



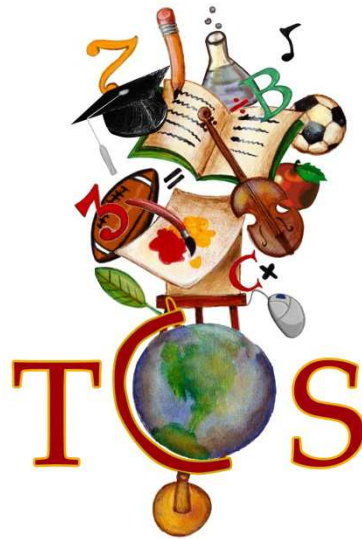
# Transylvania County Schools

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015



# Annual Financial Report of the Transylvania County Schools

Brevard, North Carolina  
For the Fiscal Year Ended June 30, 2015



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

# Transylvania County Schools

## Annual Financial Report

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# CARLAND & ANDERSEN, INC.

CERTIFIED PUBLIC ACCOUNTANTS

89 NORTH CALDWELL STREET ■ BREVARD, NC 28712

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Transylvania County, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Transylvania County Board of Education's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of



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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Restricted Grants Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages four through eight and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on page forty-three, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Transylvania County Board of Education's basic financial statements. The individual fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and budgetary schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the Transylvania County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transylvania County Board of Education's internal control over financial reporting and compliance.



Brevard, North Carolina  
November 10, 2015

## Annual Financial Report

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### Management's Discussion and Analysis

This section of the Transylvania County Schools (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

### Financial and Economic Highlights

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

The county's economic situation mirrored that of the state and country in 2015. The unemployment rate dropped to 5.9% as of June 2015, compared to the state average of 5.8%. The county continues to enjoy an influx of retirees, which has supported the tax base through rough economic times. Because of conservative financial practices, the county was able continue its financial support of the school system with relatively minor harm to instructional programs.

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

### Overview of the Financial Statements

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

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

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



## Annual Financial Report

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

### **Government-wide Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

**Annual Financial Report**

Transylvania County Schools has three types of funds:

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

**Financial Analysis of the Schools as a Whole**

<b>Table I - Condensed Statement of Net Position as of June 30, 2015</b>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 4,201,521	\$ 4,951,481	\$ 379,639	\$ 252,751	\$ 4,581,160	\$ 5,204,232
Capital assets	<u>39,573,872</u>	<u>39,214,424</u>	<u>129,658</u>	<u>140,601</u>	<u>39,703,530</u>	<u>39,355,025</u>
Total assets	\$ 43,775,393	\$ 44,165,905	\$ 509,297	\$ 393,352	\$ 44,284,690	\$ 44,559,257
Deferred outflows of resources	\$ 1,872,112	\$ -	\$ 68,906	\$ -	\$ 1,941,018	\$ -
Current liabilities	1,212,544	1,191,998	19,157	8,473	1,231,701	1,200,471
Long-term liabilities	<u>3,821,488</u>	<u>1,820,229</u>	<u>114,517</u>	<u>75,810</u>	<u>3,936,005</u>	<u>1,896,039</u>
Total liabilities	\$ 5,034,032	\$ 3,012,227	\$ 133,674	\$ 84,283	\$ 5,167,706	\$ 3,096,510
Deferred inflows of resources	\$ 6,278,282	\$ 3,210	\$ 248,939	\$ 16,253	\$ 6,527,221	\$ 19,463
Net investment in capital assets	39,573,872	39,214,424	129,658	140,601	39,703,530	39,355,025
Restricted net position	1,040,229	1,733,798	-	-	1,040,229	1,733,798
Unrestricted net position (deficit)	<u>(6,278,910)</u>	<u>202,246</u>	<u>65,932</u>	<u>152,215</u>	<u>(6,212,978)</u>	<u>354,461</u>
Total net position	\$ 34,335,191	\$ 41,150,468	\$ 195,590	\$ 292,816	\$ 34,530,781	\$ 41,443,284

**Annual Financial Report**

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,530,781 as of June 30, 2015. The largest component of net position is net investment in capital assets of \$39,703,580.

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

<b>Table II - Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,420,909	\$ 1,564,569	\$ 469,992	\$ 481,467	\$ 1,890,901	\$ 2,046,036
Operating grants and contributions	23,975,719	22,915,311	1,521,496	1,688,644	25,497,215	24,603,955
Capital grants and contributions	457,926	612,183	-	-	457,926	612,183
General revenues:						
Other revenues	<u>12,081,140</u>	<u>11,864,375</u>	<u>269,596</u>	<u>10,300</u>	<u>12,350,736</u>	<u>11,874,675</u>
Total revenues	37,935,694	36,956,438	2,261,084	2,180,411	40,196,778	39,136,849
<b>EXPENDITURES</b>						
Governmental activities:						
Instructional services	29,324,545	28,863,381	-	-	29,324,545	28,863,381
Support services	7,434,252	7,756,964	-	-	7,434,252	7,756,964
Ancillary services	100,646	107,713	-	-	100,646	107,713
Non-programmed charges	677,168	652,398	-	-	677,168	652,398
Business-type activities:						
Food service	-	-	<u>2,185,068</u>	<u>2,468,831</u>	<u>2,185,068</u>	<u>2,468,831</u>
Total expenditures	37,536,611	37,380,456	2,185,068	2,468,831	39,721,679	39,849,287
Transfers in (out)	<u>(92,285)</u>	<u>(191,197)</u>	<u>92,285</u>	<u>191,197</u>	-	-
Increase (decrease) in net position	306,798	(615,215)	168,301	(97,223)	475,099	(712,438)
Beginning net position, previously reported	41,150,468	<u>41,765,683</u>	292,816	<u>390,039</u>	41,443,284	<u>42,155,722</u>
Beginning net position, restated	<u>34,028,393</u>		<u>27,289</u>		<u>34,055,682</u>	
Ending net position	\$ 34,335,191	\$ 41,150,468	\$ 195,590	\$ 292,816	\$ 34,530,781	\$ 41,443,284

**Annual Financial Report**

Total governmental activities generated revenues of \$37.9 million while expenses and transfers out in this category totaled \$37.5 million for the year ended June 30, 2015. Comparatively, revenues were \$37.0 million and expenses totaled \$37.4 million for the year ended June 30, 2014. After transfers to the business-type activities, net position increased by \$306,798 at June 30, 2015, compared to a decrease of \$615,215 in 2014. Instructional expenses comprised 78.1% of total governmental-type expenses while support services made up 19.8% of those expenses for 2015. County funding comprised 31.5% of total governmental revenue. Most of the remaining governmental revenue for 2015 consisted of restricted state and federal money. Business-type activities generated revenue of \$2.26 million and had expenses of \$2.19 million. Net position increased in the business-type activities by \$168,301, after transfers in from the governmental activities of \$92,285.

**Capital Assets**

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

<b>Table III - Summary of Capital Assets as of June 30, 2015</b>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 12,042,766	\$ 12,042,766	\$ -	\$ -	\$ 12,042,766	\$ 12,042,766
Buildings	50,281,840	48,808,146	-	-	50,281,840	48,808,146
Furniture and equipment	990,237	990,237	665,515	644,915	1,655,752	1,635,152
Vehicles	3,638,503	3,521,096	104,130	104,130	3,742,633	3,625,226
Accumulated depreciation	(27,379,474)	(26,055,796)	(639,987)	(608,444)	(28,019,461)	(26,664,240)
Total	\$ 39,573,872	\$ 39,306,449	\$ 129,658	\$ 140,601	\$ 39,703,530	\$ 39,447,050

**Debt Outstanding**

During the year the Board’s outstanding debt increased by \$266,680 reflecting the net change in liability for compensated absences.

**Requests for Information**

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

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

# Basic Financial Statements





# Transylvania County Schools

Exhibit 1

## Statement of Net Position

As of June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,151,890	\$ 169,849	\$ 3,321,739
Accounts receivable (net)	25,394	6,215	31,609
Due from other governments	1,024,237	74,961	1,099,198
Inventories	-	128,614	128,614
Capital assets (Note 1)			
Land, improvements, and construction in progress	12,042,766	-	12,042,766
Other capital assets, net of depreciation	27,531,106	129,658	27,660,764
Total capital assets	<u>39,573,872</u>	<u>129,658</u>	<u>39,703,530</u>
Total assets	<u>43,775,393</u>	<u>509,297</u>	<u>44,284,690</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,872,112	68,906	1,941,018
<b>LIABILITIES</b>			
Accounts payable	110,115	19,157	129,272
Due to other governments	-	-	-
Accrued salaries and wages payable	1,102,429	-	1,102,429
Long-term liabilities:			
Net pension liability	1,710,334	62,952	1,773,286
Due in more than one year	2,111,154	51,565	2,162,719
Total liabilities	<u>5,034,032</u>	<u>133,674</u>	<u>5,167,706</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	6,278,282	248,939	6,527,221
<b>NET POSITION</b>			
Net investment in capital assets	\$ 39,573,872	129,658	39,703,530
Restricted:			
Individual schools	426,150	-	426,150
Stabilization by state statute	8,157	-	8,157
School capital outlay	605,922	-	605,922
Unrestricted	(6,278,910)	65,932	(6,212,978)
Total net position	<u>\$ 34,335,191</u>	<u>\$ 195,590</u>	<u>\$ 34,530,781</u>

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

# Transylvania County Schools

Exhibit 2

## Statement of Activities

For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
Instructional programs:							
Regular	\$ 16,216,589	\$ -	\$ 12,601,224	\$ -	\$ (3,615,365)	\$ -	\$ (3,615,365)
Special	\$ 3,778,877	-	3,637,759	-	(141,118)	-	(141,118)
Alternative	\$ 2,041,751	-	2,061,527	-	19,776	-	19,776
School-based leadership	\$ 1,942,319	-	1,227,441	-	(714,878)	-	(714,878)
Co-curricular	\$ 816,387	-	-	-	(816,387)	-	(816,387)
School-based support	\$ 4,528,622	1,349,417	1,654,978	-	(1,524,227)	-	(1,524,227)
Support services:							
Regular	\$ 428,393	-	268,181	-	(160,212)	-	(160,212)
Special	\$ 101,262	-	86,383	-	(14,879)	-	(14,879)
Alternative	\$ 70,443	-	56,875	-	(13,568)	-	(13,568)
Technology	\$ 182,702	-	86,447	-	(96,255)	-	(96,255)
Operational	\$ 5,553,072	-	1,859,248	457,926	(3,235,898)	-	(3,235,898)
Financial and human resources	\$ 582,496	-	174,595	-	(407,901)	-	(407,901)
Accountability	\$ 2,636	-	-	-	(2,636)	-	(2,636)
Policy and leadership	\$ 513,248	-	171,731	-	(341,517)	-	(341,517)
Ancillary services:							
Community services	\$ 100,646	71,492	-	-	(29,154)	-	(29,154)
Non-programmed charges	\$ 677,168	-	89,330	-	(587,838)	-	(587,838)
Total governmental activities	\$ 37,536,611	1,420,909	23,975,719	457,926	(11,682,057)	-	(11,682,057)

(continued)

Business-type Activities:

Child nutrition	2,185,068	469,992	1,521,496	-	-	(193,580)	(193,580)
Total business-type activities	2,185,068	469,992	1,521,496	-	-	(193,580)	(193,580)
Total government-wide	\$ 39,721,679	\$ 1,890,901	\$ 25,497,215	\$ 457,926	(11,682,057)	(193,580)	(11,875,637)

General revenues:

Unrestricted county appropriations - operating	10,358,738	250,000	10,608,738
Unrestricted county appropriations - capital	1,600,000	-	1,600,000
Investment earnings, unrestricted	4,583	137	4,720
Miscellaneous, unrestricted	117,819	19,459	137,278
Transfers	(92,285)	92,285	-
Total general revenues and transfers	11,988,855	361,881	12,350,736
Change in net assets	306,798	168,301	475,099
Net position-beginning, previously reported, restated	41,242,493	292,816	41,535,309
Restatement	(7,214,100)	(265,527)	(7,479,627)
Net position-beginning, restated	34,028,393	27,289	34,055,682
Net position-ending	\$ 34,335,191	\$ 195,590	\$ 34,530,781

# Transylvania County Schools

Exhibit 3

## Balance Sheet Governmental Funds As of June 30, 2015

	Major Funds						Total Governmental Funds
	General	State Public School Fund	Capital Outlay	Restricted Grants Fund	Federal Grants Fund	Individual Schools	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,414,174	\$ 3,201	\$ 605,922	\$ 702,443	\$ -	\$ 426,150	\$ 3,151,890
Accounts receivable	8,157	-	-	17,237	-	-	25,394
Due from other governments	-	843,117	-	-	181,120	-	1,024,237
<b>Total assets</b>	<b>\$ 1,422,331</b>	<b>\$ 846,318</b>	<b>\$ 605,922</b>	<b>\$ 719,680</b>	<b>\$ 181,120</b>	<b>\$ 426,150</b>	<b>\$ 4,201,521</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 107,325	\$ -	\$ -	\$ 2,790	\$ -	\$ -	\$ 110,115
Accrued salaries and benefits payable	127,968	843,117	-	1,664	129,680	-	1,102,429
<b>Total liabilities</b>	<b>235,293</b>	<b>843,117</b>	<b>-</b>	<b>4,454</b>	<b>129,680</b>	<b>-</b>	<b>1,212,544</b>
Deferred inflows of resources	-	3,201	-	-	51,440	-	54,641
Fund balances:							
Restricted:							
Individual schools	-	-	-	-	-	426,150	426,150
Stabilization by state statute	8,157	-	-	-	-	-	8,157
School capital outlay	-	-	251,622	-	-	-	251,622
Assigned:							
Technology	-	-	-	414,191	-	-	414,191
Medicaid reimbursement	-	-	-	157,820	-	-	157,820
Other	-	-	-	8,515	-	-	8,515
Subsequent year's expenditures	-	-	354,300	134,700	-	-	489,000
Unassigned	1,178,881	-	-	-	-	-	1,178,881
<b>Total fund balances</b>	<b>1,187,038</b>	<b>-</b>	<b>605,922</b>	<b>715,226</b>	<b>-</b>	<b>426,150</b>	<b>2,934,336</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 1,422,331</b>	<b>\$ 846,318</b>	<b>\$ 605,922</b>	<b>\$ 719,680</b>	<b>\$ 181,120</b>	<b>\$ 426,150</b>	

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

Capital assets used in governmental activities are not financial resources and thus not reported in the funds.	39,573,872
Deferred outflows of resources related to pensions	1,872,112
Long-term debt is not due and payable in the current period and therefore are not reported in the funds.	(2,111,154)
Net pension liability	(1,710,334)
Deferred inflows of resources related to pensions	(6,223,641)
<b>Net position of governmental activities</b>	<b>\$ 34,335,191</b>

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



# Transylvania County Schools

Exhibit 4

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

For the Fiscal Year Ended June 30, 2015

	Major Funds						Total Governmental Funds
	General	State Public School Fund	Capital Outlay	Restricted Grants Fund	Federal Grants Fund	Individual Schools	
<b>REVENUES</b>							
State of North Carolina	\$ -	\$ 20,511,250	\$ 500,423	\$ 61,453	\$ -	\$ -	\$ 21,073,126
U.S. Government	-	-	-	212,051	3,126,915	-	3,338,966
Transylvania County	10,345,738	-	1,600,000	13,000	-	-	11,958,738
Other	110,088	-	2,463	102,896	-	1,349,417	1,564,864
Total revenues	10,455,826	20,511,250	2,102,886	389,400	3,126,915	1,349,417	37,935,694
<b>EXPENDITURES</b>							
Current:							
Instructional programs	6,476,444	17,879,265	1,445,465	211,236	2,963,155	1,326,213	30,301,778
Support and development	3,588,294	2,539,700	1,265,640	17,402	163,760	-	7,574,796
Ancillary	6,177	-	-	102,472	-	-	108,649
Non-programmed charges	680,123	-	-	-	-	-	680,123
Total expenditures	10,751,038	20,418,965	2,711,105	331,110	3,126,915	1,326,213	38,665,346
Excess of revenues over (under) expenditures	(295,212)	92,285	(608,219)	58,290	-	23,204	(729,652)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers to other funds	-	(92,285)	-	-	-	-	(92,285)
Net change in fund balance	(295,212)	-	(608,219)	58,290	-	23,204	(821,937)
Fund balances-beginning	1,482,250	-	1,214,141	656,936	-	402,946	3,756,273
Fund balances-ending	\$ 1,187,038	\$ -	\$ 605,922	\$ 715,226	\$ -	\$ 426,150	\$ 2,934,336

(continued)

# Transylvania County Schools

Exhibit 4

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

For the Fiscal Year Ended June 30, 2015

Net changes in fund balances - total governmental funds \$ (821,937)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

275,625

Contributions to the pension plan in the current fiscal year

1,872,112

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense

(719,875)

Net change in compensated absences

(290,925)

Loss on disposal of assets

(8,202)

Total changes in net position of governmental activities

\$ 306,798

# Transylvania County Schools

Exhibit 5

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund and Annually Budgeted Major Special Revenue Funds For the Fiscal Year Ended June 30, 2015

	General Fund				State Public School Fund			
	Original Budget	Final Budget	Actual Amounts	Variance	Original Budget	Final Budget	Actual Amounts	Variance
<b>Revenues:</b>								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 20,733,524	\$ 21,212,811	\$ 20,511,250	\$ (701,561)
Transylvania County	10,345,738	10,345,738	10,345,738	-	-	-	-	-
Other	110,000	110,000	110,088	88	-	-	-	-
Total revenues	10,455,738	10,455,738	10,455,826	88	20,733,524	21,212,811	20,511,250	(701,561)
<b>Expenditures:</b>								
Current:								
Instructional programs:								
Regular	4,233,659	4,222,327	4,147,086	75,241	12,222,718	12,310,065	12,281,112	28,953
Special	346,975	444,975	402,568	42,407	2,760,421	2,952,092	2,574,898	377,194
Alternative	88,032	88,032	50,007	38,025	421,199	433,285	369,746	63,539
School-based leadership	992,955	879,955	793,355	86,600	1,206,499	1,229,902	1,227,441	2,461
Co-curricular	356,605	356,605	337,782	18,823	-	-	-	-
School-based support	776,453	775,085	745,646	29,439	1,458,768	1,460,117	1,426,068	34,049
Total instructional programs	6,794,679	6,766,979	6,476,444	290,535	18,069,605	18,385,461	17,879,265	506,196
Support and development:								
Regular	373,551	298,251	176,533	121,718	271,057	271,057	265,982	5,075
Special	46,999	46,999	18,765	28,234	21,200	53,200	49,960	3,240
Alternative	-	18,000	16,253	1,747	-	11,796	-	11,796
Technology	-	88,000	85,999	2,001	4,000	24,169	20,169	4,000
Operational	2,655,229	2,539,229	2,506,038	33,191	1,934,278	2,017,744	1,857,263	160,481
Financial and human resources	427,685	427,685	425,968	1,717	161,000	177,000	174,595	2,405
Accountability	9,132	9,132	2,635	6,497	-	-	-	-
Policy and leadership	341,063	359,063	356,103	2,960	178,570	178,570	171,731	6,839
Total support and development	3,853,659	3,786,359	3,588,294	198,065	2,570,105	2,733,536	2,539,700	193,836

# Transylvania County Schools

Exhibit 5

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) General Fund and Annually Budgeted Major Special Revenue Funds For the Fiscal Year Ended June 30, 2015

Ancillary services	8,057	8,057	6,177	1,880	-	-	-	-
Non-programmed charges	586,000	681,000	680,123	877	-	-	-	-
Total expenditures	<u>11,242,395</u>	<u>11,242,395</u>	<u>10,751,038</u>	<u>491,357</u>	<u>20,639,710</u>	<u>21,118,997</u>	<u>20,418,965</u>	<u>700,032</u>
Revenues over (under) expenditures	<u>(786,657)</u>	<u>(786,657)</u>	<u>(295,212)</u>	<u>491,445</u>	<u>93,814</u>	<u>93,814</u>	<u>92,285</u>	<u>(1,529)</u>
Other financing sources (uses):								
Transfers to other funds	-	-	-	-	(93,814)	(93,814)	(92,285)	1,529
Appropriated fund balance	<u>786,657</u>	<u>786,657</u>	-	<u>(786,657)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>786,657</u>	<u>786,657</u>	-	<u>(786,657)</u>	<u>(93,814)</u>	<u>(93,814)</u>	<u>(92,285)</u>	<u>1,529</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(295,212)</u>	<u>\$ (295,212)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			<u>1,482,250</u>				<u>-</u>	
Fund balances, end of year			<u><u>\$ 1,187,038</u></u>				<u><u>\$ -</u></u>	

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

# Transylvania County Schools

Exhibit 5

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund and Annually Budgeted Major Special Revenue Funds For the Fiscal Year Ended June 30, 2015

	Restricted Grants Fund				Federal Grants Fund			
	Original Budget	Final Budget	Actual Amounts	Variance	Original Budget	Final Budget	Actual Amounts	Variance
<b>Revenues:</b>								
State of North Carolina	\$ 90,450	\$ 94,037	\$ 61,453	\$ (32,584)	\$ -	\$ -	\$ -	\$ -
Federal government	84,651	85,661	212,051	126,390	3,474,291	3,872,224	3,126,915	(745,309)
Transylvania County	13,000	13,000	13,000	-	-	-	-	-
Other	135,189	135,189	102,896	(32,293)	-	-	-	-
Total revenues	323,290	327,887	389,400	61,513	3,474,291	3,872,224	3,126,915	(745,309)
<b>Expenditures:</b>								
Current:								
Instructional programs:								
Regular	30,000	30,000	22,003	7,997	231,096	245,677	245,511	166
Special	-	900	802	98	818,731	942,733	941,518	1,215
Alternative	47,450	51,037	51,037	-	1,629,648	1,682,287	1,637,924	44,363
School-based leadership	-	-	-	-	-	-	-	-
Co-curricular	2,000	2,000	2,993	(993)	-	-	-	-
School-based support	112,440	272,550	134,401	138,149	58,775	157,991	138,202	19,789
Total instructional programs	191,890	356,487	211,236	145,251	2,738,250	3,028,688	2,963,155	65,533
Support and development:								
Regular	-	-	-	-	-	3,000	2,199	801
Special	-	-	-	-	118,593	120,693	36,423	84,270
Alternative	-	-	-	-	59,129	59,129	56,875	2,254
Technology	-	18,000	14,242	3,758	-	66,278	66,278	-
Operational	81,000	81,000	3,160	77,840	-	2,000	1,985	15
Financial and human resources	-	-	-	-	-	-	-	-
Accountability	-	-	-	-	-	-	-	-
Policy and leadership	-	-	-	-	-	-	-	-
Total support and development	81,000	99,000	17,402	81,598	177,722	251,100	163,760	87,340



# Transylvania County Schools

Exhibit 5

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

### General Fund and Annually Budgeted Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2015

Ancillary services	113,400	113,400	102,472	10,928	-	-	-	-
Non-programmed charges	-	-	-	-	558,319	592,436	-	592,436
Total expenditures	<u>386,290</u>	<u>568,887</u>	<u>331,110</u>	<u>237,777</u>	<u>3,474,291</u>	<u>3,872,224</u>	<u>3,126,915</u>	<u>745,309</u>
Revenues over (under) expenditures	<u>(63,000)</u>	<u>(241,000)</u>	<u>58,290</u>	<u>299,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers to other funds	-	-	-	-	-	-	-	-
Appropriated fund balance	<u>63,000</u>	<u>241,000</u>	<u>-</u>	<u>(241,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>63,000</u>	<u>241,000</u>	<u>-</u>	<u>(241,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>58,290</u>	<u>\$ 58,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			<u>656,936</u>				<u>-</u>	
Fund balances, end of year			<u>\$ 715,226</u>				<u>\$ -</u>	

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

# Transylvania County Schools

Exhibit 6

## Statement of Net Position

### Proprietary Fund

As of June 30, 2015

	<u>Major Fund</u> <u>Child Nutrition</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 169,849
Due from other governments	74,961
Receivables (net)	6,215
Inventories	128,614
Total current assets	<u>379,639</u>
Noncurrent assets:	
Capital assets, net of depreciation	<u>129,658</u>
Total assets	<u>509,297</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	68,906
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	19,157
Total current liabilities	<u>19,157</u>
Noncurrent liabilities:	
Net pension liability	62,952
Compensated absences	51,565
Total liabilities	<u>133,674</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	248,939
<b>NET POSITION</b>	
Net investment in capital assets	129,658
Unrestricted	<u>65,932</u>
Total net position	<u>\$ 195,590</u>

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

# Transylvania County Schools

Exhibit 7

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

### Proprietary Fund

For the Fiscal Year Ended June 30, 2015

	<u>Major Fund</u> <u>Child Nutrition</u>
<b>OPERATING REVENUES</b>	
Food sales	\$ 469,992
Other	19,459
Total operating revenues	<u>489,451</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	1,035,886
Contracted services	33,266
Materials and supplies	101,876
Food cost:	
Purchase of food	749,678
Donated commodities	106,504
Indirect costs	126,315
Depreciation	31,543
Total operating expenses	<u>2,185,068</u>
Operating income (loss)	<u>(1,695,617)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal reimbursements	1,281,892
Federal commodities	104,877
Federal and state grants	8,412
County appropriation	250,000
Interest earned	137
Indirect costs not paid	126,315
Total nonoperating revenue (expenses)	<u>1,771,633</u>
Income (loss) before contributions and transfers	76,016
Transfers from other funds	92,285
Change in net position	168,301
Total net position - beginning, restated	27,289
Total net position - ending	<u>\$ 195,590</u>

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

# Transylvania County Schools

Exhibit 8

## Statement of Cash Flows

### Proprietary Fund

For the Fiscal Year Ended June 30, 2015

	<u>Major Fund</u> <u>Child Nutrition</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 471,883
Cash paid for goods and services	(892,771)
Cash paid to employees for services	(1,010,256)
Other operating revenues	19,459
Net cash provided (used) by operating activities	<u>(1,411,685)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal, state, and local grants and reimbursements	<u>1,502,599</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(20,600)</u>
Net cash provided (used) by capital and related financing activities	<u>(20,600)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>137</u>
Net increase (decrease) in cash and cash equivalents	70,451
Balance - beginning	99,398
Balance - ending	<u>\$ 169,849</u>

(continued)

# Transylvania County Schools

Exhibit 8

## Statement of Cash Flows

### Proprietary Fund

For the Fiscal Year Ended June 30, 2015

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

Operating income (loss)	\$ (1,695,617)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	31,543
Pension expense	26,496
Donated commodities consumed	106,504
Salaries paid by State Public School Fund	92,285
Indirect costs not paid	126,315
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,724)
(Increase) decrease in inventory	(18,635)
(Increase) decrease in deferred outflows of resources for pension plan contributions in current fiscal year	(68,906)
Increase (decrease) in accounts payable and accrued liabilities	10,684
Increase (decrease) in deferred inflows of resources	3,615
Increase (decrease) in long-term liabilities	(24,245)
Total adjustments	<u>283,932</u>
Net cash provided by operating activities	<u>\$ (1,411,685)</u>

#### Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$92,285 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 7.

Indirect costs of \$126,315 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$104,877 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$106,504 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 7.

# Transylvania County Schools

Exhibit 9

## Statement of Fiduciary Net Position

As of June 30, 2015

	<u>Private-Purpose Trust Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 347,881
Total Assets	<u>347,881</u>
<b>Net Position</b>	<u>\$ 347,881</u>

## Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2015

	<u>Private-Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	\$ 18,693
Deductions:	
Scholarships	(22,334)
Instructional costs	-
Change in net position	<u>(3,641)</u>
Beginning net position	<u>351,522</u>
Ending net position	<u>\$ 347,881</u>

## Summary of Significant Accounting Policies

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

### A. Reporting Entity

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

### B. Basis of Presentation

**Government-wide Statements:** The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Board's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The fiduciary funds are presented separately.

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

## Annual Financial Report

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

The Board reports the following major governmental funds:

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

The Board reports no nonmajor governmental funds:

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

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



## Annual Financial Report

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### C. Measurement Focus and Basis of Accounting

**Government-wide, Proprietary, and Fiduciary Fund Financial Statements.** The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

### D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue fund, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10%. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**Annual Financial Report**

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**E. Assets, Liabilities, and Fund Equity**

## Deposits and Investments:

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. The STIF consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

## Cash and Cash Equivalents:

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

## Inventories:

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

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Capital Assets:

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

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

Transylvania County holds title to certain properties, which are not reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

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

Deferred outflows and inflows of resources

In addition to assets, the statement of financial 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 Board has one item that meet this criterion - contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has three items that meet this criterion - unearned grant revenues in the State Public School Fund and Federal Grants Fund, prepaid items in the Enterprise Fund, and pension related deferrals.

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### Long-term obligations:

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

### Compensated Absences:

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the government-wide and proprietary fund financial statements as the leave is earned.

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

### Net position/Fund Balances:

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

- ◆ Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

## **Detail Notes on All Funds**

### **A. Assets**

#### Deposits:

All of the Board'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 Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

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Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the Board had deposits with financial institutions with a carrying amount of \$3,066,456 and with the State Treasurer of \$3,201. The bank balances with the financial institutions and the State Treasurer were \$3,971,333 and \$1,108,460, respectively. Of these balances, \$399,292 was covered by federal depository insurance and \$4,680,501 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments:

At June 30, 2015, the Board of Education had \$599,963 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2015. The Board has no policy for managing interest rate risk or credit risk.

Capital Assets:

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

<b>Table I - Changes in Governmental Capital Assets</b>				
	7/1/14			6/30/15
	Balance	Additions	Retirements	Balance
Land and improvements	\$ 12,042,766	\$ -	\$ -	\$ 12,042,766
Buildings	48,808,146	1,473,694	-	50,281,840
Furniture and equipment	990,237	-	-	990,237
Vehicles	3,521,096	168,623	(51,216)	3,638,503
Accumulated depreciation	(26,055,796)	(1,366,692)	43,014	(27,379,474)
<b>TOTAL</b>	<b>\$ 39,306,449</b>	<b>\$ 275,625</b>	<b>\$ (8,202)</b>	<b>\$ 39,573,872</b>

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

<b>Table II - Changes in Proprietary Capital Assets</b>				
	7/1/14			6/30/15
	Balance	Additions	Retirements	Balance
Furniture and equipment	\$ 644,915	\$ 20,600	\$ -	\$ 665,515
Vehicles	104,130	-	-	104,130
Accumulated depreciation	(608,444)	(31,543)	-	(639,987)
<b>TOTAL</b>	<b>\$ 140,601</b>	<b>\$ (10,943)</b>	<b>\$ -</b>	<b>\$ 129,658</b>

**B. Liabilities**

Pension Plan and Other Postemployment Obligations:

Teachers’ and State Employees’ Retirement System

*Plan Description.* The Board is a participating employer in the statewide Teachers’ and State Employees’ Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS 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 Teachers’ and State Employees’ Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% 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. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining

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TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee 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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). 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 or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). 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.

TSERS 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 10 years of creditable service for members joining TSERS on or after August 1, 2011), 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 an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an 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 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, 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 Board were \$1,941,018 for the year ended June 30, 2015.

*Refunds of Contributions* – Board employees who have terminated service as a contributing member of TSERS, 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 TSERS.

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



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At June 30, 2015, the Board reported a liability of \$1,773,286 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board'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 TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was 0.15125% and 0.15230% respectively.

For the year ended June 30, 2015, the Board recognized pension expense of \$746,371. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$ 413,344
Net difference between projected and actual earnings on pension plan investments		5,991,288
Changes in proportion and differences between Board contributions and proportionate share of contributions		48,080
Board contributions subsequent to the measurement date	\$ 1,941,018	
<b>Total</b>	<b>\$ 1,941,018</b>	<b>\$ 6,452,712</b>

\$1,941,018 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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<b>Year Ended June 30:</b>	
2016	\$ (1,619,570)
2017	(1,619,570)
2018	(1,619,570)
2019	(1,594,002)
Total	\$ (6,452,712)

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

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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, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*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.

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*Sensitivity of the Board’s proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board’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:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Board's proportionate share of the net pension liability (asset)	\$ 12,729,883	\$ 1,773,287	\$ (7,477,962)

*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.

Other Postemployment Benefits:

Healthcare Benefits

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014, and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,165,218, \$1,097,732, and \$1,058,939, respectively. These contributions represented 5.49%, 5.4%, and 5.3%, of covered payroll, respectively.

### Long-term Disability Benefits

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

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

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

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and are in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from

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the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$87,020, \$89,445, and \$87,512, respectively. These contributions represented 0.41%, 0.44%, and 0.44% of covered payroll, respectively.

**Deferred Inflows of Resources:**

Deferred inflows of resources in the State Public School Fund and Federal Grants Fund represent unearned grant revenue, and in the Enterprise Fund represent prepaid lunch sales. Deferred inflows in the governmental and business type activities include pension related deferrals.

**Risk Management:**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds.

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

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

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**C. Financing Commitments**

Long-Term Obligations:

Table III is a summary of changes in the Board’s outstanding debt for the year ended June 30, 2015. Amounts represent accrued vacation pay.

<b>Table III - Changes in Long-term Debt</b>				
	7/1/14 Balance	Additions	Deletions	6/30/15 Balance
Compensated absences	\$ 1,896,039	\$ 290,925	\$ 24,245	\$ 2,162,719
<b>TOTAL</b>	<b>\$ 1,896,039</b>	<b>\$ 290,925</b>	<b>\$ 24,245</b>	<b>\$ 2,162,719</b>

Interfund Balances and Activity:

Transfers of \$92,285 were made from the State Public School Fund to the Child Nutrition Fund for administrative costs as of June 30, 2015.

## **Significant Contingencies**

**A. Federal and State Assisted Programs**

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

**B. Prior Period Adjustment**

During the fiscal year ended June 30, 2015, management determined that capital assets acquired in a previous year had not been properly recorded in governmental activities. Therefore, an adjustment to beginning net position has been recorded to account for



## Annual Financial Report

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these capital assets, the net effect of which increased beginning net position in governmental activities by \$92,025.

### **C. Subsequent Events**

Subsequent events have been evaluated through November 10, 2015, which is the date the financial statements were available to be issued.

### **D. Change in Accounting Principles/Restatement**

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$7,214,100 and \$265,527, respectively.

**Transylvania  
County Schools**

**Statement of Net Position**

**Required Supplementary Information**

**Schedule of the Proportionate Share of the Net Pension Liability (Asset)**

**Teachers' and State Employees' Retirement System**

**Last Two Fiscal Years**

	2015	2014
Board's proportion of the net pension liability (asset)	0.15125%	0.15230%
Board's proportionate share of the net pension liability (asset)	\$ 1,773,286	\$ 9,246,162
Board's covered-employee payroll	\$ 20,330,813	\$ 19,974,710
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.72%	46.29%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

**Schedule of Contributions**

**Teachers' and State Employees' Retirement System**

**Last Two Fiscal Years**

	2015	2014
Contractually required contribution	\$ 1,941,018	\$ 1,773,286
Contributions in relation to the contractually required contribution	1,941,018	1,773,286
Contribution deficiency (excess)	\$ -	\$ -
Board's covered-employee payroll	\$ 21,213,316	\$ 20,330,813
Contributions as a percentage of covered-employee payroll	9.15%	8.72%



Individual Statements and Schedules



# Transylvania County Schools

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

For the Fiscal Year Ended June 30, 2015

	2015		
	Budget	Actual	Variance
Revenues:			
State of North Carolina:			
Public School Building Capital Fund	\$ 455,500	\$ 455,500	\$ -
Sales taxes and grants	18,545	44,923	26,378
State appropriations-buses	209,453	-	(209,453)
Total State of North Carolina	683,498	500,423	(183,075)
Transylvania County:			
County appropriations	1,600,000	1,600,000	-
Total Transylvania County	1,600,000	1,600,000	-
Other:			
Donations	8,775	-	(8,775)
Miscellaneous	200	2,463	2,263
Total Other	8,975	2,463	(6,512)
Total Revenues	2,292,473	2,102,886	(189,587)
Expenditures:			
Instructional programs:			
Regular	163,212	137,599	25,613
Co-curricular	491,219	485,832	5,387
School-based support	876,800	822,034	54,766
Total instructional programs	1,531,231	1,445,465	85,766
Support services:			
Operational	1,864,511	1,265,640	598,871
Policy and leadership	3,000	-	3,000
Total support services	1,867,511	1,265,640	601,871

(continued)

# Transylvania County Schools

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

For the Fiscal Year Ended June 30, 2015

Total expenditures	<u>3,398,742</u>	<u>2,711,105</u>	<u>687,637</u>
Excess of revenues over expenditures	<u>(1,106,269)</u>	<u>(608,219)</u>	<u>498,050</u>
Other financing sources (uses):			
Fund balance appropriated	<u>1,106,269</u>	<u>-</u>	<u>(1,106,269)</u>
Total other financing sources	<u>1,106,269</u>	<u>-</u>	<u>(1,106,269)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(608,219)</u>	<u>\$ (608,219)</u>
Fund balance - beginning		<u>1,214,141</u>	
Fund balance - ending		<u>\$ 605,922</u>	

# Transylvania County Schools

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

### Child Nutrition Fund

For the Fiscal Year Ended June 30, 2015

	2015		Variance
	Budget	Actual	
Operating revenues, food sales		\$ 469,992	
Other		19,459	
Total operating revenues	\$ 578,191	489,451	\$ (88,740)
Operating expenditures:			
Salaries and benefits		1,102,541	
Contracted services		33,266	
Materials and supplies		101,876	
Purchase of food		768,313	
Donated commodities		106,504	
Indirect costs		126,315	
Total operating expenditures	2,325,621	2,238,815	86,806
Nonoperating revenues (expenditures):			
Federal reimbursements		1,281,892	
Federal commodities		104,877	
Federal grants		8,412	
County appropriation		250,000	
Interest earned		137	
Total nonoperating revenues (expenditures)	1,647,430	1,645,318	(2,112)
Excess of revenues over (under) expenditures before other financing sources	(100,000)	(104,046)	(4,046)
Other financing sources (uses):			
Transfers from other funds	100,000	92,285	(7,715)
Excess of revenues and other sources over (under) expenditures	\$ -	\$ (11,761)	\$ (11,761)



# Transylvania County Schools

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

### Child Nutrition Fund

For the Fiscal Year Ended June 30, 2015

#### Reconciliation of modified accrual to full accrual basis:

Excess of revenues and other sources over (under) expenditures	\$ (11,761)
Reconciling items:	
Depreciation	(31,543)
Contributions to pension plan in current fiscal year	68,906
Indirect cost not paid	126,315
(Increase) decrease in accrued vacation pay	24,245
Increase (decrease) in inventory	18,635
Pension expense	(26,496)
Change in net assets (full accrual)	<u>\$ 168,301</u>