,225 | 184,535 | 690 |
| Total economic and physical development | 2,308,554 | 1,246,243 | 1,062,311 |
| Human Services: | | | |
| Health: | | | |
| Administration: | | | |
| Salaries and employee benefits | 1,993,243 | 1,957,842 | 35,401 |
| Other operating expenditures | 478,022 | 396,981 | 81,041 |
| Capital outlay | 54,796 | 54,585 | 211 |
| Total | 2,526,061 | 2,409,408 | 116,653 |
| Mental Health: | | | |
| Contracted services: | | | |
| Community mental health services | 99,261 | 99,261 | - |

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|-----------------------------------|------------------|------------------|--------------------------------|
| Social Services: | | | |
| Administration: | | | |
| Salaries and employee benefits | 3,307,370 | 3,194,433 | 112,937 |
| Other operating expenditures | 376,915 | 358,674 | 18,241 |
| Total | <u>3,684,285</u> | <u>3,553,107</u> | <u>131,178</u> |
| Public Assistance: | | | |
| Special assistance to adults: | | | |
| County participation only | 194,656 | 195,459 | (803) |
| Medicaid program: | | | |
| Medicaid transportation | 140,000 | 104,935 | 35,065 |
| Workfirst recipient benefits: | | | |
| Other operating expenditures | - | 929 | (929) |
| Title III programs: | | | |
| Other operating expenditures | 4,000 | 1,982 | 2,018 |
| Other assistance: | | | |
| Other program expenditures | <u>1,939,783</u> | <u>1,719,623</u> | <u>220,160</u> |
| Total | <u>2,278,439</u> | <u>2,022,928</u> | <u>255,511</u> |
| Child Development: | | | |
| Salaries and employee benefits | 659,660 | 643,037 | 16,623 |
| Other operating expenditures | 89,723 | 83,967 | 5,756 |
| Capital outlay | 20,000 | 17,902 | 2,098 |
| Total | <u>769,383</u> | <u>744,906</u> | <u>24,477</u> |
| Total social services | <u>6,732,107</u> | <u>6,320,941</u> | <u>411,166</u> |
| Veteran's Service Officer: | | | |
| Salaries and employee benefits | 19,774 | 19,823 | (49) |
| Other operating expenditures | 9,235 | 8,167 | 1,068 |
| Total | <u>29,009</u> | <u>27,990</u> | <u>1,019</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, 2017

| | Budget | Actual | Variance Over/Under |
|---|---------------|---------------|------------------------|
| Other Services: | | | |
| Transylvania vocational services | 29,400 | 29,400 | - |
| Juvenile crime prevention | 104,212 | 104,164 | 48 |
| Children's Center | 61,308 | 35,903 | 25,405 |
| HCCBG | 298,296 | 291,791 | 6,505 |
| Other services | 78,510 | 78,510 | - |
| Total | 571,726 | 539,768 | 31,958 |
| Total human services | 9,958,164 | 9,397,368 | 560,796 |
| Cultural and Recreational: | | | |
| Parks and Recreation: | | | |
| Salaries and employee benefits | 536,657 | 530,614 | 6,043 |
| Other operating expenditures | 363,153 | 313,239 | 49,914 |
| Capital outlay | 152,430 | 55,008 | 97,422 |
| Total | 1,052,240 | 898,861 | 153,379 |
| Library: | | | |
| Salaries and employee benefits | 1,006,379 | 987,476 | 18,903 |
| Other operating expenditures | 372,340 | 362,699 | 9,641 |
| Capital outlay | 113,915 | 113,917 | (2) |
| Total | 1,492,634 | 1,464,092 | 28,542 |
| Other: | | | |
| Brevard College | 18,000 | 18,000 | - |
| Other | 77,625 | 48,800 | 28,825 |
| Total | 95,625 | 66,800 | 28,825 |
| Total cultural and recreational | 2,640,499 | 2,429,753 | 210,746 |
| Education: | | | |
| Public schools - current | 11,427,315 | 11,427,315 | - |
| Public schools - distribution of lottery proceeds | 242,677 | 174,291 | 68,386 |
| Public schools - capital outlay | 1,800,000 | 1,800,000 | - |
| Blue Ridge Community College | 370,386 | 370,386 | - |
| Total education | 13,840,378 | 13,771,992 | 68,386 |

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|-----------------------|--------------------------|--------------------------------|
| Debt Service: | | | |
| Principal retirement | 1,216,988 | 1,216,987 | 1 |
| Interest and fees | 169,712 | 169,710 | 2 |
| Total | <u>1,386,700</u> | <u>1,386,697</u> | <u>3</u> |
| Total expenditures | <u>50,131,113</u> | <u>46,724,623</u> | <u>3,406,490</u> |
| Revenues over (under) expenditures | <u>(301,786)</u> | <u>3,292,192</u> | <u>3,593,978</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in: | | | |
| Capital project funds | 20,000 | - | (20,000) |
| Transfers out: | | | |
| Special revenue funds | (2,086) | (2,086) | - |
| Enterprise funds | (626,117) | (626,117) | - |
| Assigned and committed funds | (369,555) | - | 369,555 |
| Appropriated fund balance | <u>1,279,544</u> | <u>-</u> | <u>(1,279,544)</u> |
| Total other financing sources (uses) | <u>301,786</u> | <u>(628,203)</u> | <u>(929,989)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>2,663,989</u> | <u>\$ 2,663,989</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>24,776,291</u> | |
| End of year - June 30 | | <u>\$ 27,440,280</u> | |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2017

| | Nonmajor Special Revenue Funds | Nonmajor Capital Project Funds | Permanent Fund | Total |
|---|---|---|-------------------|---------------------|
| Assets: | | | | |
| Cash and investments | \$ 600,015 | \$ 209,393 | \$ 227,553 | \$ 1,036,961 |
| Accounts receivable, net | 43,026 | 247,884 | - | 290,910 |
| Taxes receivable, net | 7,366 | - | - | 7,366 |
| Cash and investments, restricted | - | 22,125 | 108,367 | 130,492 |
| Total assets | <u>\$ 650,407</u> | <u>\$ 479,402</u> | <u>\$ 335,920</u> | <u>\$ 1,465,729</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 42,942 | \$ - | \$ - | \$ 42,942 |
| Total liabilities | <u>42,942</u> | <u>-</u> | <u>-</u> | <u>42,942</u> |
| Deferred Inflows of Resources: | | | | |
| Property taxes receivable | 7,366 | - | - | 7,366 |
| Prepaid taxes | 5,114 | - | - | 5,114 |
| Total deferred inflows of resources | <u>12,480</u> | <u>-</u> | <u>-</u> | <u>12,480</u> |
| Fund Balances: | | | | |
| Stabilization for State statute | 43,026 | 247,884 | - | 290,910 |
| Restricted, all other | 551,959 | 22,125 | 108,367 | 682,451 |
| Assigned | - | 209,393 | 227,553 | 436,946 |
| Total fund balances | <u>594,985</u> | <u>479,402</u> | <u>335,920</u> | <u>1,410,307</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 650,407</u> | <u>\$ 479,402</u> | <u>\$ 335,920</u> | <u>\$ 1,465,729</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

| | Nonmajor Special Revenue Funds | Nonmajor Capital Project Funds | Permanent Fund | Total |
|--|---|---|---------------------------|---------------------|
| Revenues: | | | | |
| Ad valorem taxes | \$ 3,112,097 | \$ - | \$ - | \$ 3,112,097 |
| Restricted intergovernmental revenues | 300,703 | - | - | 300,703 |
| Donations and grants | - | 20,000 | - | 20,000 |
| Interest earned on investments | 3,154 | 569 | 1,272 | 4,995 |
| Total revenues | <u>3,415,954</u> | <u>20,569</u> | <u>1,272</u> | <u>3,437,795</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | 5,482 | - | 5,482 |
| Public safety | 3,508,405 | - | - | 3,508,405 |
| Cultural and recreational | - | - | 2 | 2 |
| Capital outlay | - | 638,732 | - | 638,732 |
| Total expenditures | <u>3,508,405</u> | <u>644,214</u> | <u>2</u> | <u>4,152,621</u> |
| Revenues over (under) expenditures | <u>(92,451)</u> | <u>(623,645)</u> | <u>1,270</u> | <u>(714,826)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 2,086 | - | - | 2,086 |
| Total other financing sources (uses) | <u>2,086</u> | <u>-</u> | <u>-</u> | <u>2,086</u> |
| Net change in fund balances | (90,365) | (623,645) | 1,270 | (712,740) |
| Fund Balances: | | | | |
| Beginning of year - July 1 | <u>685,350</u> | <u>1,103,047</u> | <u>334,650</u> | <u>2,123,047</u> |
| End of year - June 30 | <u>\$ 594,985</u> | <u>\$ 479,402</u> | <u>\$ 335,920</u> | <u>\$ 1,410,307</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.

CAPITAL PROJECTS FUNDS

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, 2017

| | Fire Districts Fund | Emergency Telephone System Fund | Total |
|---|------------------------------------|--|-------------------|
| Assets: | | | |
| Cash and investments | \$ 313,139 | \$ 286,876 | \$ 600,015 |
| Accounts receivable | 17,967 | 25,059 | 43,026 |
| Taxes receivable, net | <u>7,366</u> | <u>-</u> | <u>7,366</u> |
| Total assets | <u>\$ 338,472</u> | <u>\$ 311,935</u> | <u>\$ 650,407</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | <u>\$ -</u> | <u>\$ 42,942</u> | <u>\$ 42,942</u> |
| Deferred Inflows of Resources: | | | |
| Property taxes receivable | 7,366 | - | 7,366 |
| Prepaid taxes | <u>5,114</u> | <u>-</u> | <u>5,114</u> |
| Total deferred inflows of resources | <u>12,480</u> | <u>-</u> | <u>12,480</u> |
| Fund Balances: | | | |
| Restricted: | | | |
| Stabilization for State statute | 17,967 | 25,059 | 43,026 |
| Restricted, all other | <u>308,025</u> | <u>243,934</u> | <u>551,959</u> |
| Total fund balances | <u>325,992</u> | <u>268,993</u> | <u>594,985</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 338,472</u> | <u>\$ 311,935</u> | <u>\$ 650,407</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, 2017

| | Fire Districts Fund | Emergency Telephone System Fund | Total |
|--|------------------------------------|--|-------------------|
| Revenues: | | | |
| Ad valorem taxes | \$ 3,112,097 | \$ - | \$ 3,112,097 |
| Restricted intergovernmental | - | 300,703 | 300,703 |
| Investment earnings | 1,929 | 1,225 | 3,154 |
| Total revenues | <u>3,114,026</u> | <u>301,928</u> | <u>3,415,954</u> |
| Expenditures: | | | |
| General government | - | - | - |
| Public safety | 3,056,716 | 451,689 | 3,508,405 |
| Total expenditures | <u>3,056,716</u> | <u>451,689</u> | <u>3,508,405</u> |
| Revenues over (under) expenditures | <u>57,310</u> | <u>(149,761)</u> | <u>(92,451)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | - | 2,086 | 2,086 |
| Net change in fund balances | 57,310 | (147,675) | (90,365) |
| Fund Balances: | | | |
| Beginning of year - July 1 | <u>268,682</u> | <u>416,668</u> | <u>685,350</u> |
| End of year - June 30 | <u>\$ 325,992</u> | <u>\$ 268,993</u> | <u>\$ 594,985</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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year | \$ 3,051,672 | \$ 3,099,324 | \$ 47,652 |
| Prior year | - | 3,829 | 3,829 |
| Penalties and interest | - | 8,944 | 8,944 |
| Investment earnings | - | 1,929 | 1,929 |
| Total revenues | <u>3,051,672</u> | <u>3,114,026</u> | <u>62,354</u> |
| Expenditures: | | | |
| Public safety: | | | |
| Brevard Fire District | 333,594 | 333,638 | (44) |
| Rosman Fire District | 489,703 | 489,703 | - |
| Little River Fire District | 432,495 | 432,495 | - |
| Connetsee Falls Fire District | 612,912 | 612,912 | - |
| Cedar Mountain Fire District | 194,000 | 194,000 | - |
| Lake Toxaway Fire District | 739,091 | 739,091 | - |
| Balsam Grove Fire District | 96,477 | 96,477 | - |
| North Transylvania Fire District | 158,400 | 158,400 | - |
| Total expenditures | <u>3,056,672</u> | <u>3,056,716</u> | <u>(44)</u> |
| Revenues over (under) expenditures | (5,000) | 57,310 | 62,310 |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance | <u>5,000</u> | <u>-</u> | <u>(5,000)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>57,310</u> | <u>\$ 57,310</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>268,682</u> | |
| End of year - June 30 | | <u>\$ 325,992</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, 2017

| | Budget | Actual | Variance Over/Under |
|--|------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Restricted intergovernmental | \$ 300,702 | \$ 300,703 | \$ 1 |
| Investment earnings | - | 1,225 | 1,225 |
| Total revenues | <u>300,702</u> | <u>301,928</u> | <u>1,226</u> |
| Expenditures: | | | |
| Public safety: | | | |
| Phone and furniture | 30,110 | 16,738 | 13,372 |
| Software and hardware | 475,610 | 297,171 | 178,439 |
| Training | 5,000 | 859 | 4,141 |
| Implemental functions | 96,959 | 96,757 | 202 |
| City distribution | <u>40,163</u> | <u>40,164</u> | <u>(1)</u> |
| Total expenditures | <u>647,842</u> | <u>451,689</u> | <u>196,153</u> |
| Revenues over (under) expenditures | <u>(347,140)</u> | <u>(149,761)</u> | <u>197,379</u> |
| Other Financing Sources (Uses): | | | |
| Transfer in | 2,086 | 2,086 | - |
| Appropriated fund balance | <u>345,054</u> | <u>-</u> | <u>(345,054)</u> |
| Total other financing sources (uses) | <u>347,140</u> | <u>2,086</u> | <u>(345,054)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(147,675)</u> | <u>\$ (147,675)</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>416,668</u> | |
| End of year - June 30 | | <u>\$ 268,993</u> | |

PSAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2017

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 | \$ 268,993 |
| Transfers made in fiscal year 2015 and 2017 from General Fund not included in PSAP report | (9,552) |
| Ineligible prior-year expenditures reported in Emergency Telephone System Fund | 12,609 |
| Eligible prior-year expenditures not reported in Emergency Telephone System Fund | <u>(3,888)</u> |
| Ending balance, PSAP Revenue - Expenditure Report | <u>\$ 268,162</u> |

TRANSYLVANIA COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

| | Schools QZAB Fund | General Capital Projects Fund | Total |
|----------------------------------|----------------------------------|--|-------------------|
| Assets: | | | |
| Cash and investments | \$ - | \$ 209,393 | \$ 209,393 |
| Accounts receivable, net | - | 247,884 | 247,884 |
| Cash and investments, restricted | <u>22,125</u> | <u>-</u> | <u>22,125</u> |
| Total assets | <u>\$ 22,125</u> | <u>\$ 457,277</u> | <u>\$ 479,402</u> |
| Fund Balances: | | | |
| Stabilization for State statute | \$ - | \$ 247,884 | \$ 247,884 |
| Restricted for: | | | |
| Education | 22,125 | - | 22,125 |
| Assigned | <u>-</u> | <u>209,393</u> | <u>209,393</u> |
| Total fund balances | <u>\$ 22,125</u> | <u>\$ 457,277</u> | <u>\$ 479,402</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, 2017

| | Schools QZAB Fund | General Capital Projects Fund | Total |
|------------------------------------|----------------------------------|--|--------------|
| Revenues: | | | |
| Donations and grants | \$ - | \$ 20,000 | \$ 20,000 |
| Interest earned on investments | - | 569 | 569 |
| Total revenues | - | 20,569 | 20,569 |
| Expenditures: | | | |
| Current: | | | |
| General government | - | 5,482 | 5,482 |
| Capital outlay | - | 638,732 | 638,732 |
| Total expenditures | - | 644,214 | 644,214 |
| Revenues over (under) expenditures | - | (623,645) | (623,645) |
| Fund Balances: | | | |
| Beginning of year - July 1 | 22,125 | 1,080,922 | 1,103,047 |
| End of year - June 30 | \$ 22,125 | \$ 457,277 | \$ 479,402 |

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, 2017

| | <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 | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>22,125</u> | |
| End of year - June 30 | | <u>\$ 22,125</u> | |

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

| | | <u>Actual</u> | | | |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Over/Under</u> |
| Revenues: | | | | | |
| Donations and grants | \$ 453,757 | \$ 373,811 | \$ 20,000 | \$ 393,811 | \$ (59,946) |
| Investment earnings | 514,581 | 535,932 | 569 | 536,501 | 21,920 |
| Total revenues | 968,338 | 909,743 | 20,569 | 930,312 | (38,026) |
| Expenditures: | | | | | |
| Capital outlay | 7,996,748 | 6,749,144 | 638,732 | 7,387,876 | 608,872 |
| Land improvements-non capital | - | 3,282 | - | 3,282 | (3,282) |
| Expensed architectural fees/other miscellaneous | - | 124,805 | 5,482 | 130,287 | (130,287) |
| Total expenditures | 7,996,748 | 6,877,231 | 644,214 | 7,521,445 | 475,303 |
| Revenues over (under) expenditures | (7,028,410) | (5,967,488) | (623,645) | (6,591,133) | 437,277 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in from General Fund | 4,535,408 | 4,535,408 | - | 4,535,408 | - |
| Transfers to General Fund | (514,429) | (494,429) | - | (494,429) | 20,000 |
| Long-term debt issued | 1,807,457 | 1,807,457 | - | 1,807,457 | - |
| Total other financing sources (uses) | 5,828,436 | 5,848,436 | - | 5,848,436 | 20,000 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (1,199,974) | (119,052) | (623,645) | (742,697) | 457,277 |
| Appropriated fund balance | 1,199,974 | - | - | - | (1,199,974) |
| Net change in fund balance | \$ - | \$ (119,052) | (623,645) | \$ (742,697) | \$ (742,697) |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | 1,080,922 | | |
| End of year - June 30 | | | \$ 457,277 | | |

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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|---------------|---------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ 1,500 | \$ 1,272 | \$ (228) |
| Expenditures: | | | |
| Silvermont operating expenditure | 12,000 | 2 | 11,998 |
| Revenues over (under) expenditures | (10,500) | 1,270 | 11,770 |
| Other Financing Sources (Uses): | | | |
| Appropriated fund balance | 10,500 | - | (10,500) |
| Net change in fund balance | \$ - | 1,270 | \$ 1,270 |
| Fund Balance: | | | |
| Beginning of year - July 1 | | 334,650 | |
| End of year - June 30 | | \$ 335,920 | |

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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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for services | | | |
| Solid waste charges | \$ 1,447,930 | \$ 1,611,753 | \$ 163,823 |
| Recycling | 147,280 | 176,441 | 29,161 |
| Other operating revenues | 2,700 | 2,155 | (545) |
| Total operating revenues | <u>1,597,910</u> | <u>1,790,349</u> | <u>192,439</u> |
| Non-operating revenues: | | | |
| Investment earnings | 7,800 | 1,616 | (6,184) |
| Miscellaneous revenue | 64,312 | 65,331 | 1,019 |
| Total non-operating revenues | <u>72,112</u> | <u>66,947</u> | <u>(5,165)</u> |
| Total revenues | <u>1,670,022</u> | <u>1,857,296</u> | <u>187,274</u> |
| Expenditures: | | | |
| Landfill administration and operations: | | | |
| Salaries and employee benefits | 919,454 | 928,136 | (8,682) |
| Other operating expenditures | 776,325 | 774,898 | 1,427 |
| Capital outlay | 319,950 | 319,950 | - |
| Total expenditures | <u>2,015,729</u> | <u>2,022,984</u> | <u>(7,255)</u> |
| Revenues over (under) expenditures | <u>(345,707)</u> | <u>(165,688)</u> | <u>180,019</u> |
| Other Financing Sources (Uses): | | | |
| Transfer in | 626,117 | 626,117 | - |
| Transfer out | (280,410) | - | (280,410) |
| Total other financing sources (uses) | <u>345,707</u> | <u>626,117</u> | <u>280,410</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 460,429</u> | <u>\$ 460,429</u> |
| Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual: | | | |
| Revenues and other financing sources over (under) expenditures and other financing uses | | \$ 460,429 | |
| Reconciling items: | | | |
| Change in contributions made to the pension plan in the current year | | 155,078 | |
| Change in pension expense | | (165,178) | |
| Capital outlay capitalized | | 319,950 | |
| Increase in OPEB | | (9,476) | |
| Increase in compensated absences payable | | 11,421 | |
| Increase in closure and post-closure care costs | | (335,404) | |
| Gain (Loss) on Asset disposal | | (18,735) | |
| Depreciation | | <u>(324,999)</u> | |
| Change in net position | | <u>\$ 93,086</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, 2017

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|--|---------------------------------------|------------------|-------------------|--|
| Social Services: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 37,340 | \$ 250,714 | \$ 235,843 | \$ 52,211 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 37,340 | \$ 250,714 | \$ 235,843 | \$ 52,211 |
| Miscellaneous: | | | | |
| Assets: | | | | |
| Cash and investments | \$ - | \$ 86,870 | \$ 86,870 | \$ - |
| Accounts receivable and accrued revenues | 8,823 | 7,498 | 8,823 | 7,498 |
| Total assets | \$ 8,823 | \$ 94,368 | \$ 95,693 | \$ 7,498 |
| Liabilities: | | | | |
| Intergovernmental payables - | | | | |
| Transylvania County Board of Education | \$ 8,823 | \$ 94,368 | \$ 95,693 | \$ 7,498 |
| Total liabilities | \$ 8,823 | \$ 94,368 | \$ 95,693 | \$ 7,498 |
| Dare Camp: | | | | |
| Assets: | | | | |
| Cash and investments | \$ 4,866 | \$ 3,678 | \$ 4,505 | \$ 4,039 |
| Liabilities: | | | | |
| Intergovernmental payables - | | | | |
| Transylvania County | \$ 262 | \$ - | \$ - | \$ 262 |
| Miscellaneous liabilities | 4,604 | 3,678 | 4,505 | 3,777 |
| Total liabilities | \$ 4,886 | \$ 3,678 | \$ 4,505 | \$ 4,039 |
| SHIELD Camp: | | | | |
| Assets: | | | | |
| Cash and investments | \$ 17,355 | \$ 10,578 | \$ 27,932 | \$ 1 |
| Liabilities: | | | | |
| Intergovernmental payables - | | | | |
| Transylvania County | \$ 5,001 | \$ - | \$ - | \$ 5,001 |
| Miscellaneous liabilities | 12,354 | 10,578 | 27,932 | (5,000) |
| Total liabilities | \$ 17,355 | \$ 10,578 | \$ 27,932 | \$ 1 |

TRANSYLVANIA COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|--|---------------------------------------|------------------|-------------------|--|
| Cops 4 Kids: | | | | |
| Assets: | | | | |
| Cash and investments | \$ 17,971 | \$ 34,244 | \$ 29,873 | \$ 22,342 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 17,971 | \$ 34,244 | \$ 29,873 | \$ 22,342 |
| Register of Deeds: | | | | |
| Assets: | | | | |
| Accounts receivable and accrued revenues | \$ - | \$ 32,023 | \$ 31,843 | \$ 180 |
| Liabilities: | | | | |
| Intergovernmental payables - | \$ (2,709) | \$ 2,709 | \$ 2,641 | \$ (2,641) |
| State of North Carolina | 2,709 | 32,023 | 31,911 | 2,821 |
| Total liabilities | \$ - | \$ 32,023 | \$ 31,911 | \$ 180 |
| Total - All Agency Funds: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 77,532 | \$ 386,084 | \$ 385,023 | \$ 78,593 |
| Accounts receivable and accrued revenues | 8,823 | 39,521 | 40,666 | 7,678 |
| Total assets | \$ 86,355 | \$ 425,605 | \$ 425,689 | \$ 86,271 |
| Liabilities: | | | | |
| Intergovernmental payables | \$ 14,085 | \$ 129,101 | \$ 130,245 | \$ 12,941 |
| Miscellaneous liabilities | 72,270 | 299,213 | 298,153 | 73,330 |
| Total liabilities | \$ 86,355 | \$ 428,314 | \$ 428,398 | \$ 86,271 |

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, 2017

| Year Ended June 30 | Uncollected Balance July 1, 2016 | Additions | Collections and Credits | Uncollected Balance June 30, 2017 |
|-------------------------------|---|----------------------|------------------------------------|--|
| 2017 | \$ - | \$ 29,228,388 | \$ 29,177,546 | \$ 50,842 |
| 2016 | 34,944 | - | 14,826 | 20,118 |
| 2015 | 18,137 | - | 4,192 | 13,945 |
| 2014 | 17,919 | - | 3,862 | 14,057 |
| 2013 | 15,361 | - | 2,274 | 13,087 |
| 2012 | 10,804 | - | 1,688 | 9,116 |
| 2011 | 13,394 | - | 2,089 | 11,305 |
| 2010 | 6,686 | - | 926 | 5,760 |
| 2009 | 8,618 | - | 735 | 7,883 |
| 2008 | 8,559 | - | 143 | 8,416 |
| 2007 | 10,860 | - | 10,860 | - |
| Total | <u>\$ 145,282</u> | <u>\$ 29,228,388</u> | <u>\$ 29,219,141</u> | 154,529 |

Less allowance for uncollectible ad valorem taxes receivable:

| | |
|--------------|----------------|
| General Fund | <u>117,660</u> |
|--------------|----------------|

Ad Valorem Taxes Receivable, Net:

| | |
|--------------|------------------|
| General Fund | <u>\$ 36,869</u> |
|--------------|------------------|

Reconciliation of Collections and Credits with Revenues:

| | |
|---------------------------------|---------------|
| Ad valorem taxes - General Fund | \$ 29,245,577 |
|---------------------------------|---------------|

Reconciling items:

| | |
|--------------------------|---------------|
| Interest | (77,085) |
| Tax refunds | 41,873 |
| Abatements - prior years | 2 |
| Advertising | (1,550) |
| Taxes written off | <u>10,324</u> |

| | |
|-------------------------------|----------------------|
| Total collections and credits | <u>\$ 29,219,141</u> |
|-------------------------------|----------------------|

TRANSYLVANIA COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2017

| | County-Wide | | | Total Levy | |
|---|-------------------------|-----------|----------------------|--|---------------------------------|
| | Property Valuation | Rate | Amount of Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| County-wide: | | | | | |
| Property tax | \$ 5,639,820,844 | \$ 0.5110 | \$ 28,819,494 | \$ 27,601,230 | \$ 1,218,264 |
| Motor vehicles taxed at prior year's rate | 66,367,904 | 0.5110 | 297,464 | - | 297,464 |
| Late list penalties | - | | 9,382 | 9,382 | - |
| Total original levy | <u>5,706,188,748</u> | | <u>29,126,340</u> | <u>27,610,612</u> | <u>1,515,728</u> |
| Discoveries: | | | | | |
| Current year taxes | 6,911,860 | 0.5110 | 35,320 | 35,320 | - |
| Prior year taxes | <u>17,483,012</u> | | <u>77,387</u> | <u>77,387</u> | <u>-</u> |
| Total discoveries | <u>24,394,872</u> | | <u>112,707</u> | <u>112,707</u> | <u>-</u> |
| Abatements and Discounts | <u>(2,078,331)</u> | | <u>(10,659)</u> | <u>(10,659)</u> | <u>-</u> |
| Total property valuation | <u>\$ 5,728,505,289</u> | | | | |
| Net Levy | | | 29,228,388 | 27,712,660 | 1,515,728 |
| Uncollected taxes at June 30, 2017 | | | <u>50,842</u> | <u>50,842</u> | <u>-</u> |
| Current Year's Taxes Collected | | | <u>\$ 29,177,546</u> | <u>\$ 27,661,818</u> | <u>\$ 1,515,728</u> |
| Current Levy Collection Percentage | | | <u>99.83%</u> | <u>99.82%</u> | <u>100.00%</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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TRANSLYLVANIA COUNTY, NORTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

TABLE 1

| UNAUDITED | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 38,746,154 |
| Restricted | 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 | 5,249,302 |
| Unrestricted | 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 | 18,156,797 |
| Total Governmental Activities Net Position | \$ 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 | \$ 62,152,253 |
| Business-Type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 3,601,564 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | (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 | 1,763,972 |
| Total Business-Type Activities Net Position | \$ 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 | \$ 5,365,536 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 42,347,718 |
| Restricted | 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 | 5,249,302 |
| Unrestricted | 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 | 19,920,769 |
| Total Primary Government Net Position | \$ 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 | \$ 67,517,789 |

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

TABLE 2

UNAUDITED

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 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 | \$ 5,591,288 |
| Public Safety | 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 | 16,364,189 |
| Transportation | 364,740 | 358,399 | 509,565 | 396,460 | 450,591 | 448,838 | 481,390 | 426,860 | 436,509 | 472,854 |
| Economic and Physical Development | 1,594,400 | 1,531,068 | 1,663,553 | 1,096,501 | 959,314 | 974,391 | 772,724 | 1,330,900 | 1,178,119 | 1,250,752 |
| Human Services | 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 | 9,591,901 |
| Cultural and Recreational | 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 | 2,529,905 |
| Education | 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 | 13,797,948 |
| Interest on Long-Term Obligations | 636,426 | 907,694 | 668,751 | 609,131 | 551,526 | 456,240 | 358,285 | 276,292 | 222,024 | 153,568 |
| Total Governmental Activities Expenses | \$ 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 | \$ 49,752,405 |
| Business-Type Activities: | | | | | | | | | | |
| Landfill | \$ 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 | \$ 2,371,592 |
| Total Governmental Activities Expenses | \$ 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 | \$ 2,371,592 |
| Total Primary Government Expenses | \$ 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 | \$ 52,123,997 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | \$ 1,403,077 | \$ 1,055,880 | \$ 269,938 | \$ 767,315 | \$ 334,456 | \$ 275,477 | \$ 335,719 | \$ 243,347 | \$ 377,649 | \$ 383,751 |
| Public Safety | 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 | 3,438,424 |
| Transportation | - | - | - | - | - | 7,202 | 4,739 | 4,592 | 4,458 | 7,584 |
| Economic and Physical Development | - | 11,467 | 6,712 | 31,791 | 22,638 | 21,240 | 12,926 | 10,442 | 11,843 | 14,636 |
| Human Services | 376,346 | 548,544 | 526,525 | 527,094 | 455,869 | 422,732 | 475,871 | 413,551 | 452,565 | 470,649 |
| Cultural and Recreational | 40,176 | 98,220 | 95,713 | 94,967 | 103,822 | 121,961 | 130,999 | 75,250 | 91,236 | 95,276 |
| Education | - | - | - | - | - | - | - | - | - | - |
| Operating Grants and Contributions: | | | | | | | | | | |
| General Government | 361,235 | 39,379 | 56,527 | 40,283 | 52,247 | 98,555 | 36,599 | 35,954 | 37,754 | 34,713 |
| Public Safety | 629,245 | 1,089,375 | 416,927 | 438,525 | 414,376 | 422,546 | 745,266 | 602,807 | 526,811 | 511,487 |
| Transportation | 219,801 | 341,357 | 234,881 | 278,738 | 272,129 | 269,173 | 274,445 | 259,300 | 222,422 | 400,036 |
| Economic and Physical Development | 686,949 | 459,808 | 169,696 | 65,711 | 70,882 | 65,063 | 57,374 | 70,006 | 50,128 | 101,782 |
| Human Services | 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 | 6,049,701 |
| Cultural and Recreational | 146,458 | 120,228 | 438,486 | 171,688 | 91,846 | 95,126 | 97,787 | 166,849 | 120,076 | 156,178 |
| Education | 124,754 | 137,268 | 137,842 | 161,664 | 363,784 | 544,124 | 811,018 | 667,751 | 205,430 | 288,609 |
| Capital Grants and Contributions: | | | | | | | | | | |
| General Government | 50,695 | - | - | - | - | - | - | - | - | - |
| Economic and Physical Development | - | - | 475,799 | 42,249 | 80,163 | 7,686 | 105,588 | 289,415 | - | - |
| Cultural and Recreational | - | - | - | - | - | 89,780 | - | - | 181,350 | - |
| Education | - | - | - | - | - | - | - | - | - | - |
| Total Governmental Activities Program Revenues | \$ 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 | \$ 11,952,826 |

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

UNAUDITED

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Business-Type Activities: | | | | | | | | | | |
| Charge for Services - Landfill | \$ 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 | \$ 1,790,349 |
| Operating Grants and Contributions - Landfill | - | 12,728 | 19,469 | 19,389 | 21,043 | 19,967 | 19,863 | 57,327 | 19,982 | 46,596 |
| Capital Grants and Contributions - Landfill | 107,343 | - | - | - | - | - | - | - | - | - |
| Total Business-Type Activities Program Revenues | \$ 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 | \$ 1,836,945 |
| Total Primary Government Program Revenues | \$ 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 | \$ 13,789,771 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (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) | \$ (37,799,579) |
| Business-Type Activities | 242,124 | (282,872) | (64,540) | (381,043) | (318,589) | (393,094) | (2,432,255) | 45,099 | (359,525) | (534,647) |
| Total Primary Government Net (Expense)/Revenue | \$ (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) | \$ (38,334,226) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes | \$ 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 | \$ 32,363,790 |
| Local Option Sales Tax | 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 | 7,896,435 |
| Other Taxes and Licenses | 1,440,731 | 763,293 | 811,378 | 774,223 | 848,735 | 994,340 | 484,691 | 610,459 | 637,714 | 719,510 |
| Grants and Contributions Not Restricted | 260,889 | 520,299 | 506,354 | 365,566 | 382,922 | 359,204 | 386,657 | 437,463 | 383,029 | 398,562 |
| Investment Earnings | 1,544,020 | 672,317 | 138,015 | 75,710 | 47,970 | 55,827 | 12,720 | 11,812 | 65,131 | 132,715 |
| Miscellaneous | 45,263 | 74,920 | 99,025 | 30,570 | - | - | - | 129,530 | - | - |
| Transfers | (500,000) | (902,556) | (908,570) | (888,077) | (449,009) | (435,237) | (679,117) | (972,139) | (375,000) | (626,117) |
| Total Governmental Activities: | \$ 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 | \$ 40,894,895 |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | \$ 119,778 | \$ 49,630 | \$ 5,471 | \$ 3,589 | \$ 1,662 | \$ 1,353 | \$ 303 | \$ 530 | \$ 6,258 | \$ 1,616 |
| Miscellaneous | - | 13,523 | 2,287 | - | - | - | - | - | - | - |
| Transfers | 500,000 | 902,556 | 908,570 | 888,077 | 449,009 | 435,237 | 679,117 | 972,139 | 375,000 | 626,117 |
| Total Business-Type Activities | \$ 619,778 | \$ 965,709 | \$ 916,328 | \$ 891,666 | \$ 450,671 | \$ 436,590 | \$ 679,420 | \$ 972,669 | \$ 381,258 | \$ 627,733 |
| Total Primary Government | \$ 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 | \$ 41,512,628 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ 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 | \$ 3,085,316 |
| Business-Type Activities | 861,902 | 682,837 | 851,788 | 510,623 | 132,082 | 43,496 | (1,752,835) | 1,017,768 | 21,733 | 93,086 |
| Total Primary Government | \$ 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 | \$ 3,178,402 |

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

UNAUDITED

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Property Tax | \$ 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 | \$ 32,363,790 |
| Local Option Sales Tax | 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 | 7,896,435 |
| Other Taxes and Licenses | 1,440,731 | 763,293 | 811,378 | 774,223 | 848,735 | 994,340 | 484,691 | 610,459 | 637,714 | 719,510 |
| Total | \$ 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 | \$ 40,979,735 |

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

| UNAUDITED | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 5,529,966 | \$ 4,771,176 | \$ 3,851,813 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Designated | 3,064,060 | 3,180,255 | 5,223,495 | - | - | - | - | - | - | - |
| Unreserved and Undesignated | 8,575,637 | 9,758,729 | 10,261,746 | - | - | - | - | - | - | - |
| Non Spendable | - | - | - | 13,007 | 16,215 | 40,893 | 40,733 | 41,292 | 49,334 | 58,479 |
| Restricted | - | - | - | 3,414,041 | 3,309,254 | 3,287,582 | 3,494,721 | 3,830,798 | 3,740,541 | 4,197,315 |
| Committed | - | - | - | 1,463,248 | 1,637,499 | 2,012,140 | 2,264,227 | 2,577,398 | 2,997,152 | 3,458,830 |
| Assigned | - | - | - | 3,547,977 | 4,513,591 | 4,320,436 | 5,227,709 | 4,934,391 | 5,530,465 | 8,869,332 |
| Unassigned | - | - | - | 11,889,227 | 11,562,233 | 12,302,809 | 12,519,329 | 12,777,784 | 12,458,799 | 10,856,324 |
| Total General Fund | <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> | <u>\$ 27,440,280</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 14,258,269 | \$ 6,515,367 | \$ 2,915,498 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Designated for Subsequent Years | 280,286 | 161,944 | 90,700 | - | - | - | - | - | - | - |
| Unreserved and Undesignated, reported in: | | | | | | | | | | |
| Special revenue funds | 1,205,703 | 557,518 | 852,935 | - | - | - | - | - | - | - |
| Capital projects funds | 2,796,275 | 26,564 | 2,014,826 | - | - | - | - | - | - | - |
| Permanent fund | 252,424 | 266,928 | 279,602 | - | - | - | - | - | - | - |
| Restricted | - | - | - | 2,094,397 | 928,351 | 1,031,334 | 835,593 | 740,825 | 1,911,295 | 973,361 |
| 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 | 436,946 |
| Unassigned: | - | - | - | (3,170) | (10,173) | - | (100,663) | - | (14,531) | - |
| Total All Other Governmental Funds | <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> | <u>\$ 1,410,307</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 GASB Statement No. 54.

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

UNAUDITED

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------|-----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property | \$ 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 | \$ 32,357,674 |
| Sales | 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 | 7,896,435 |
| Other | 1,440,731 | 763,293 | 811,378 | 774,223 | 848,735 | 994,340 | 484,691 | 610,459 | 637,714 | 719,510 |
| Intergovernmental | 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 | 7,877,236 |
| Permits and Fees | 588,976 | 382,955 | 372,047 | 340,518 | 327,956 | 386,593 | 386,854 | 431,325 | 491,974 | 649,025 |
| Sales and Services | 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 | 3,607,609 |
| Donations and Grants | 50,695 | 22,443 | 50 | 23,320 | 23,676 | 20,882 | 315,652 | 134,878 | 45,584 | 36,582 |
| Investment Earnings | 1,632,630 | 714,057 | 172,950 | 72,598 | 44,858 | 52,715 | 9,608 | 8,700 | 62,019 | 129,603 |
| Miscellaneous | 121,115 | 191,117 | 220,499 | 69,559 | 111,472 | 91,757 | 155,867 | 278,037 | 231,081 | 180,936 |
| Total Revenues | \$ 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 | \$ 53,454,610 |
| Expenditures | | | | | | | | | | |
| General Government | \$ 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 | \$ 6,183,268 |
| Public Safety | 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 | 15,922,422 |
| Economic Development | 1,599,827 | 1,523,660 | 1,660,458 | 1,094,476 | 988,080 | 973,545 | 771,572 | 1,342,574 | 1,178,868 | 1,246,243 |
| Human Services | 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 | 9,936,867 |
| Culture and Recreation | 1,598,213 | 1,858,012 | 1,839,077 | 1,848,950 | 1,741,432 | 1,800,266 | 1,840,635 | 2,257,226 | 2,291,634 | 2,429,755 |
| Education | 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 | 13,771,992 |
| Capital Outlay | 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 | 1,706,015 | 2,032,681 | 2,144,348 | 2,287,496 | 2,270,976 | 2,240,026 | 2,240,026 | 2,346,832 | 2,225,219 | 1,216,987 |
| Interest | 905,710 | 646,781 | 702,038 | 638,937 | 565,657 | 498,010 | 393,358 | 307,469 | 250,913 | 169,710 |
| Bond Issuance Cost | 86,843 | - | - | - | - | - | - | - | - | - |
| Total Expenditures | \$ 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 | \$ 50,877,244 |
| Excess of Revenues Over (Under) Expenditures | \$ (574,744) | \$ (12,743,019) | \$ (1,359,506) | \$ 582,918 | \$ (544,702) | \$ 521,960 | \$ 2,274,426 | \$ 941,096 | \$ (28,575) | \$ 2,577,366 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Capital Lease Obligations Issued | - | - | - | - | \$ 42,400 | \$ 45,248 | \$ - | \$ - | \$ 17,878 | \$ - |
| Transfers In | 16,881,080 | 921,127 | 340,422 | 811,804 | 160,828 | 341,814 | 703,233 | 353,894 | 120,810 | 2,086 |
| Transfers Out | (17,441,441) | (1,881,699) | (1,248,992) | (1,698,881) | (609,837) | (777,051) | (1,382,350) | (1,326,033) | (495,810) | (628,203) |
| Bond Proceeds | 15,810,000 | - | - | - | - | - | - | - | - | - |
| Proceeds from Financing | - | 2,900,000 | 1,297,778 | - | - | - | - | - | 1,807,457 | - |
| Payment to Refunded Bond Escrow Agent | (15,668,890) | - | - | - | - | - | - | - | - | - |
| Proceeds from Sale of Assets | 45,263 | 74,920 | 19,120 | 18,553 | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | \$ (373,988) | \$ 2,014,348 | \$ 408,328 | \$ (869,524) | \$ (406,609) | \$ (389,989) | \$ (679,117) | \$ (972,139) | \$ 1,450,335 | \$ (626,117) |
| Net Change in Fund Balances | \$ (948,732) | \$ (10,728,671) | \$ (951,178) | \$ (286,606) | \$ (951,311) | \$ 131,971 | \$ 1,595,309 | \$ (31,043) | \$ 1,421,760 | \$ 1,951,249 |
| Capital Asset Expenditures | \$ 5,171,929 | \$ 14,891,453 | \$ 4,146,581 | \$ 908,651 | \$ 862,657 | \$ 1,959,372 | \$ 1,499,926 | \$ 2,071,081 | \$ 3,745,876 | \$ 2,196,973 |
| Debt Service as a Percentage of Noncapital Expenditures | 6.6% | 6.5% | 7.1% | 7.1% | 6.7% | 6.6% | 5.9% | 5.6% | 5.3% | 2.8% |

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

UNAUDITED

| Fiscal Year | Assessed Real Property | | | | Business & Personal Property | 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 | | | | | | | |
| 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% |
| 2017 | 4,520,762,730 | 615,324,830 | 11,262,850 | 35,949,970 | 110,981,742 | 291,637,199 | 125,228,705 | 5,711,148,026 | 0.5110 | 5,883,635,620 | 97.07% |

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.

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

TABLE 7

UNAUDITED

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Transylvania County | \$ 0.5400 | \$ 0.5400 | \$ 0.3949 | \$ 0.3949 | \$ 0.3949 | \$ 0.3949 | \$ 0.4369 | \$ 0.4499 | \$ 0.4499 | \$ 0.5110 |
| <u>Municipality Rates:</u> | | | | | | | | | | |
| City of Brevard | 0.4950 | 0.4950 | 0.3875 | 0.4325 | 0.4325 | 0.4325 | 0.4525 | 0.4525 | 0.4725 | 0.4800 |
| Town of Rosman | 0.4600 | 0.4600 | 0.4100 | 0.4100 | 0.4100 | 0.4100 | 0.4100 | 0.4100 | 0.4100 | 0.4400 |
| <u>Fire Districts:</u> | | | | | | | | | | |
| Etowah-Horseshoe | 0.0291 | - | - | - | - | - | - | - | - | - |
| Brevard | 0.0301 | 0.0331 | 0.0269 | 0.0269 | 0.0269 | 0.0316 | 0.0338 | 0.0339 | 0.0443 | 0.0393 |
| Rosman | 0.0756 | 0.0877 | 0.0626 | 0.0626 | 0.0649 | 0.0685 | 0.0756 | 0.0901 | 0.0980 | 0.1091 |
| Little River | 0.0797 | 0.0797 | 0.0577 | 0.0577 | 0.0577 | 0.0577 | 0.0675 | 0.0715 | 0.0849 | 0.0877 |
| Conneestee Falls | 0.0649 | 0.0697 | 0.0494 | 0.0494 | 0.0512 | 0.0512 | 0.0551 | 0.0610 | 0.0656 | 0.0673 |
| Cedar Mountain | 0.1059 | 0.1150 | 0.0802 | 0.0756 | 0.0756 | 0.0756 | 0.0957 | 0.1098 | 0.1115 | 0.1331 |
| Lake Toxaway | 0.0323 | 0.0359 | 0.0275 | 0.0287 | 0.0287 | 0.0302 | 0.0328 | 0.0350 | 0.0359 | 0.0459 |
| Balsam Grove | 0.1391 | 0.1391 | 0.0968 | 0.0968 | 0.0968 | 0.0968 | 0.1248 | 0.1056 | 0.1056 | 0.1089 |
| North Transylvania | 0.1242 | 0.1242 | 0.0911 | 0.0911 | 0.0911 | 0.0911 | 0.1116 | 0.1279 | 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.

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

| UNAUDITED | | | Fiscal Year 2017 | | | Fiscal Year 2008 | | |
|------------------------------|---|----------------------------------|--------------------|------|--|--------------------|------|--|
| Brevard Retirement Investors | 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 | \$ 61,416,464 | 1 | 1.07% | \$ 45,903,925 | 1 | 1.15% |
| | Citizens/Comporium Telephone | Communications utility | 29,709,910 | 2 | 0.52% | 37,683,117 | 2 | 0.94% |
| | Haywood Electric Member Corp | Electric utility | 22,690,069 | 3 | 0.40% | 12,893,170 | 6 | 0.32% |
| | Brevard Retirement Investors | Retirement home facilities | 21,487,330 | 4 | 0.38% | 14,824,940 | 3 | 0.37% |
| | Ingles Markets, Inc. | Retail grocery store | 18,924,627 | 5 | 0.33% | 14,661,235 | 5 | 0.37% |
| | Champion Cattle & Tree Farm | Farming | 18,555,248 | 6 | 0.32% | | | |
| | Lake Toxaway Company | Real estate development | 14,621,340 | 7 | 0.26% | 8,430,640 | 9 | 0.21% |
| | Davidson River Village | Real estate development | 14,603,890 | 8 | 0.25% | | | |
| | Excelsior Packaging Group/New Excelsior | Flexible packaging manufacturing | 11,920,161 | 9 | 0.21% | 10,087,955 | 7 | 0.25% |
| | Duke Ventures LLC | Real estate development | 11,873,790 | 10 | 0.21% | | | |
| | Teton Village House FLLC | Real estate development | | | | 8,756,950 | 8 | 0.22% |
| | Panther Tail Mountain Properties, LLC | Real estate development | | | | 14,779,610 | 4 | 0.37% |
| | Sapphire Lakes Properties, LLC | | | | | 8,042,370 | 10 | 0.20% |
| Totals | | | \$ 225,802,829 | | 3.95% | \$ 176,063,912 | | 4.40% |

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 |
| 2008 | 21,651,249 | 21,543,523 | 99.50% | 99,309 | 21,642,832 | 99.96% |
| 2009 | 22,373,595 | 22,248,962 | 99.44% | 116,750 | 22,365,712 | 99.96% |
| 2010 | 23,646,198 | 23,572,169 | 99.69% | 68,269 | 23,640,438 | 99.98% |
| 2011 | 23,615,556 | 23,496,491 | 99.50% | 107,760 | 23,604,251 | 99.95% |
| 2012 | 23,668,341 | 23,580,022 | 99.63% | 79,203 | 23,659,225 | 99.96% |
| 2013 | 23,704,178 | 23,627,172 | 99.68% | 63,919 | 23,691,091 | 99.94% |
| 2014 | 26,847,544 | 26,791,840 | 99.79% | 41,647 | 26,833,487 | 99.95% |
| 2015 | 27,436,607 | 27,399,573 | 99.87% | 23,089 | 27,422,662 | 99.95% |
| 2016 | 27,575,417 | 27,540,474 | 99.87% | 14,826 | 27,555,300 | 99.93% |
| 2017 | 29,228,388 | 29,177,546 | 99.83% | | 29,177,546 | 99.83% |

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 | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita |
|-------------|--------------------------|----------------------------------|-------------------------------------|--------------------------------|--------------------------|-------------|------|--------------------------|-----------------------------------|------------|
| | General Obligation Bonds | General Obligation Bonds-Premium | Qualified School Construction Bonds | Installment Financing Contract | Capital Lease | Other Bonds | | | | |
| 2008 | \$ 16,460,000 | \$ - | \$ 383,911 | \$ - | \$ - | - | \$ - | 16,843,911 | 1.77% | \$ 548 |
| 2009 | 14,560,000 | 26,702 | 347,897 | 2,803,332 | - | - | - | 17,737,931 | 1.74% | 572 |
| 2010 | 12,645,000 | 23,590 | 1,609,659 | 2,610,000 | - | - | - | 16,888,249 | 1.63% | 543 |
| 2011 | 10,695,000 | 20,478 | 1,465,496 | 2,416,667 | - | - | - | 14,597,641 | 1.43% | 441 |
| 2012 | 8,770,000 | 17,366 | 1,321,333 | 2,223,334 | 33,920 | - | - | 12,365,953 | 1.23% | 372 |
| 2013 | 6,885,000 | 14,254 | 1,177,170 | 2,030,001 | 61,638 | - | - | 10,168,063 | 0.95% | 306 |
| 2014 | 5,000,000 | 11,142 | 1,033,007 | 1,836,668 | 44,108 | - | - | 7,924,925 | 0.74% | 239 |
| 2015 | 3,140,000 | 8,030 | 757,038 | 1,643,335 | 26,578 | - | - | 5,574,981 | 0.51% | 167 |
| 2016 | 1,300,000 | 4,918 | 648,890 | 3,197,210 | 20,967 | - | - | 5,171,985 | 0.44% | 153 |
| 2017 | 520,000 | 1,806 | 540,742 | 2,883,380 | 5,958 | - | - | 3,951,886 | | 116 |

(1) Information not yet available for 2017

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 | | | |
| 2008 | 16,460,000 \$ | 29,814 | - | 16,489,814 | 1.73% | 0.41% | 535 |
| 2009 | 14,560,000 | 26,702 | - | 14,586,702 | 1.43% | 0.35% | 471 |
| 2010 | 12,645,000 | 23,590 | - | 12,668,590 | 1.23% | 0.21% | 407 |
| 2011 | 10,695,000 | 20,478 | - | 10,715,478 | 1.05% | 0.18% | 324 |
| 2012 | 8,770,000 | 17,366 | - | 8,787,366 | 0.87% | 0.15% | 264 |
| 2013 | 6,685,000 | 14,254 | - | 6,699,254 | 0.62% | 0.11% | 202 |
| 2014 | 5,000,000 | 11,142 | - | 5,011,142 | 0.47% | 0.08% | 151 |
| 2015 | 3,140,000 | 8,030 | - | 3,148,030 | 0.29% | 0.05% | 94 |
| 2016 | 1,300,000 | 4,918 | - | 1,304,918 | 0.11% | 0.02% | 39 |
| 2017 | 520,000 | 1,806 | - | 521,806 | | | 15 |

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 2017 personal income not available to calculate fiscal year 2017.

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

TABLE 12

UNAUDITED

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Debt Limit | \$ 319,586 | \$ 331,061 | \$ 475,559 | \$ 477,794 | \$ 479,109 | \$ 480,073 | \$ 492,518 | \$ 487,871 | \$ 490,429 | \$ 458,280 |
| Total Net Debt Applicable to Debt Limit | 16,849 | 17,711 | 16,865 | 14,598 | 12,366 | 10,168 | 7,925 | 5,575 | 5,172 | 3,952 |
| Legal Debt Margin | \$ 302,737 | \$ 313,350 | \$ 458,694 | \$ 463,196 | \$ 466,743 | \$ 469,905 | \$ 484,593 | \$ 482,296 | \$ 485,257 | \$ 454,328 |
| Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit | 5.3% | 5.3% | 3.5% | 3.1% | 2.6% | 2.1% | 1.6% | 1.1% | 1.1% | 0.9% |

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|---|--------------|
| Total Assessed Value | \$ 5,728,505 |
| Debt Limit (8% of Total Assessed Value) | \$ 458,280 |
| Amount of Debt Applicable to Debt Limit: | |
| General Obligation Bonds | \$ 1,063 |
| Installment Contracts | 2,883 |
| Capital Leases | 6 |
| Total Amount of Debt Applicable to Debt Limit | \$ 3,952 |
| Legal Debt Margin | \$ 454,328 |

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) |
|--|----------------------|--------------------------------|---|--|---------------------------------|---|
| 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 | 1,178,560,000 | 35,487 | 3,462 | 4.80% | 106 |
| 2017 | 34,139 | | | 3,402 | 3.90% | 131 |

Data Sources:

- (1) Population projections from the N.C. Planning Office, using the 2016 certified number for 2017, 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 | 2017 | | | 2008 | | |
|--|------------------|-------------|--|------------------|-------------|--|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Transylvania County Board of Education | 483 | 1 | 3.4% | 615 | 2 | 4.6% |
| Transylvania Health System, Inc. | 415 | 2 | 2.9% | 636 | 1 | 4.8% |
| Transylvania County Government | 346 | 3 | 2.4% | 329 | 3 | 2.5% |
| Gaia Herbs* | 255 | 4 | 1.8% | 110 | 9 | 0.8% |
| Brevard College | 235 | 5 | 1.6% | 223 | 4 | 1.7% |
| Ingles Markets, Inc. | 175 | 6 | 1.2% | 179 | 6 | 1.3% |
| M-B Industries | 124 | 7 | 0.9% | 180 | 5 | 1.3% |
| Transylvania Vocational Services | 115 | 8 | 0.8% | 92 | 10 | 0.7% |
| City of Brevard | 95 | 9 | 0.7% | | | |
| Wal-Mart Associates Inc. | 93 | 10 | 0.6% | 150 | 7 | 1.1% |
| Brian Center | | | | 117 | 8 | 0.9% |
| Total | 2,336 | | 16.3% | 2,631 | | 19.7% |

Source: Information provided directly by employers

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

* Excluding seasonal workers

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

| UNAUDITED | | | | | | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Function | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities | | | | | | | | | | |
| General Government | 46 | 48 | 50 | 46 | 49 | 48 | 48 | 48 | 48 | 50 |
| Public Safety | 126 | 131 | 130 | 130 | 137 | 139 | 137 | 138 | 139 | 139 |
| Transportation | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Economic and Physical Development | 3 | 3 | 3 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Environmental Protection | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Human Services | 93 | 94 | 95 | 90 | 90 | 90 | 92 | 95 | 96 | 97 |
| Cultural and Recreation | 32 | 27 | 27 | 27 | 29 | 29 | 29 | 29 | 30 | 30 |
| Total Governmental Activities | 311 | 314 | 316 | 306 | 318 | 319 | 320 | 324 | 327 | 330 |
| Business-Type Activities | | | | | | | | | | |
| Solid Waste | 18 | 19 | 19 | 17 | 16 | 16 | 16 | 16 | 16 | 16 |
| Total Business-Type Activities | 18 | 19 | 19 | 17 | 16 | 16 | 16 | 16 | 16 | 16 |
| Total All | 329 | 333 | 335 | 323 | 334 | 335 | 336 | 340 | 343 | 346 |

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 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| General government | | | | | | | | | | |
| Registered Voters | 22,203 | 22,926 | 23,516 | 23,224 | 24,070 | 24,028 | 24,017 | 23,643 | 24,376 | 25,003 |
| Number of Tax Bills (excl motor vehicles) | 30,856 | 30,650 | 30,615 | 30,207 | 30,159 | 30,159 | 30,136 | 30,073 | 29,999 | 29,934 |
| Public Safety | | | | | | | | | | |
| Crime Rate/1000 Citizens (calendar year) | 18.11 | 18.20 | 22.42 | 19.22 | 17.82 | 19.88 | 16.65 | 15.14 | N/A | N/A |
| 911 Calls | 32,585 | 35,142 | 44,361 | 47,944 | 49,045 | 48,094 | 47,001 | 48,286 | 50,444 | 50,247 |
| Building Permits Issued* | 1,215 | 1,036 | 1,133 | 1,160 | 1,034 | 1,070 | 1,100 | 1,346 | 1,464 | 1,548 |
| Planning | | | | | | | | | | |
| Subdivisions approved | 12 | 24 | 18 | 3 | 0 | 3 | 9 | 18 | 11 | 14 |
| Cell towers permitted | 1 | 0 | 1 | 0 | 0 | 2 | 0 | 0 | 2 | 2 |
| Culture and Recreation | | | | | | | | | | |
| Total Collection Use | 314,667 | 329,208 | 340,378 | 352,980 | 361,519 | 353,015 | 349,162 | 333,422 | 371,175 | 379,552 |
| Solid Waste | | | | | | | | | | |
| Tons disposed | 28,912 | 23,828 | 22,328 | 19,495 | 21,578 | 19,935 | 21,302 | 24,068 | 27,270 | 26,951 |

* 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 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Public Safety: | | | | | | | | | | |
| Sheriff Department Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol vehicles | 64 | 64 | 66 | 66 | 66 | 66 | 66 | 69 | 71 | 79 |
| Culture and Recreation: | | | | | | | | | | |
| Libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks | 4 | 4 | 4 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Acreage | 55 | 55 | 55 | 74 | 74 | 74 | 74 | 74 | 74 | 74 |
| Athletic fields | 7 | 7 | 7 | 7 | 9 | 9 | 9 | 9 | 9 | 9 |
| Recreation centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |