

ASHEVILLE CITY SCHOOLS

ASHEVILLE, NORTH CAROLINA



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

Comprehensive Annual Financial Report
of the
Asheville City Schools

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



Prepared by Finance Department
Donna W. Watson, CPA, Chief Financial Officer
Christy Wilson, Director of Financial and Data Services



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INTRODUCTORY SECTION



Asheville City Schools

Administrative Offices • PO Box 7347 • 85 Mountain Street • Asheville, North Carolina 28802

LETTER OF TRANSMITTAL

November 19, 2013

**To the Members of the Asheville City Board of Education and
Citizens of Asheville and Buncombe County, North Carolina**

In compliance with the *Public School Laws of North Carolina* (State), The Comprehensive Annual Financial Report of The Asheville City Board of Education (Board), operating as the “Asheville City Schools,” for the fiscal year ended June 30, 2013, is herewith submitted. Responsibility for the accuracy, completeness, and clarity of the report rests with the Interim Superintendent and the Chief Financial Officer.

The report has been prepared by the Finance Department following the requirements and guidelines promulgated by the Governmental Accounting Standards Board. We believe the data presented is accurate in all material respects and that it is presented in a manner designed to fairly reflect the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain the maximum understanding of the Board’s financial activity have been included. Additionally, the report contains Management’s Discussion and Analysis (MD&A), a narrative introduction, overview and analysis of the basic financial statements beginning on page 4 of the Financial Section of the report. This letter

of transmittal is designed to complement the MD&A and should be read in conjunction with it.

REPORTING ENTITY

The Board is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes (G.S.)] with the responsibility to oversee and control all activities related to public school education in Asheville, North Carolina. It was established in 1887 by action of the North Carolina General Assembly. For fiscal year 2013, the Board operated eight schools and a preschool program that provided a continuum of service from birth through twelfth grade. The schools include one comprehensive high school facility which houses both Asheville High School and the School of Inquiry and Life Sciences at Asheville (SILSA); one middle school; five elementary schools; and several alternative classrooms/programs including the preschool program. The average daily membership for the 2012-13 school year was 4,081 students.

Within the context of a strong system-wide curricular emphasis, Asheville City Schools offers parents a choice from among five elementary magnet schools. Each school has adopted a theme that guides instructional decisions and strategies. The themes are Arts and Humanities; Human Diversity and Ecology; Global Scholars; Science, Math and Technology; and Experiential Learning. The

magnet themes provide unique opportunities for students and their families to experience a curriculum suited to their individual interests and needs.

The Asheville City Council (City) is responsible for appointing the members of the Board for Asheville City Schools, but the City's accountability for the Board does not extend beyond making those appointments. The Buncombe County Board of Commissioners (County) levies all taxes, but the Asheville City Board of Education determines how the school system will spend the funds generated for schools. The County cannot modify the school system's budget, nor is the County entitled to share in any surpluses or required to finance any deficits of the school system. For these reasons, the Board is not fiscally dependent on the County and therefore is recognized as a primary government, as defined by the Governmental Accounting Standards Board. The Board also receives state, local, and federal government funding and must comply with the legal requirements of each funding agency.

In 1997, the North Carolina General Assembly passed legislation creating charter schools, an alternative to traditional public schools. Charter schools receive a per pupil allocation of local county funds as defined by the legislation. Although the County funding for the charter schools passes through the Board, the Board has no authority or responsibility related to the charter schools and, therefore, they are not a component unit of the Board.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Accounting records of the school system must be maintained in a uniform state format. Monthly reports of transactions of state and federal funds and details of disbursements from these funds are submitted to the North Carolina Department of Public Instruction for review. Financial activities throughout the year are controlled in accordance with the *North Carolina School Budget and Fiscal Control Act* which requires a pre-audit procedure to ensure availability of funds prior to the issuance of purchase orders or payment of claims.

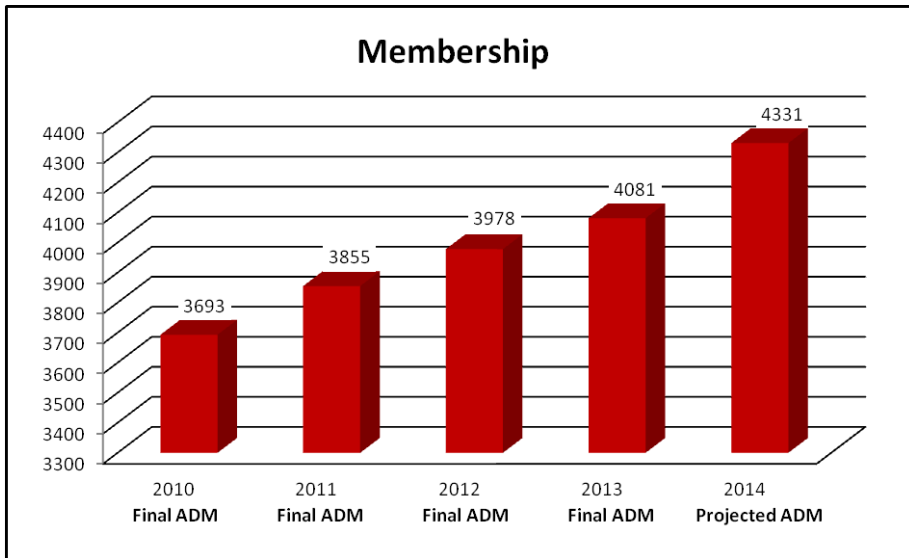
We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The Board's annual budget resolution authorizes expenditures by purpose or function on a modified accrual basis. For internal management purposes, the budget is allocated by line item within each purpose or function. The Board also uses a purchase order encumbrance system that records encumbrances outstanding against each line item of expenditure. Outstanding encumbrances at the end of the fiscal year related to normal operations are considered to be continuing contracts and are transferred at the end of the fiscal year to appropriations in future years.

ECONOMIC CONDITION AND OUTLOOK

Since Asheville City Schools receives about 40% of its budgeted funding through the State Public School Fund established by the North Carolina General Assembly, the economic condition of the State greatly impacts the system's economic condition and outlook. North Carolina's economy has continued to improve at a slow rate of growth with more widespread improvement in the overall economy projected. Statewide funding for the State Public School Fund increased from \$7.5 billion for fiscal year 2012 to \$7.74 billion for fiscal year 2013, and included the first pay increase for employees approved by the General Assembly in four years. At the same time, Asheville City Schools continued to enjoy a sustained period of significant student population growth. Since most state funding formulas are driven by student population, the increase in overall state funding paired with the student population growth led to a

significant increase in state funding for fiscal year 2013. This same trend in student population growth is expected to continue into fiscal year 2014 to help Asheville City Schools maintain or increase funding received through the State Public School Fund. A graph comparing final average daily membership for fiscal years 2010 through 2013 and projected average daily membership for fiscal year 2014 is depicted below.



Additionally, local funds generated from the general tax levies of the County are necessary to supplement the basic education program funded by the State. Some school districts, such as Asheville City Schools, have also established a supplemental tax levy through a referendum. Funding for these two local revenue sources comprise the major revenue sources within the Board's main operating fund, the General Fund. In Buncombe County, the economy has continued to show signs of recovery from the prior years' recession due to diversification among various industries like healthcare, technology, manufacturing and tourism. This allowed Buncombe County to continue

its strong support of education by maintaining overall education funding at the prior year level. For Asheville City Schools, this actually resulted in an increase in county funding received for fiscal year 2013 due to the growth in student population. Likewise, supplemental tax revenues also increased during fiscal year 2013. Expected increases to the amount budgeted for the Buncombe County general appropriation for fiscal year 2014, along with expected increases to the supplemental tax revenues following revaluation, should help Asheville City Schools to maintain a strong operating budget in the year ahead.

At the same time, Asheville City Schools faces the challenge of replacing two of its aging facilities, Asheville Middle School and Dickson Elementary School, both of which were constructed in 1965. During fiscal year 2013, the Buncombe County Commissioners approved funding for architectural and other preconstruction costs for both schools. The Buncombe County Commissioners also approved the construction phase of the Dickson Elementary School project to begin in fiscal year 2014.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

As our state and community emerged from the 4-year economic downturn, Asheville City Schools continued to sustain a strong foundation, to improve academic performance and to deploy innovative programs and initiatives to ensure student success. During the 2012-13 school year, the system recorded the following milestones and achievements:

- AdvancED completed a comprehensive review of the district in November 2012 and issued re-accreditation for Asheville City Schools in January 2013 based on the assessment of standards and indicators, student performance and stakeholder perceptions.
- All eight Asheville City Schools met or exceeded academic growth expectations on the new accountability model in place beginning with the 2012-13 school year.

- Asheville City Schools achieved an 81.6% graduation rate in 2013.
- The Asheville High School Cougar Marching Band featured on the front cover of this report and below, was proud to march in the 2013 Presidential Inaugural Parade. The band was also named Grand Champion among the bands that competed at the gala held the weekend before the parade.



- Claxton, Jones and Vance Elementary Schools were all recognized by the State as Positive Behavior Intervention and Support (PBIS) Exemplary Schools for 2012-13, the highest honor awarded. Dickson and Hall Fletcher Elementary Schools, along with the Asheville City Schools Preschool and Asheville Middle School, were recognized by the State as PBIS Model Schools, the next highest honor awarded. PBIS utilizes practices, outcomes, systems and data to increase academic performance and decrease challenging behavior.

- Asheville High and SILSA students outpaced the State and nation on the SATs for the 16th consecutive year while posting one of the highest participation rates in both the State and the nation. The district posted a combined math, critical reading and writing SAT average score of 1,586 with a 73.7% participation rate.
- During fiscal year 2013, Buncombe County authorized \$1,828,000 for architectural and other preconstruction costs necessary to construct a new Asheville Middle School and a new Dickson Elementary School on their existing sites.
- The average daily membership for the system increased almost three percent from 3,978 students in fiscal year 2012 to 4,081 students in fiscal year 2013.

The school year ended with the announcement of Superintendent Johnson's retirement after 10 years of service followed by the appointment on June 13, 2013 of Dr. Bobbie Short as Interim Superintendent. "I am honored to be a part of this most progressive and resourceful school district," Dr. Short said before assuming her role on August 1. "I look forward to getting to know the district students, parents, faculty and staff and working alongside each to enhance learning and teaching."

INDEPENDENT AUDIT

The financial statements have been audited by Dixon Hughes Goodman LLP, independent certified public accountants, whose opinion is included in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements of Asheville City Schools for the fiscal year ended June 30, 2013, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Asheville City Schools financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America.

The independent audit of the financial statements of the Asheville City Schools was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and legal requirements involving the administration of federal awards. These reports are available in the Asheville City Schools separately issued Compliance Reports.

FINANCIAL REPORTING AWARDS

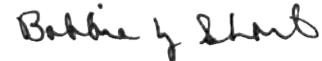
Each year since 1985, the Asheville City Schools Comprehensive Annual Financial Report has earned the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting Award. The Report has also earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the past twenty-six years. These awards are made to governmental units that publish a comprehensive annual financial report that is easily readable, efficiently organized, and conform to program standards as well as satisfy accounting principles generally accepted in the United States of America and applicable legal requirements. The awards are valid for a period of one year only. We believe the accompanying Report continues to conform to ASBO and GFOA requirements, and we will submit it to the respective organizations for consideration of awards for the fiscal year ended June 30, 2013.

ACKNOWLEDGMENTS

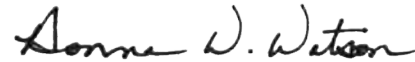
The preparation of this report could not have been accomplished without the efficient and dedicated services of the personnel in the Finance Department, Superintendent's Office, Community Relations and the staff of our independent auditor. Assistance received from the personnel in Buncombe County's Finance Department, Buncombe County's Tax Department and the Asheville Area Chamber of

Commerce was also invaluable. We would like to express our appreciation to all of these people for their assistance and contributions in developing the final report.

Respectfully submitted,



Dr. Bobbie Short
Interim Superintendent



Donna W. Watson, CPA
Chief Financial Officer



Christy L. Wilson
Director of Financial and Data Services

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Asheville City Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, appearing to read 'Ron McCulley'.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

Certificate of
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in Financial
Reporting

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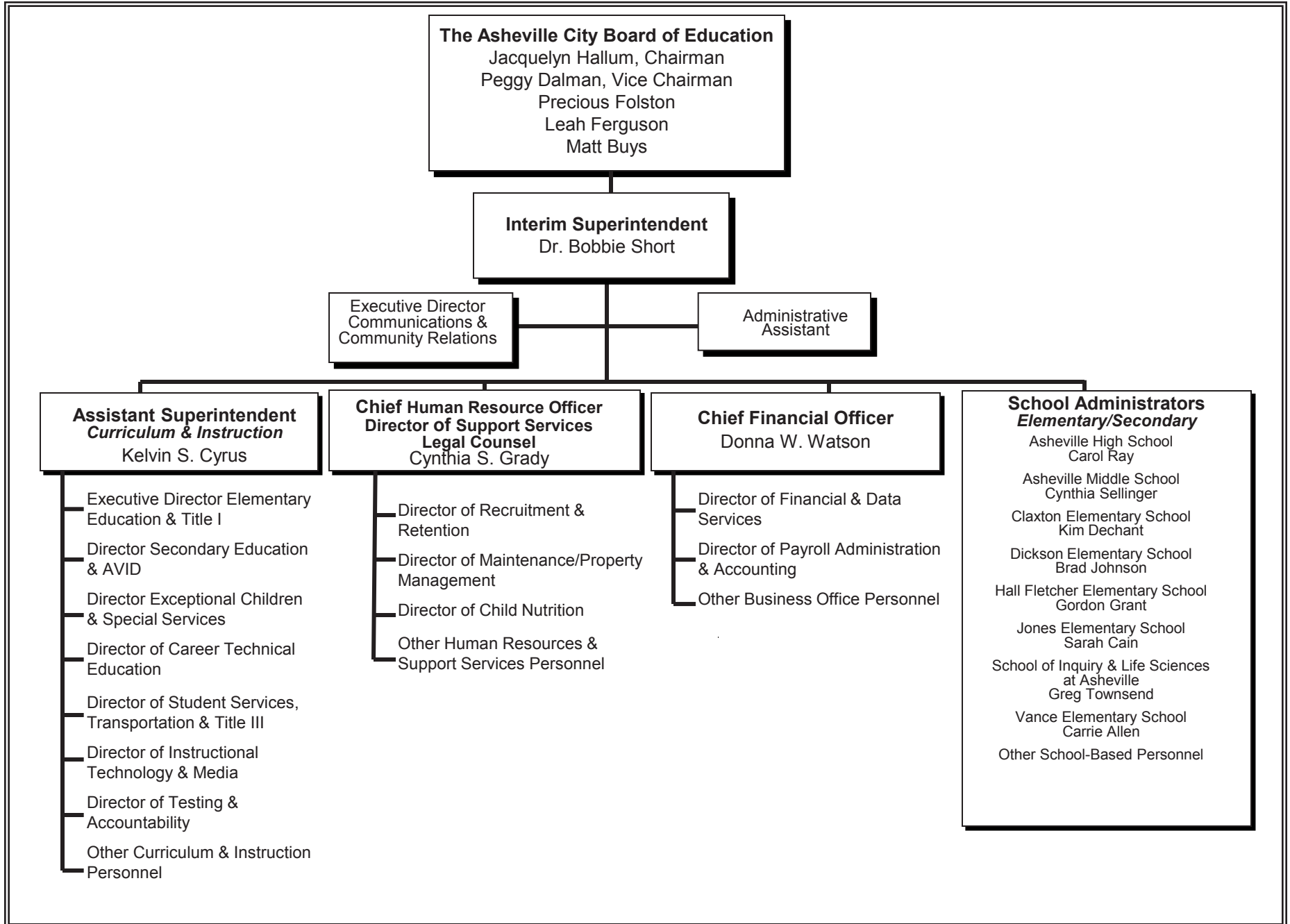
Asheville City Schools
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

ASHEVILLE CITY SCHOOLS ORGANIZATIONAL CHART





FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Asheville City Board of Education
Asheville, 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 Asheville City Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Asheville City Schools' 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.

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, Asheville City Schools adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. Asheville City Schools adjusted beginning net position for Governmental Activities and beginning fund balance for the Other Specific Revenue Fund to recognize revenue previously deferred as a result of the adoption of GASB Statement No. 65. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Asheville City Schools' basic financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of Asheville City Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Asheville City Schools' internal control over financial reporting and compliance.

Asheville, North Carolina
November 19, 2013

Dixon Hughes Goodman LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Asheville City Schools' (Board) financial performance provides a narrative overview of the Board's financial activities for the fiscal year ended June 30, 2013. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The assets of the Board exceeded its liabilities at the close of the fiscal year by \$50,456,231.
- The Board's total net position increased by \$1,920,464.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$9,803,452, an increase of \$1,773,804.
- The Board enjoyed an increase of 103 students (2.6%) when comparing average daily membership for fiscal year 2013 to the previous year.
- Architectural design development began on a project to replace the Board's middle school, and architectural and other preconstruction services to replace one of the Board's elementary schools had progressed to the bid stage by fiscal year-end.

Overview of the Financial Statements

The audited financial statements of Asheville City Schools consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Supplementary information that presents combining and budgetary schedules for non-major governmental funds, budgetary schedules for capital outlay and enterprise funds, and a combining statement for the fiduciary fund*

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 and liabilities. 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 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.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund, and fiduciary fund. 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 fund and fiduciary fund 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 each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit 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 and liabilities. 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 they have changed. Net position - the difference between the Board's assets and liabilities - is one way to measure the unit'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 needs to consider additional non-financial factors such as changes in Buncombe County's (County) property tax base and the condition of the Board's 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, the Asheville City Schools supplemental city school tax, and state and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help 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. 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 has established other funds, such as the Federal Grants Fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

Asheville City 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 the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation following the governmental funds statements explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Federal Grants Fund, the Other Specific Revenue Fund, the Capital Outlay Fund and the Individual Schools Fund.

Proprietary fund: Services for which the Board charges a fee are generally reported in the proprietary fund. The proprietary fund statement is reported on the same full accrual basis of accounting as the government-wide statements. Asheville City Schools has one proprietary fund – an enterprise fund – the Child Nutrition Fund.

Fiduciary fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Asheville City Schools has one fiduciary fund – the Agency Fund. Since the resources of the Agency Fund are not available to support government programs, they are excluded from the government-wide statements.

Financial Analysis of the Schools as a Whole

Net position may serve over time as one useful indicator of the fiscal health of the Board. The Board's assets exceeded its liabilities by \$50,456,231 as of June 30, 2013, an increase of \$1,920,464 compared to the prior fiscal year. The largest component of net position is the net investment in capital assets (e.g. land, buildings, machinery and equipment). The net investment in capital assets totaled \$42,825,453 (84.9%) at June 30, 2013, an increase of \$416,526 compared to June 30, 2012. Restricted net position accounted for \$2,274,248 (4.5%) of net position, an increase of \$9,568. Unrestricted net position at year-end totaled \$5,356,530 (10.6%), an increase of \$1,494,370 compared to the prior fiscal year.

Following is a summary of the Statement of Net Position:

**Table 1
Condensed Statement of Net Position
June 30, 2013 and 2012**

	2013			2012, as adjusted		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Current assets	\$ 10,366,662	\$ 299,963	\$ 10,666,625	\$ 8,617,639	\$ 282,434	\$ 8,900,073
Capital assets	42,654,073	171,380	42,825,453	42,318,931	187,768	42,506,699
Total assets	53,020,735	471,343	53,492,078	50,936,570	470,202	51,406,772
Current liabilities	763,210	18,094	781,304	885,763	22,151	907,914
Long-term liabilities	2,224,686	29,857	2,254,543	1,940,304	22,787	1,963,091
Total liabilities	2,987,896	47,951	3,035,847	2,826,067	44,938	2,871,005
Invested in capital assets	42,654,073	171,380	42,825,453	42,221,159	187,768	42,408,927
Restricted net position	2,274,248	-	2,274,248	2,264,680	-	2,264,680
Unrestricted net position	5,104,518	252,012	5,356,530	3,624,664	237,496	3,862,160
Total net position	\$ 50,032,839	\$ 423,392	\$ 50,456,231	\$ 48,110,503	\$ 425,264	\$ 48,535,767

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

Table 2
Condensed Statement of Activities
For the Years Ended June 30, 2013 and 2012

	2013			2012, as adjusted		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Revenues:						
Program revenues:						
Charges for services	\$ 1,636,881	\$ 424,615	\$ 2,061,496	\$ 1,615,094	\$ 466,232	\$ 2,081,326
Operating grants and contributions	28,601,518	1,252,965	29,854,483	28,736,584	1,201,310	29,937,894
Capital grants and contributions	377,774	-	377,774	908,591	-	908,591
General revenues:						
U.S. Government	59,184	-	59,184	65,869	-	65,869
Buncombe County	11,655,397	-	11,655,397	10,696,653	-	10,696,653
Supplemental city school tax	8,104,621	-	8,104,621	8,093,877	-	8,093,877
Local option sales tax	2,364,755	-	2,364,755	2,228,877	-	2,228,877
Other revenues	332,403	1,949	334,352	335,010	172	335,182
Total revenues	<u>53,132,533</u>	<u>1,679,529</u>	<u>54,812,062</u>	<u>52,680,555</u>	<u>1,667,714</u>	<u>54,348,269</u>
Expenses:						
Governmental activities:						
Instructional programs	38,788,317	-	38,788,317	37,987,862	-	37,987,862
Support services	9,824,061	-	9,824,061	9,708,344	-	9,708,344
Ancillary services	278,303	-	278,303	267,333	-	267,333
Non-programmed charges	664,248	-	664,248	985,393	-	985,393
Unallocated depreciation expense	1,562,032	-	1,562,032	1,589,990	-	1,589,990
Business-type activities:						
Child Nutrition	-	1,774,637	1,774,637	-	1,694,725	1,694,725
Total expenses	<u>51,116,961</u>	<u>1,774,637</u>	<u>52,891,598</u>	<u>50,538,922</u>	<u>1,694,725</u>	<u>52,233,647</u>
Revenues over (under) expenses	2,015,572	(95,108)	1,920,464	2,141,633	(27,011)	2,114,622
Transfers in (out)	(93,236)	93,236	-	(83,077)	83,077	-
Change in net position	1,922,336	(1,872)	1,920,464	2,058,556	56,066	2,114,622
Net position—beginning	48,110,503	425,264	48,535,767	46,051,947	369,198	46,421,145
Net position—ending	<u>\$ 50,032,839</u>	<u>\$ 423,392</u>	<u>\$ 50,456,231</u>	<u>\$ 48,110,503</u>	<u>\$ 425,264</u>	<u>\$ 48,535,767</u>

Governmental activities generated revenues of \$53.1 million for fiscal year 2013 compared to \$52.7 million for the previous year. Governmental activities expenses totaled \$51.1 million for fiscal year 2013 compared to \$50.5 million for the previous year. After transfers to the business-type activities, the increase in net position stands at \$1,922,336 at June 30, 2013 compared to \$2,058,556 in 2012.

The Asheville City Schools supplemental city school tax comprised 15.3% of total governmental revenues for fiscal year 2013 compared to 15.4% for fiscal year 2012. County funding increased from 20.3% in 2012 to 21.9% in 2013. Much of the remaining governmental revenues consist of

restricted state and federal money. Instructional expenses comprised 75.9% of total governmental expenses for fiscal year 2013 compared to 75.2% for fiscal year 2012. Support services accounted for 19.2% of expenses in both fiscal years 2013 and 2012.

Business-type activities generated revenues of \$1.7 million in 2013 and 2012, and had expenses of \$1.8 million in fiscal year 2013 compared to \$1.7 million in 2012. Net position decreased in the business-type activities by \$1,872, after transfers in from the governmental activities of \$93,236.

Financial Analysis of the Board’s Funds

Governmental Funds: The focus of Asheville City Schools’ governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board’s financing requirements. Table 3 below compares fund balance at June 30, 2013 and 2012 for the General Fund, the Other Specific Revenue Fund, the Capital Outlay Fund and the Non-Major Fund (the Individual Schools Fund). Both the State Public School Fund and the Federal Grants Fund do not maintain a fund balance since revenues must equal expenditures. Thus, these funds have been excluded from Table 3.

**Table 3
Summary of Fund Balances—Governmental Funds
June 30, 2013 and 2012**

	2013					2012, as adjusted				
	General Fund	Other Specific Revenue Fund	Capital Outlay Fund	Non-Major Fund	Total	General Fund	Other Specific Revenue Fund	Capital Outlay Fund	Non-Major Fund	Total
Non-spendable	\$ 32,531	\$ -	\$ -	\$ -	\$ 32,531	\$ 28,256	\$ -	\$ -	\$ -	\$ 28,256
Restricted	128,223	472,097	1,278,078	395,850	2,274,248	138,553	399,792	1,242,501	483,834	2,264,680
Committed	-	1,215,303	-	-	1,215,303	-	670,384	-	-	670,384
Assigned	1,301,415	-	-	-	1,301,415	625,000	-	-	-	625,000
Unassigned	4,979,955	-	-	-	4,979,955	4,441,328	-	-	-	4,441,328
Total	\$ 6,442,124	\$ 1,687,400	\$ 1,278,078	\$ 395,850	\$ 9,803,452	\$ 5,233,137	\$ 1,070,176	\$ 1,242,501	\$ 483,834	\$ 8,029,648

The General Fund, the Other Specific Revenue Fund and the Capital Outlay Fund ended the year with a surplus of revenues over expenditures and other financing uses. Expenditures only exceeded revenues and other financing sources in the Individual Schools Fund. Thus, at June 30, 2013, the governmental funds of Asheville City Schools reported a combined fund balance of \$9,803,452, a \$1,773,804 net increase compared to the prior year.

State funding received through the State Public School Fund increased \$1,023,477, largely due to student population growth but also due to a 1.2% salary increase for all employees along with increased benefit costs. Student population growth also led to the \$336,755 (4.3%) increase in the Buncombe County general appropriation by increasing the Board’s proportionate share of the county-wide appropriation. At the same time, funds received through the Federal Grants Fund decreased \$1,199,992, mostly due to the spend-down of funding received through the Education Jobs Fund, the Race to the Top grant and a multi-year technology IMPACT grant. Overall, revenues recorded within the governmental funds increased a net \$644,250 and expenditures and other financing uses increased a net \$648,431, when compared to the prior year.

Proprietary Fund: The Board’s proprietary fund reflected a decrease in net position of \$1,872 for 2013 compared to an increase of \$56,066 for 2012. Although federal reimbursements increased as a result of the implementation of the Healthy Hunger Free Kids Act (Act), the higher nutrition standards required by the Act resulted in meals that were not as popular with students but were more costly to serve. This trend is expected to continue and worsen in coming years as more requirements of the Act go into effect.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the General Fund budget once to reflect an increase for the difference between its estimated and actual share of the county-wide general appropriation. The Board also approved line-item transfers between expenditure accounts three times throughout the year due to the impact of employee turnover or change and one time to facilitate the purchase of instructional materials needed to implement a new literacy program initiative.

Actual General Fund revenues exceeded budgeted amounts due to better than projected growth of the supplemental tax base. At the same time, actual General Fund expenditures were much less than budgeted amounts in the areas of utility costs following a mild winter, legal costs following the transition to in-house legal counsel and, most especially, salary and benefits costs saved due to employee turnover and/or vacancies that occurred at different points throughout the year. Consequently, the Board was able to end the fiscal year with a \$1,208,987 increase to the fund balance recorded in the General Fund.

Capital Assets

Following is a summary of capital assets, net of depreciation at year-end.

**Table 4
Summary of Capital Assets
June 30, 2013 and 2012**

	2013			2012		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Land	\$ 1,307,576	\$ -	\$ 1,307,576	\$ 1,307,576	\$ -	\$ 1,307,576
Land improvements	1,423,149	-	1,423,149	1,543,602	-	1,543,602
Buildings	28,473,321	-	28,473,321	29,571,498	-	29,571,498
Construction in progress	9,609,787	-	9,609,787	7,658,204	-	7,658,204
Equipment and furniture	983,445	171,380	1,154,825	1,184,347	187,768	1,372,115
Vehicles	856,795	-	856,795	1,053,704	-	1,053,704
Total	\$ 42,654,073	\$ 171,380	\$ 42,825,453	\$ 42,318,931	\$ 187,768	\$ 42,506,699

Capital assets increased \$318,754 or 0.7% over the previous year. This was largely due to the architect and other preconstruction costs incurred to replace both Asheville Middle School and Isaac Dickson Elementary School. Additional information regarding the Board's capital assets can be found in the notes to the basic financial statements on Pages 29 through 32 of this report.

Debt Outstanding

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. At the end of fiscal year 2013, the Board's outstanding debt was composed of the liability for compensated absences to be paid from governmental and proprietary funds. The County holds all debt issued for school capital construction. Additional information regarding the Board's debt can be found in the notes to the basic financial statements on Pages 30 and 33 of the report.

Economic Factors Affecting Next Year's Budget

The Board has approved a \$56.6 million total budget for fiscal year 2014, a decrease of 1.4% compared to the final fiscal year 2013 budget. The following factors were considered when developing the 2014 budget:

- The North Carolina General Assembly did not approve salary increases for any employees.
- The retirement matching rate as set by the North Carolina General Assembly increased from 14.23% to 14.69%.
- The annual cost of employer provided hospitalization insurance increased from \$5,192 to \$5,285, per employee.
- The North Carolina General Assembly reduced the State Public School Fund allotment for teacher assistants 21%. As a result, Asheville City Schools lost 9.25 state-funded teacher assistant positions. All 9.25 positions were transferred to the General Fund to allow the system to maintain full-time assistants for all kindergarten through second grade classrooms.
- The Asheville City Schools supplemental tax rate remained unchanged at 15 cents per \$100 of assessed valuation. Projected collections of the tax increased \$357,899 (4.5%) following a County revaluation effective for fiscal year 2014.
- The Buncombe County general appropriation for education increased \$411,016 (5.0%), partly due to new funding added to the County-wide appropriation and partly due to the increase in Asheville City Schools' proportionate share of the County-wide appropriation as a result of the growth in student population.
- The Federal Grants Fund total budget decreased \$1,019,100 due to the continued spend down of the Race to the Top funding and the completion of a multi-year technology IMPACT grant. Reduced IDEA Title IV B Handicapped funding due to fewer eligible students and fewer students qualifying for special high cost needs assistance also contributed to the decrease in the Federal Grants Fund budget.
- The Capital Outlay Fund budget should be amended significantly during fiscal year 2014 as funding becomes available from Buncombe County to construct a new elementary school.

Requests for Information

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

Donna Watson, CPA, Chief Financial Officer
Asheville City Schools
Post Office Box 7347
Asheville, NC 28802

BASIC FINANCIAL STATEMENTS



ASHEVILLE CITY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 9,151,406	\$ 82,550	\$ 9,233,956
Due from other governments	1,130,805	152,137	1,282,942
Accounts receivable (net)	51,920	5,534	57,454
Inventories	-	59,742	59,742
Prepays	32,531	-	32,531
Capital assets:			
Land and construction in progress	10,917,363	-	10,917,363
Other capital assets, net of depreciation	31,736,710	171,380	31,908,090
Total capital assets	<u>42,654,073</u>	<u>171,380</u>	<u>42,825,453</u>
Total assets	<u>53,020,735</u>	<u>471,343</u>	<u>53,492,078</u>
Liabilities:			
Accounts payable	473,544	479	474,023
Accrued salaries and wages payable	82,584	-	82,584
Unearned revenue	-	13,615	13,615
Other liabilities	7,082	-	7,082
Long-term liabilities:			
Due in one year	200,000	4,000	204,000
Due in more than one year	2,224,686	29,857	2,254,543
Total liabilities	<u>2,987,896</u>	<u>47,951</u>	<u>3,035,847</u>
Net position:			
Net investment in capital assets	42,654,073	171,380	42,825,453
Restricted for:			
Stabilization by State Statute	1,290,055	-	1,290,055
School capital outlay	588,343	-	588,343
Individual school activities	395,850	-	395,850
Unrestricted	5,104,518	252,012	5,356,530
Total net position	<u>\$ 50,032,839</u>	<u>\$ 423,392</u>	<u>\$ 50,456,231</u>

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

**ASHEVILLE CITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
Instructional services:							
Regular instructional	\$ 20,369,568	\$ 152,808	\$ 14,767,263	\$ -	\$ (5,449,497)	\$ -	\$ (5,449,497)
Special populations	5,359,007	-	4,877,338	-	(481,669)	-	(481,669)
Alternative programs	4,248,766	269,997	3,556,344	-	(422,425)	-	(422,425)
School leadership	2,731,093	-	1,094,006	-	(1,637,087)	-	(1,637,087)
Co-curricular	1,779,911	1,144,213	119,719	-	(515,979)	-	(515,979)
School-based support	4,299,972	2,271	2,407,029	-	(1,890,672)	-	(1,890,672)
System-wide support services:							
Support and development	258,595	-	57,890	-	(200,705)	-	(200,705)
Special populations support and development	154,925	-	55,073	-	(99,852)	-	(99,852)
Alternative programs and services support and development	316,433	34,751	191,417	-	(90,265)	-	(90,265)
Technology support	784,308	-	53,514	-	(730,794)	-	(730,794)
Operational support	5,359,970	15,541	586,861	377,774	(4,379,794)	-	(4,379,794)
Financial and human resource	1,025,313	-	236,813	-	(788,500)	-	(788,500)
Accountability	117,135	-	-	-	(117,135)	-	(117,135)
System-wide pupil support	366,306	-	-	-	(366,306)	-	(366,306)
Policy, leadership and public relations	1,441,076	-	527,052	-	(914,024)	-	(914,024)
Ancillary services	278,303	17,300	71,199	-	(189,804)	-	(189,804)
Non-programmed charges	664,248	-	-	-	(664,248)	-	(664,248)
Unallocated depreciation* expense	1,562,032	-	-	-	(1,562,032)	-	(1,562,032)
Total governmental activities	51,116,961	1,636,881	28,601,518	377,774	(20,500,788)	-	(20,500,788)

(continued)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-type activities:							
Child Nutrition	\$ 1,774,637	\$ 424,615	\$ 1,252,965	\$ -	\$ -	\$ (97,057)	\$ (97,057)
Total government-wide	<u>\$ 52,891,598</u>	<u>\$ 2,061,496</u>	<u>\$ 29,854,483</u>	<u>\$ 377,774</u>	(20,500,788)	(97,057)	(20,597,845)
General revenues:							
U.S. Government					59,184	-	59,184
Buncombe County					11,655,397	-	11,655,397
Supplemental city school tax					8,104,621	-	8,104,621
Local option sales tax					2,364,755	-	2,364,755
Interest earned on investments					31,928	22	31,950
Other revenues					300,475	1,927	302,402
Transfers					(93,236)	93,236	-
Total general revenues and transfers					<u>22,423,124</u>	<u>95,185</u>	<u>22,518,309</u>
Change in net position					1,922,336	(1,872)	1,920,464
Net position--beginning, as adjusted					<u>48,110,503</u>	<u>425,264</u>	<u>48,535,767</u>
Net position--ending					<u>\$ 50,032,839</u>	<u>\$ 423,392</u>	<u>\$ 50,456,231</u>

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

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

ASHEVILLE CITY SCHOOLS
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2013

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Other Specific Revenue</u>	<u>Capital Outlay</u>	<u>Non-major Funds</u>	
Assets:						
Cash and cash equivalents	\$ 6,548,156	\$ -	\$ 1,217,721	\$ 989,679	\$ 395,850	\$ 9,151,406
Due from other governments	69,986	2,482	472,097	581,750	4,490	1,130,805
Accounts receivable (net)	51,212	-	-	708	-	51,920
Prepays	32,531	-	-	-	-	32,531
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,701,885</u>	<u>\$ 2,482</u>	<u>\$ 1,689,818</u>	<u>\$ 1,572,137</u>	<u>\$ 400,340</u>	<u>\$ 10,366,662</u>
Liabilities:						
Accounts payable	\$ 177,870	\$ 474	\$ 1,141	\$ 294,059	\$ -	\$ 473,544
Accrued salaries and wages payable	81,891	693	-	-	-	82,584
Other liabilities	-	1,315	1,277	-	4,490	7,082
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>259,761</u>	<u>2,482</u>	<u>2,418</u>	<u>294,059</u>	<u>4,490</u>	<u>563,210</u>

(continued)

Major Funds

	<u>General</u>	<u>State Public School</u>	<u>Other Specific Revenue</u>	<u>Capital Outlay</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Fund balances:						
Non-spendable:						
Prepays	\$ 32,531	\$ -	\$ -	\$ -	\$ -	\$ 32,531
Restricted:						
Stabilization by State Statute	128,223	-	472,097	689,735	-	1,290,055
School capital outlay	-	-	-	588,343	-	588,343
Individual school activities	-	-	-	-	395,850	395,850
Committed:						
Special programs	-	-	1,215,303	-	-	1,215,303
Assigned:						
Subsequent year's budget	1,301,415	-	-	-	-	1,301,415
Unassigned	4,979,955	-	-	-	-	4,979,955
Total fund balances	<u>6,442,124</u>	<u>-</u>	<u>1,687,400</u>	<u>1,278,078</u>	<u>395,850</u>	<u>9,803,452</u>
Total liabilities and fund balances	<u>\$ 6,701,885</u>	<u>\$ 2,482</u>	<u>\$ 1,689,818</u>	<u>\$ 1,572,137</u>	<u>\$ 400,340</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

42,654,073

Liabilities for long-term debt are not payable with current financial resources and therefore are not reported in the funds:

Compensated absences

(2,424,686)

Net position of governmental activities

\$ 50,032,839

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Other Specific Revenue</u>	<u>Capital Outlay</u>	<u>Non-major Funds</u>	
Revenues:						
State of North Carolina	\$ -	\$ 22,462,772	\$ 515,010	\$ 377,774	\$ -	\$ 23,355,556
U.S. Government	-	-	1,468,758	-	4,108,570	5,577,328
Local:						
Buncombe County	8,115,790	-	-	3,539,607	-	11,655,397
Supplemental city school tax	8,104,621	-	-	-	-	8,104,621
Local option sales tax	-	-	2,364,755	-	-	2,364,755
Other local revenues	131,507	-	750,849	40,123	1,263,932	2,186,411
Total revenues	<u>16,351,918</u>	<u>22,462,772</u>	<u>5,099,372</u>	<u>3,957,504</u>	<u>5,372,502</u>	<u>53,244,068</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	3,598,191	14,398,858	1,422,949	153,068	313,324	19,886,390
Special populations	338,580	3,084,883	321,103	-	1,465,580	5,210,146
Alternative programs	448,264	554,236	1,609,966	-	1,575,830	4,188,296
School leadership	1,445,630	1,086,032	185,022	-	7,974	2,724,658
Co-curricular	199,212	-	-	-	1,483,416	1,682,628
School-based support	1,004,182	1,939,110	237,811	392,642	426,198	3,999,943
System-wide support services:						
Support and development	195,996	57,890	15,320	-	-	269,206
Special populations support and development	105,910	543	8,191	-	54,530	169,174
Alternative programs and services support and development	108,354	-	130,454	-	95,713	334,521
Technology support	654,321	53,514	32,188	2,082	-	742,105
Operational support	4,250,870	510,528	245,000	66,825	-	5,073,223
Financial and human resource	734,044	178,927	48,257	-	57,886	1,019,114
Accountability	103,893	-	8,744	-	-	112,637
System-wide pupil support	330,165	-	26,215	-	-	356,380
Policy, leadership and public relations	829,571	527,052	83,985	-	-	1,440,608

(continued)

	Major Funds				Non-major Funds	Total Governmental Funds
	<u>General</u>	<u>State Public School</u>	<u>Other Specific Revenue</u>	<u>Capital Outlay</u>		
Expenditures, continued:						
Current:						
Ancillary services	\$ -	\$ 1,453	\$ 106,943	\$ -	\$ -	\$ 108,396
Non-programmed charges:						
Payments to charter schools	664,248	-	-	-	-	664,248
Other	-	-	-	-	111,535	111,535
Debt service	-	-	-	97,772	-	97,772
Capital outlay	-	-	-	3,186,048	-	3,186,048
Total expenditures	<u>15,011,431</u>	<u>22,393,026</u>	<u>4,482,148</u>	<u>3,898,437</u>	<u>5,591,986</u>	<u>51,377,028</u>
Revenues over (under) expenditures	<u>1,340,487</u>	<u>69,746</u>	<u>617,224</u>	<u>59,067</u>	<u>(219,484)</u>	<u>1,867,040</u>
Other financing sources (uses):						
Transfers from other funds	-	-	-	-	131,500	131,500
Transfers to other funds	(131,500)	(69,746)	-	(23,490)	-	(224,736)
Total other financing sources (uses)	<u>(131,500)</u>	<u>(69,746)</u>	<u>-</u>	<u>(23,490)</u>	<u>131,500</u>	<u>(93,236)</u>
Net change in fund balances	1,208,987	-	617,224	35,577	(87,984)	1,773,804
Fund balances--beginning, as adjusted	<u>5,233,137</u>	<u>-</u>	<u>1,070,176</u>	<u>1,242,501</u>	<u>483,834</u>	<u>8,029,648</u>
Fund balances--ending	<u>\$ 6,442,124</u>	<u>\$ -</u>	<u>\$ 1,687,400</u>	<u>\$ 1,278,078</u>	<u>\$ 395,850</u>	<u>\$ 9,803,452</u>

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

Net changes in fund balances--total governmental funds	\$ 1,773,804
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:	
Depreciation expense	(2,804,316)
Capital outlays	3,139,783
Book value of capital assets disposed	(325)
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 the governmental funds:	
Net change in compensated absences	(284,382)
Repayment of long-term debt	97,772
Total changes in net position of governmental activities	<u>\$ 1,922,336</u>

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

	General Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:				
Local	\$ 16,199,213	\$ 16,232,889	\$ 16,351,918	\$ 119,029
Total revenues	<u>16,199,213</u>	<u>16,232,889</u>	<u>16,351,918</u>	<u>119,029</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	3,921,666	3,975,185	3,598,191	376,994
Special populations	382,349	401,506	338,580	62,926
Alternative programs	531,195	534,637	448,264	86,373
School leadership	1,517,286	1,517,286	1,445,630	71,656
Co-curricular	240,800	240,800	199,212	41,588
School based support	1,149,196	1,129,196	1,004,182	125,014
System-wide support services:				
Support and development	194,391	199,023	195,996	3,027
Special populations support and development	137,608	137,608	105,910	31,698
Alternative programs and services support and development	129,968	112,559	108,354	4,205
Technology support	711,829	711,829	654,321	57,508
Operational support	4,678,183	4,680,196	4,250,870	429,326
Financial and human resource	870,297	870,297	734,044	136,253
Accountability	108,824	108,824	103,893	4,931
System-wide pupil support	341,957	341,957	330,165	11,792
Policy, leadership and public relations	1,000,394	977,716	829,571	148,145

(continued)

	General Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Expenditures:				
Current, continued:				
Ancillary services	\$ 2,500	\$ 2,500	\$ -	\$ 2,500
Non-programmed charges:				
Payments to charter schools	710,270	710,270	664,248	46,022
Total expenditures	<u>16,628,713</u>	<u>16,651,389</u>	<u>15,011,431</u>	<u>1,639,958</u>
Revenues over (under) expenditures	<u>(429,500)</u>	<u>(418,500)</u>	<u>1,340,487</u>	<u>1,758,987</u>
Other financing sources (uses):				
Transfers to other funds	(145,500)	(156,500)	(131,500)	25,000
Appropriated fund balance	625,000	625,000	-	(625,000)
Contingency	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	<u>429,500</u>	<u>418,500</u>	<u>(131,500)</u>	<u>(550,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,208,987	<u>\$ 1,208,987</u>
Fund balance—beginning of year			<u>5,233,137</u>	
Fund balance—end of year			<u>\$ 6,442,124</u>	

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
STATE PUBLIC SCHOOL FUND
For the Year Ended June 30, 2013

	State Public School Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:				
State of North Carolina	\$ 22,701,505	\$ 22,933,688	\$ 22,462,772	\$ (470,916)
Expenditures:				
Current:				
Instructional services:				
Regular instructional	14,675,643	14,707,909	14,398,858	309,051
Special populations	3,064,166	3,104,676	3,084,883	19,793
Alternative programs	548,430	557,194	554,236	2,958
School leadership	1,122,343	1,115,050	1,086,032	29,018
School based support	1,978,320	2,010,769	1,939,110	71,659
System-wide support services:				
Support and development	61,694	61,694	57,890	3,804
Special populations support and development	1,500	1,500	543	957
Technology support	-	53,514	53,514	-
Operational support	492,814	528,639	510,528	18,111
Financial and human resource	179,766	179,766	178,927	839
Policy, leadership and public relations	505,598	541,746	527,052	14,694
Ancillary services	1,463	1,463	1,453	10
Total expenditures	<u>22,631,737</u>	<u>22,863,920</u>	<u>22,393,026</u>	<u>470,894</u>
Revenues over expenditures	69,768	69,768	69,746	(22)
Other financing uses:				
Transfers to other funds	<u>(69,768)</u>	<u>(69,768)</u>	<u>(69,746)</u>	<u>22</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance—beginning of year			<u>-</u>	
Fund balance—end of year			<u>\$ -</u>	

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
OTHER SPECIFIC REVENUE FUND
For the Year Ended June 30, 2013

	<u>Other Specific Revenue Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:				
State of North Carolina	\$ 419,720	\$ 494,143	\$ 515,010	\$ 20,867
U.S. Government	1,823,569	1,823,569	1,468,758	(354,811)
Local	2,943,146	2,950,546	3,115,604	165,058
Total revenues	<u>5,186,435</u>	<u>5,268,258</u>	<u>5,099,372</u>	<u>(168,886)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	1,483,559	1,483,559	1,422,949	60,610
Special populations	752,265	736,232	321,103	415,129
Alternative programs	1,777,486	1,850,909	1,609,966	240,943
School leadership	191,353	191,353	185,022	6,331
School based support	263,607	266,007	237,811	28,196
System-wide support services:				
Support and development	15,985	15,985	15,320	665
Special populations support and development	10,372	10,372	8,191	2,181
Alternative programs	154,778	154,778	130,454	24,324
Technology support	36,325	36,325	32,188	4,137
Operational support	254,258	269,491	245,000	24,491
Financial and human resource	49,882	49,882	48,257	1,625
Accountability	8,744	8,744	8,744	-
System-wide pupil support	28,411	28,411	26,215	2,196
Policy, leadership and public relations	83,187	83,987	83,985	2
Ancillary services	111,223	117,223	106,943	10,280
Total expenditures	<u>5,221,435</u>	<u>5,303,258</u>	<u>4,482,148</u>	<u>821,110</u>
Revenues over (under) expenditures	(35,000)	(35,000)	617,224	652,224
Other financing sources:				
Appropriated fund balance	35,000	35,000	-	(35,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	617,224	<u>\$ 617,224</u>
Fund balance—beginning of year, as adjusted			<u>1,070,176</u>	
Fund balance—end of year			<u>\$ 1,687,400</u>	

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF NET POSITION—PROPRIETARY FUND
June 30, 2013

	Child Nutrition Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 82,550
Due from other governments	152,137
Accounts receivable (net)	5,534
Inventories	59,742
Total current assets	299,963
Non-current assets:	
Capital assets:	
Furniture and equipment, net	171,380
Total assets	471,343
Liabilities:	
Current liabilities:	
Accounts payable	479
Unearned revenue	13,615
Compensated absences, current portion	4,000
Total current liabilities	18,094
Non-current liabilities:	
Compensated absences, less current portion	29,857
Total liabilities	47,951
Net Position:	
Net investment in capital assets	171,380
Unrestricted	252,012
Total net position	\$ 423,392

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION—PROPRIETARY FUND
For the Year Ended June 30, 2013

	Child Nutrition Fund
Operating revenues:	
Food sales	\$ 424,615
Operating expenses:	
Food cost	734,093
Salaries and benefits	915,192
Materials and supplies	69,224
Depreciation	30,112
Other	26,016
Total operating expenses	1,774,637
Operating loss	(1,350,022)
Non-operating revenues:	
Federal reimbursements and grants	1,061,241
Federal commodities	81,165
State reimbursements	110,559
Interest earned	22
Gain on disposal of assets	1,927
Total non-operating revenues	1,254,914
Loss before transfers	(95,108)
Transfers from other funds	93,236
Change in net position	(1,872)
Total net position—beginning	425,264
Total net position—ending	\$ 423,392

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF CASH FLOWS—PROPRIETARY FUND
For the Year Ended June 30, 2013

	Child Nutrition Fund
Cash flows from operating activities:	
Cash received from customers	\$ 427,918
Cash paid for goods and services	(753,086)
Cash paid to employees for services	(843,270)
Net cash used for operating activities	<u>(1,168,438)</u>
Cash flows from non-capital financing activities:	
State reimbursements	115,119
Federal reimbursements	946,256
Net cash provided by non-capital financing activities	<u>1,061,375</u>
Cash flows for capital and related financing activities:	
Proceeds from the disposal of assets	<u>2,854</u>
Cash flows from investing activities:	
Interest on investments	<u>22</u>
Net increase in cash and cash equivalents	(104,187)
Cash and cash equivalents, beginning of year	<u>186,737</u>
Cash and cash equivalents, end of year	<u><u>\$ 82,550</u></u>

(continued)

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

	Child Nutrition Fund
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (1,350,022)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	30,112
Donated commodities consumed	81,165
Salaries paid by special revenue fund	69,746
Expenses paid by capital outlay fund	8,839
Change in assets and liabilities:	
Decrease in accounts receivable	455
Increase in inventories of food and supplies	(11,746)
Decrease in accounts payable and accrued salaries and wages payable	(6,905)
Increase in compensated absences	7,070
Increase in unearned revenue	2,848
	<hr/>
Net cash used for operating activities	<u>\$ (1,168,438)</u>
Non-cash investing, capital, and financing activities:	
Donated commodities received, reflected as a non-operating revenue and operating expense	<u>\$ 81,165</u>
Transfer for salaries paid by the State Public School Fund, reflected as a transfer in and operating expense	<u>\$ 69,746</u>
Non-capitalized equipment purchased by the Capital Outlay Fund, reflected as a transfer in and an operating expense	<u>\$ 8,839</u>
Equipment purchased by the Capital Outlay Fund, reflected as a transfer in and an addition to capital assets	<u>\$ 14,651</u>

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES—FIDUCIARY FUND
June 30, 2013

	Agency Fund
Assets:	
Cash and cash equivalents	<u>\$ 185,489</u>
Liabilities:	
Due to other sources	<u>\$ 185,489</u>

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

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY

The reporting entity is comprised of the primary government and its component units. Component units are legally separate organizations for which the Board is financially accountable. The Board is financially accountable if the Board appoints a voting majority of the organization's governing board and (1) the Board is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board is legally entitled to or can otherwise access the organizations' resources; the Board is legally obligated or has assumed responsibility to finance the deficits of, or provide financial support to, the organization; or the Board is obligated for the debt of the organization. The Board is a primary government because it is a special purpose government that is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Board for financial statement presentation purposes, and it is not included in any other governmental reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Asheville City 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:

Asheville City Schools (the Board) is a Local Education Agency empowered by State law, [Chapter 115C of the North Carolina General

Statutes, hereafter referred to as G.S. or State Statute] with the responsibility to oversee and control all activities related to public school education in Asheville, North Carolina. The Board receives state, local, and federal government funding and must adhere to the legal requirements of each funding entity.

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; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting

the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses result from normal day-to-day transactions associated with the fund. Non-operating expenses, such as loss on disposal of capital assets, result from unusual transactions not associated with the day-to-day transactions of the fund.

The Board reports the following major governmental funds:

- ✓ **General Fund:** The General Fund is the general operating fund of the Board. The General Fund consists of the Local Current Expense Fund.

NOTES TO FINANCIAL STATEMENTS

- ✓ **State Public School Fund:** The State Public School Fund includes appropriations from the North Carolina Department of Public Instruction for the current operating expenditures of the public school system.
- ✓ **Other Specific Revenue Fund:** The Other Specific Revenue Fund accounts for 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, federal grants restricted as to use, federal appropriations made directly to local school administrative units, funds received for prekindergarten programs, and special programs that are not accounted for in the General Fund or other special revenue funds pursuant to G.S. 115C-426(c).
- ✓ **Capital Outlay Fund:** The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities and the acquisition of vehicles and equipment (other than those financed by proprietary funds). It is mandated by State Statute [G.S. 115C-426]. Major capital projects are funded by Buncombe County and the State of North Carolina (the "State").

The Board reports the following non-major funds:

- ✓ **Federal Grants Fund:** The Federal Grants Fund accounts for appropriations for the expenditure of federal categorical grants made available through the North Carolina Department of Public Instruction.
- ✓ **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 fundraising activities. The primary expenditures are for the athletic teams, club programs, student activities, and instructional needs.

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

- ✓ **Agency Fund:** The Agency Fund is used to account for assets held by the Board as an agent for other organizations. The Agency Fund is used to account for funds deposited with the Board as an agent for the benefit of various scholarship and awards funds and the Educational Access Channel Consortium.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary 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 compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Fiduciary Fund Financial Statements: The Fiduciary Fund financial statements use the accrual basis of accounting. The Board's only fiduciary fund is its Agency Fund. An Agency Fund is custodial in nature (assets equal liabilities) and does not involve measuring the results of operations, and therefore has no measurement focus.

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.

NOTES TO FINANCIAL STATEMENTS

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 Fund, as required by the North Carolina General Statutes. No budget is required by State law for the Individual Schools Fund. All appropriations, except where construction project budgets have been approved in the Capital Outlay Fund or grants whose funding period does not coincide with the fiscal year end, 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. The Board has authorized the Superintendent to move moneys from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by a cumulative total of plus or minus ten percent. All such amendments must be approved by the governing board. During the year, several amendments to the original budget ordinance 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.

ASSETS, LIABILITIES, AND NET POSITION / FUND BALANCES

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 with a maturity of more than one year at acquisition and non-money market 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. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-

participating interest earning investment contracts are reported at cost.

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.

Prepays: Prepays are recorded using the purchases method and consist of Workers' Compensation insurance premiums paid one month in advance of the coverage period in order to bind coverage effective the first day of the new policy period.

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.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Buncombe County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties

NOTES TO FINANCIAL STATEMENTS

have been deeded to the County to permit financing agreements 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 have been met.

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

Buildings	50 years
Improvements	20 years
Equipment and furniture	5-20 years
Vehicles	8 years

Depreciation for buildings and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

Long-Term Obligations: In the government-wide financial statements, 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. In addition, certain employees may accumulate up to twenty (20) additional bonus vacation leave days, which are fully vested when earned. The Board records compensated absences on a FIFO basis. The liability as of June 30, 2013, represents the value of accumulated unpaid vacation leave and salary related payments as of that date (See Table IV).

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 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.

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:

Non-spendable Fund Balance: The portion of fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- ✓ Prepaid items - portion of fund balance not available for appropriation because it represents the year-end balance of prepaid items that are not expendable available resources.

Restricted Fund Balance: The portion of fund balance that is restricted to specific purposes externally imposed by creditors or imposed by law.

- ✓ Restricted for Stabilization by State Statute - portion of fund balance not available for appropriation under State law. State law [G.S. 115C-425a] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities and encumbrances at the close of the fiscal year preceding the budget year.
- ✓ 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: The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Board (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

- ✓ Committed for Special Programs - portion of fund balance committed for prekindergarten and other special programs not accounted for in other special revenue funds.

NOTES TO FINANCIAL STATEMENTS

Assigned Fund Balance: The portion of fund balance that the Board intends to use for specific purposes.

- ✓ Subsequent year's expenditures - portion of total fund balance that is appropriated in the 2013-2014 budget ordinance that is not already classified as restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the superintendent to modify the appropriations by resource or appropriation within funds as long as the amounts transferred do not exceed a cumulative total of plus or minus ten percent in any purpose, function or project.

Unassigned Fund Balance: The portion of fund balance that has not been restricted, committed, or assigned to specific purposes.

The Board has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: state funds, federal funds, local non-board of education funds, and board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board.

3. ASSETS AND LIABILITIES

ASSETS

Deposits: All of the Board's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, which is a

collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2013, the Board had deposits with financial institutions with a carrying amount of \$1,165,070 and \$-0- with the State Treasurer. The bank balances with the financial institutions and the State Treasurer were \$1,643,597 and \$86,638, respectively. Of these balances, \$648,367 was covered by federal depository insurance, \$995,230 was covered by collateral under the Pooling Method, and \$86,638 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board's petty cash at June 30, 2013, was \$275.

Investments: At June 30, 2013, the Board had \$23,921 invested with the North Carolina Capital

Management Trust's Term Portfolio which is unrated. The Board had \$331,630 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. There was \$7,898,549 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2013. The Board has no formal policy for managing interest rate risk or credit risk. The Board follows State law.

Due from Other Governments: Amounts due from other governments at June 30, 2013, are summarized in Table I on the following page.

Capital Assets: Capital asset activity for the year ended June 30, 2013, is summarized in Table II on the following page.

Depreciation was charged to the governmental functions as follows:

Regular instructional	\$	312,645
Special populations		103,706
Alternative programs		2,361
School leadership		2,351
Co-curricular		97,283
School-based support		218,682
Technology support		21,882
Operational support		313,519
Policy leadership and public relations		855
Ancillary		169,000
Unallocated		1,562,032
	\$	2,804,316

Construction Commitments: At June 30, 2013, the Board's commitment with contractors for school construction projects was approximately \$535,000.

NOTES TO FINANCIAL STATEMENTS

Table I	DUE FROM OTHER GOVERNMENTS						Business-type Activities
	Governmental Activities					Total	Child Nutrition
	General	State Public School	Other Specific Revenue	Capital Outlay	Non-major		
State government	\$ -	\$ 2,482	\$ 92,189	\$ 19,001	\$ 4,490	\$ 118,162	\$ 148,440
Federal government	-	-	6,413	-	-	6,413	-
Local governments	69,986	-	373,495	562,749	-	1,006,230	3,697
	<u>\$ 69,986</u>	<u>\$ 2,482</u>	<u>\$ 472,097</u>	<u>\$ 581,750</u>	<u>\$ 4,490</u>	<u>\$ 1,130,805</u>	<u>\$ 152,137</u>

Table II	CAPITAL ASSETS				
	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,307,576	\$ -	\$ -	\$ -	\$ 1,307,576
Construction in progress	7,658,204	2,039,563	-	(87,980)	9,609,787
Total capital assets not being depreciated	<u>8,965,780</u>	<u>2,039,563</u>	<u>-</u>	<u>(87,980)</u>	<u>10,917,363</u>
Capital assets being depreciated:					
Buildings	62,759,085	986,965	-	87,980	63,834,030
Equipment and furniture	4,174,391	57,959	(57,385)	-	4,174,965
Vehicles	3,083,334	28,220	-	-	3,111,554
Land improvements	3,769,002	27,076	(7,105)	-	3,788,973
Total capital assets being depreciated	<u>73,785,812</u>	<u>1,100,220</u>	<u>(64,490)</u>	<u>87,980</u>	<u>74,909,522</u>
Less accumulated depreciation for:					
Buildings	(33,187,587)	(2,173,122)	-	-	(35,360,709)
Equipment and furniture	(2,990,044)	(258,861)	57,385	-	(3,191,520)
Vehicles	(2,029,630)	(225,129)	-	-	(2,254,759)
Land improvements	(2,225,400)	(147,204)	6,780	-	(2,365,824)
Total accumulated depreciation	<u>(40,432,661)</u>	<u>(2,804,316)</u>	<u>64,165</u>	<u>-</u>	<u>(43,172,812)</u>
Total capital assets being depreciated, net	<u>33,353,151</u>	<u>(1,704,096)</u>	<u>(325)</u>	<u>87,980</u>	<u>31,736,710</u>
Governmental activity capital assets, net	<u>\$ 42,318,931</u>	<u>\$ 335,467</u>	<u>\$ (325)</u>	<u>\$ -</u>	<u>\$ 42,654,073</u>
Business-type activities:					
Child Nutrition Fund:					
Capital assets being depreciated:					
Equipment	\$ 662,022	\$ 14,651	\$ (29,362)	\$ -	\$ 647,311
Less accumulated depreciation for:					
Equipment	(474,254)	(30,112)	28,435	-	(475,931)
Business-type activities capital assets, net	<u>\$ 187,768</u>	<u>\$ (15,461)</u>	<u>\$ (927)</u>	<u>\$ -</u>	<u>\$ 171,380</u>

NOTES TO FINANCIAL STATEMENTS

Subsequent to year-end, the Board entered into a contract with a construction manager at risk to build a new elementary school for a guaranteed maximum price of \$17,526,333. The Board also amended an architectural contract, subsequent to year-end, to increase the contract \$1,017,487 for the completion of design development and construction documents for the construction of a new middle school.

LIABILITIES

Accounts Payable: The balance in accounts payable at June 30, 2013 is summarized in Table III.

Long-Term Obligations: The summary of changes in the Board's long-term obligations for the year ended June 30, 2013, is shown in Table IV.

Compensated absences are typically liquidated by the general and other governmental funds.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by SunTrust Equipment Finance & Leasing Corporation at total payments less than the purchase price. In fiscal year 2010, the Board entered into an installment purchase contract to finance the purchase of five school buses in the amount of \$391,105. The financing contract requires only principal payment of \$97,777 due at the beginning of each contract year. The current

Table III						
ACCOUNTS PAYABLE						
	Governmental Activities					Business-type Activities
	General	State Public School	Other Specific Revenue	Capital Outlay	Total	Child Nutrition
Vendors	\$123,249	\$ 474	\$ 1,141	\$294,059	\$418,923	\$ 479
Charter Schools	54,621	-	-	-	54,621	-
	<u>\$177,870</u>	<u>\$ 474</u>	<u>\$ 1,141</u>	<u>\$294,059</u>	<u>\$473,544</u>	<u>\$ 479</u>

Table IV					
LONG-TERM OBLIGATIONS					
	Beginning Balances	Increases	Decreases	Ending Balances	Due in One Year
Governmental activities:					
Installment purchase	\$ 97,772	\$ -	\$ (97,772)	\$ -	\$ -
Compensated absences	2,140,304	1,630,217	(1,345,835)	2,424,686	200,000
Total	<u>\$2,238,076</u>	<u>\$1,630,217</u>	<u>\$(1,443,607)</u>	<u>\$2,424,686</u>	<u>\$ 200,000</u>
Business-type activities:					
Compensated absences	\$ 26,787	\$ 29,756	\$ (22,686)	\$ 33,857	\$ 4,000

fiscal year was the last year of the contract. The outstanding balance was \$-0- as of June 30, 2013.

FUND BALANCE

The Board maintains encumbrance accounts which are considered to be budgetary accounts. Encumbrances outstanding at year-end represent executed purchase orders that will result in expenditures when the purchase has been completed. Outstanding encumbrances are a restriction of fund balance and will be charged against next year's budget. At June 30, 2013, outstanding encumbrances in the General Fund and Capital Outlay Fund amounted to \$7,025 and \$107,277, respectively.

4. EMPLOYEE BENEFITS

Pension Plan Obligations:

✓ **TEACHERS AND STATE EMPLOYEES RETIREMENT SYSTEM PLAN DESCRIPTION.** The Board contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General

NOTES TO FINANCIAL STATEMENTS

Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

- ✓ **FUNDING POLICY.** Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. For the fiscal year ended June 30, 2013, the Board was required to contribute 8.33% of annual covered payroll to TSERS. The contribution requirements of plan members and the Board are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2013, 2012, and 2011 were \$2,341,284, \$2,075,485 and \$1,439,325, respectively, equal to the required contributions for each year.

Healthcare Benefits:

- ✓ **PLAN DESCRIPTION:** The post-employment 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 known as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- ✓ **FUNDING POLICY.** The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as may be established by the North Carolina 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 North Carolina General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2013, 2012, and 2011, the Board paid all annual required contributions to the Plan for post-employment healthcare benefits of \$1,489,652, \$1,394,815, and \$1,447,279, respectively. These contributions represented 5.30%, 5.00%, and 5.06%, 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

NOTES TO FINANCIAL STATEMENTS

State Employees' Retirement System. Long-term disability benefits are payable as another post-employment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The Plan does not provide for automatic post-retirement benefit increases.

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

✓ **FUNDING POLICY.** An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation

payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one 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 one 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 is 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 post-employment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of

NOTES TO FINANCIAL STATEMENTS

members currently eligible to receive disability benefits as an other post-employment benefit. For the fiscal years ended June 30, 2013, 2012, and 2011, the Board paid all annual required contributions to the DIPNC for disability benefits of \$123,669, \$145,061, and \$151,815, respectively. These contributions represented .44%, .52%, and .52% of covered payroll each year, respectively.

5. 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 \$2 million per claim, \$5.15 million per coverage period aggregate. In addition, the Board maintains automobile liability and uninsured/underinsured motorists coverage limits of \$2 million per accident through the Trust. The Trust retention per claim for general liability and errors and omissions claims is \$150,000, and the retention per accident for automobile liability and uninsured/underinsured motorists' claims is \$150,000. The Trust maintains reinsurance through a commercial company to cover losses in excess of the retention amounts. Automobile physical damage coverage along with inland marine coverage for scheduled equipment is also maintained through the Trust. The Board also participates in the Public School Insurance Fund (the Fund). This is a voluntary, self-insured risk

control and risk-financing fund administered by the North Carolina Department of Public Instruction. The Fund insures tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Building and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the case of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption, and Extra Expense. Increased cost of construction is provided at \$10 million per occurrence.

Statutory workers' compensation is purchased through a commercial carrier. Coverage is provided to the extent that 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 that employees are paid from State funds.

The Board also 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 with 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 has purchased a commercial surety bond as a public official bond for employees who have custody of the Board's monies at any given time. The Finance

Officer is bonded for \$200,000. All other employees that have access to funds are bonded under a blanket bond for \$50,000, with a \$10,000 theft, disappearance and destruction limit.

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.

6. INTERFUND ACTIVITY

TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds at June 30, 2013, consist of \$69,746 transferred from the State Public School Fund to the Child Nutrition Fund for administrative costs; \$14,651 transferred from the Capital Outlay Fund to the Child Nutrition Fund for capitalized equipment; \$8,839 transferred from the Capital Outlay Fund to the Child Nutrition Fund for non-capitalized equipment; and \$131,500 transferred from the General Fund to the Non-major Governmental Fund for the individual schools.

7. SUPPLEMENTAL CITY SCHOOL TAX

The supplemental city school tax, approved in 1935 by the citizens of Asheville, is currently 15¢ per \$100 of assessed valuation of taxable property located in the Asheville City School District. The Asheville City School District's boundaries do not coincide with the City of Asheville corporate limits. In compliance with North Carolina state law, the supplemental city school tax is levied, billed and collected by Buncombe County. All property taxes, including the supplemental city school tax, are assessed as

NOTES TO FINANCIAL STATEMENTS

of July 1, the beginning of the County's fiscal year, and are based upon 100 percent of the assessed value as of January 1 the same year. The assessed valuation of the property subject to the supplemental city school tax is estimated to be approximately \$5.4 billion (unaudited) at June 30, 2013, and is based on the revaluation of real property completed during the spring of 2006. Buncombe County completed its latest revaluation of real property during the spring of 2013 to be effective for the levy of taxes for the fiscal year ending June 30, 2014.

8. SUMMARY DISCLOSURE OF CONTINGENCIES

FEDERAL AND STATE ASSISTED PROGRAMS

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

9. CHANGE IN ACCOUNTING PRINCIPLES

The Board implemented Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 65, Items Previously reported as Assets and Liabilities, in

the fiscal year ending June 30, 2013. In accordance with GASB Statement No. 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into assets, liabilities, or net position.

Beginning fund balance for the Other Specific Revenue Fund and beginning net position for governmental activities have been adjusted as of July 1, 2012. The net effect of this adjustment is summarized in Table V.

As a result of the implementation of GASB Statement No. 65, it was determined that certain amounts previously recorded as unearned revenue in the Other Specific Revenue Fund no longer met the criteria for unearned revenue or deferred inflows of resources based on the new criteria in GASB Statement No. 65. The net effect on the change in fund balance and net position for the year ended June 30, 2012 is summarized in Table VI.

Table V		
CURRENT YEAR EFFECT OF IMPLEMENTATION OF GASB STATEMENT No. 65		
	<u>Other Specific Revenue Fund</u>	<u>Governmental Activities</u>
Beginning fund balance/net position, as previously reported	\$ 565,285	\$ 47,605,612
Adjustment to unearned revenue	504,891	504,891
Beginning fund balance/net position, as adjusted	<u>\$ 1,070,176</u>	<u>\$ 48,110,503</u>

Table VI			
PRIOR YEAR NET EFFECT OF IMPLEMENTATION OF GASB STATEMENT No. 65			
	<u>Unearned Revenue</u>	<u>Total Revenues</u>	<u>Fund Balance/Net Position</u>
Other specific revenue fund	\$ (504,891)	\$ 179,641	\$ 325,250
Governmental activities	<u>\$ (504,891)</u>	<u>\$ 179,641</u>	<u>\$ 325,250</u>





SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Asheville City Schools has two non-major special revenue funds: the Federal Grants Fund and the Individual Schools Fund. Both of these funds are accounted for using the modified accrual basis of accounting. However, Asheville City Schools is only legally required to adopt an annual budget for the Federal Grants Fund. The Federal Grants Fund accounts for appropriations for the expenditure of federal categorical grants made available from the North Carolina Department of Public Instruction. The Individual Schools Fund accounts for contributions from the local parent and booster organizations, fund-raising activities, funds held on behalf of various clubs and organizations, and school athletic teams and events.



ASHEVILLE CITY SCHOOLS
COMBINING BALANCE SHEET–NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2013

	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ -	\$ 395,850	\$ 395,850
Due from other governments	4,490	-	4,490
Total assets	\$ 4,490	\$ 395,850	\$ 400,340
 Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Other liabilities	4,490	-	4,490
Total liabilities	4,490	-	4,490
 Fund balances:			
Restricted:			
Individual school activities	-	395,850	395,850
Total liabilities and fund balances	\$ 4,490	\$ 395,850	\$ 400,340

ASHEVILLE CITY SCHOOLS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	<u>Federal</u> <u>Grants</u>	<u>Individual</u> <u>Schools</u>	<u>Total</u>
Revenues:			
U.S. Government	\$ 4,108,570	\$ -	\$ 4,108,570
Local	-	1,263,932	1,263,932
Total revenues	4,108,570	1,263,932	5,372,502
Expenditures:			
Current:			
Instructional Services:			
Regular instructional	313,324	-	313,324
Special populations	1,465,580	-	1,465,580
Alternative programs	1,575,830	-	1,575,830
School leadership	7,974	-	7,974
Co-curricular	-	1,483,416	1,483,416
School-based support	426,198	-	426,198
System-wide Support Services:			
Special populations support and development	54,530	-	54,530
Alternative programs and services support and development	95,713	-	95,713
Financial and human resource	57,886	-	57,886
Non-programmed charges:			
Other	111,535	-	111,535
Total expenditures	4,108,570	1,483,416	5,591,986
Revenues under expenditures	-	(219,484)	(219,484)

(continued)

	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total</u>
Other financing sources:			
Transfers from other funds	\$ -	\$ 131,500	\$ 131,500
Transfers to other funds	-	-	-
Total other financing sources	<u>-</u>	<u>131,500</u>	<u>131,500</u>
Net change in fund balances	-	(87,984)	(87,984)
Fund balances--beginning	<u>-</u>	<u>483,834</u>	<u>483,834</u>
Fund balances--ending	<u><u>\$ -</u></u>	<u><u>\$ 395,850</u></u>	<u><u>\$ 395,850</u></u>

**ASHEVILLE CITY SCHOOLS
FEDERAL GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Federal Grants Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
U.S. Government	\$ 5,782,229	\$ 4,108,570	\$ (1,673,659)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	324,683	313,324	11,359
Special populations	1,851,706	1,465,580	386,126
Alternative programs	1,719,267	1,575,830	143,437
School leadership	12,918	7,974	4,944
School-based support	460,752	426,198	34,554
System-wide support services:			
Special populations support and development	54,592	54,530	62
Alternative programs and services support and development	117,808	95,713	22,095
Operational support	6,000	-	6,000
Financial and human resource	68,577	57,886	10,691
Non-programmed charges:			
Unbudgeted federal grants	1,037,281	-	1,037,281
Other	128,645	111,535	17,110
Total expenditures	<u>5,782,229</u>	<u>4,108,570</u>	<u>1,673,659</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance—beginning of year		<u>-</u>	
Fund balance—end of year		<u>\$ -</u>	

CAPITAL OUTLAY FUND

The Capital Outlay Fund accounts for resources used in the construction, acquisition, repair, and replacement of Asheville City Schools' capital assets. Major revenue sources include Buncombe County and the State of North Carolina. The Capital Outlay Fund is accounted for using the modified accrual basis of accounting.

**ASHEVILLE CITY SCHOOLS
CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
State of North Carolina	\$ 377,776	\$ 377,774	\$ (2)
Local:			
Buncombe County	3,768,580	3,539,607	(228,973)
Other local sources	31,500	40,123	8,623
Total revenues	<u>4,177,856</u>	<u>3,957,504</u>	<u>(220,352)</u>
Expenditures:			
Current:			
Instructional Services:			
Regular instructional	202,500	153,068	49,432
School-based support	400,000	392,642	7,358
System-wide Support Services:			
Technology support	20,000	2,082	17,918
Operational support	70,000	66,825	3,175
Debt service	97,776	97,772	4
Capital outlay	3,852,580	3,186,048	666,532
Total expenditures	<u>4,642,856</u>	<u>3,898,437</u>	<u>744,419</u>
Revenues over (under) expenditures	<u>(465,000)</u>	<u>59,067</u>	<u>524,067</u>

(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Other financing sources (uses):			
Appropriated fund balance	\$ 500,000	\$ -	\$ (500,000)
Transfers	(25,000)	(23,490)	1,510
Contingency	(10,000)	-	10,000
Total other financing sources (uses)	<u>465,000</u>	<u>(23,490)</u>	<u>(488,490)</u>
Net change in fund balance	<u>\$ -</u>	35,577	<u>\$ 35,577</u>
Fund balance:			
Beginning of year, July 1		<u>1,242,501</u>	
End of year, June 30		<u>\$ 1,278,078</u>	

CHILD NUTRITION FUND

The Child Nutrition Fund uses the full accrual basis of accounting. The Child Nutrition Program provides breakfast and lunch to students in the Asheville City Schools. Primary revenue sources are meal charges, federal commodity subsidies, and USDA reimbursements.

**ASHEVILLE CITY SCHOOLS
CHILD NUTRITION FUND
SCHEDULE OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL (Non-GAAP)
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Operating revenues:			
Food sales	\$ 504,223	\$ 427,463	\$ (76,760)
Operating expenditures:			
Purchase of food	771,303	745,319	25,984
Salaries and benefits	922,609	908,122	14,487
Materials and supplies	93,621	69,744	23,877
Other	31,600	26,016	5,584
Total operating expenditures	<u>1,819,133</u>	<u>1,749,201</u>	<u>69,932</u>
Operating loss	<u>(1,314,910)</u>	<u>(1,321,738)</u>	<u>(6,828)</u>
Non-operating revenues:			
Federal reimbursements	1,028,819	1,061,241	32,422
Federal commodities	70,288	81,165	10,877
State reimbursement	95,985	110,559	14,574
Interest earned	50	22	(28)
Proceeds from the disposal of assets	-	2,854	2,854
Total non-operating revenues	<u>1,195,142</u>	<u>1,255,841</u>	<u>60,699</u>
Revenues over (under) expenditures before other financing sources	(119,768)	(65,897)	53,871
Other financing sources:			
Transfers from other funds	<u>119,768</u>	<u>93,236</u>	<u>(26,532)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>27,339</u>	<u>\$ 27,339</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(30,112)	
Book value from disposal of assets		(927)	
Increase in compensated absences		(7,070)	
Increase in inventories of food and supplies		11,746	
Increase in unearned revenue		<u>(2,848)</u>	
Change in net position		<u>\$ (1,872)</u>	

AGENCY FUND

The Agency Fund is used to account for assets held by the Board as an agent for the benefit of various scholarship and award funds and the Educational Access Channel Consortium.

**ASHEVILLE CITY SCHOOLS
 AGENCY FUND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2013**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASHEVILLE HIGH AWARDS:				
Assets:				
Cash and cash equivalents	<u>\$ 20,008</u>	<u>\$ 87</u>	<u>\$ 89</u>	<u>\$ 20,006</u>
Liabilities:				
Due to other sources	<u>\$ 20,008</u>	<u>\$ 87</u>	<u>\$ 89</u>	<u>\$ 20,006</u>
EDUCATIONAL ACCESS CHANNEL CONSORTIUM:				
Assets:				
Cash and cash equivalents	<u>\$ 176,324</u>	<u>\$ -</u>	<u>\$ 10,841</u>	<u>\$ 165,483</u>
Liabilities:				
Due to other sources	<u>\$ 176,324</u>	<u>\$ -</u>	<u>\$ 10,841</u>	<u>\$ 165,483</u>
TOTAL—AGENCY FUND:				
Assets:				
Cash and cash equivalents	<u>\$ 196,332</u>	<u>\$ 87</u>	<u>\$ 10,930</u>	<u>\$ 185,489</u>
Liabilities:				
Due to other sources	<u>\$ 196,332</u>	<u>\$ 87</u>	<u>\$ 10,930</u>	<u>\$ 185,489</u>





STATISTICAL SECTION

STATISTICAL SECTION

STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about Asheville City Schools' overall financial health. The schedules included in this section can be categorized as follows:

Financial Trends Schedules

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity Schedules

These schedules contain information to help the reader assess one of the government's most significant local revenue sources, the Asheville City Schools' supplemental city school tax.

Debt Capacity Schedules

No schedules for debt capacity are included since the Board's long-term obligations are limited to compensated absences to be paid from governmental and proprietary funds, and the installment purchase of school buses to be repaid through the North Carolina Department of Public Instruction.

Demographic and Economic Information Schedules

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information Schedules

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

The schedule type or category is listed in the upper right-hand corner on each of the attached schedules. Unless otherwise noted, the information shown on the attached schedules was derived from the comprehensive annual financial reports for the relevant year.

**ASHEVILLE CITY SCHOOLS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Invested in capital assets	\$ 42,654,073	\$ 42,221,159	\$ 42,016,915	\$ 40,720,471	\$ 39,831,882	\$ 40,742,273	\$ 42,579,373	\$ 43,180,650	\$ 36,145,142	\$ 34,012,521
Restricted	2,274,248	2,264,680	2,057,659	2,573,030	3,041,033	3,121,124	2,223,465	1,464,061	1,751,429	1,811,443
Unrestricted	5,104,518	3,624,664	1,652,123	1,803,925	1,889,585	2,527,733	2,365,479	2,528,870	2,778,082	2,755,847
Total governmental activities net position	<u>\$ 50,032,839</u>	<u>\$ 48,110,503</u>	<u>\$ 45,726,697</u>	<u>\$ 45,097,426</u>	<u>\$ 44,762,500</u>	<u>\$ 46,391,130</u>	<u>\$ 47,168,317</u>	<u>\$ 47,173,581</u>	<u>\$ 40,674,653</u>	<u>\$ 38,579,811</u>
Business-type activities:										
Invested in capital assets	\$ 171,380	\$ 187,768	\$ 201,042	\$ 230,279	\$ 239,890	\$ 272,359	\$ 305,870	\$ 56,496	\$ 83,170	\$ 81,624
Unrestricted	252,012	237,496	168,156	62,506	50,072	(23,956)	(118,922)	20,275	162,616	256,026
Total business-type activities net position	<u>\$ 423,392</u>	<u>\$ 425,264</u>	<u>\$ 369,198</u>	<u>\$ 292,785</u>	<u>\$ 289,962</u>	<u>\$ 248,403</u>	<u>\$ 186,948</u>	<u>\$ 76,771</u>	<u>\$ 245,786</u>	<u>\$ 337,650</u>
Government-wide:										
Invested in capital assets	\$ 42,825,453	\$ 42,408,927	\$ 42,217,957	\$ 40,950,750	\$ 40,071,772	\$ 41,014,632	\$ 42,885,243	\$ 43,237,146	\$ 36,228,312	\$ 34,094,145
Restricted	2,274,248	2,264,680	2,057,659	2,573,030	3,041,033	3,121,124	2,223,465	1,464,061	1,751,429	1,811,443
Unrestricted	5,356,530	3,862,160	1,820,279	1,866,431	1,939,657	2,503,777	2,246,557	2,549,145	2,940,698	3,011,873
Total government-wide net position	<u>\$ 50,456,231</u>	<u>\$ 48,535,767</u>	<u>\$ 46,095,895</u>	<u>\$ 45,390,211</u>	<u>\$ 45,052,462</u>	<u>\$ 46,639,533</u>	<u>\$ 47,355,265</u>	<u>\$ 47,250,352</u>	<u>\$ 40,920,439</u>	<u>\$ 38,917,461</u>

Notes: Asheville City schools implemented GASB Statement No. 65 in 2013. The amounts shown above have been restated beginning in 2012.

ASHEVILLE CITY SCHOOLS
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
Instructional programs	\$ 38,788,317	\$ 37,987,862	\$ 38,127,000	\$ 37,844,471	\$ 38,501,664	\$ 37,206,592	\$ 32,144,863	\$ 30,113,067	\$ 28,747,566	\$ 27,924,801
Support services	9,824,061	9,708,344	9,934,044	9,728,867	9,971,095	9,472,591	11,579,037	11,217,031	10,601,184	10,126,909
Unallocated depreciation expense	1,562,032	1,589,990	1,533,209	1,622,375	1,618,517	1,628,326	2,313,179	1,908,699	1,632,260	1,537,735
Other	942,551	1,252,726	1,422,066	875,589	788,107	713,959	624,887	603,596	555,921	529,272
Total governmental activities expenses	<u>51,116,961</u>	<u>50,538,922</u>	<u>51,016,319</u>	<u>50,071,302</u>	<u>50,879,383</u>	<u>49,021,468</u>	<u>46,661,966</u>	<u>43,842,393</u>	<u>41,536,931</u>	<u>40,118,717</u>
Business-type activities:										
Child nutrition	<u>1,774,637</u>	<u>1,694,725</u>	<u>1,658,572</u>	<u>1,682,677</u>	<u>1,781,287</u>	<u>1,695,817</u>	<u>1,719,078</u>	<u>1,621,843</u>	<u>1,589,636</u>	<u>1,558,638</u>
Total government-wide expenses	<u>52,891,598</u>	<u>52,233,647</u>	<u>52,674,891</u>	<u>51,753,979</u>	<u>52,660,670</u>	<u>50,717,285</u>	<u>48,381,044</u>	<u>45,464,236</u>	<u>43,126,567</u>	<u>41,677,355</u>
Program revenues:										
Governmental activities:										
Charges for services										
Instructional programs	1,569,289	1,607,598	1,469,840	1,520,984	1,452,988	1,343,434	1,436,419	1,357,411	1,347,313	1,401,613
Support programs	50,292	1,892	-	-	6,302	4,749	-	31,246	17,610	29,530
Ancillary services	17,300	5,604	2,015	4,465	8,178	6,424	6,628	6,401	35,570	17,879
Operating grants and contributions	28,601,518	28,736,584	28,669,673	28,054,706	28,623,511	27,475,326	25,468,050	24,621,723	23,449,502	23,121,865
Capital grants and contributions	377,774	908,591	536,628	386,673	351,765	51,599	5,588	23,345	16,779	20,718
Total governmental activities program revenues	<u>30,616,173</u>	<u>31,260,269</u>	<u>30,678,156</u>	<u>29,966,828</u>	<u>30,442,744</u>	<u>28,881,532</u>	<u>26,916,685</u>	<u>26,040,126</u>	<u>24,866,774</u>	<u>24,591,605</u>
Business-type activities:										
Charges for services	424,615	466,232	468,500	469,799	526,806	537,651	507,126	446,497	492,729	531,832
Operating grants and contributions	1,252,965	1,201,310	1,199,626	1,099,164	1,064,302	1,020,189	965,387	929,235	919,137	916,443
Total business-type activities program revenues	<u>1,677,580</u>	<u>1,667,542</u>	<u>1,668,126</u>	<u>1,568,963</u>	<u>1,591,108</u>	<u>1,557,840</u>	<u>1,472,513</u>	<u>1,375,732</u>	<u>1,411,866</u>	<u>1,448,275</u>
Total government-wide program revenues	<u>32,293,753</u>	<u>32,927,811</u>	<u>32,346,282</u>	<u>31,535,791</u>	<u>32,033,852</u>	<u>30,439,372</u>	<u>28,389,198</u>	<u>27,415,858</u>	<u>26,278,640</u>	<u>26,039,880</u>
Net (expense)	<u>\$ (20,597,845)</u>	<u>\$ (19,305,836)</u>	<u>\$ (20,328,609)</u>	<u>\$ (20,218,188)</u>	<u>\$ (20,626,818)</u>	<u>\$ (20,277,913)</u>	<u>\$ (19,991,846)</u>	<u>\$ (18,048,378)</u>	<u>\$ (16,847,927)</u>	<u>\$ (15,637,475)</u>

Notes: A state-wide chart of accounts change was implemented during fiscal year 2008, which reclassified certain expenses between the categories above.

Asheville City Schools implemented GASB Statement No. 65 in 2013. The amounts shown above have been restated beginning in 2012.

ASHEVILLE CITY SCHOOLS
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense):										
Government-wide net (expense)	\$ (20,597,845)	\$ (19,305,836)	\$ (20,328,609)	\$ (20,218,188)	\$ (20,626,818)	\$ (20,277,913)	\$ (19,991,846)	\$ (18,048,378)	\$ (16,847,927)	\$ (15,637,475)
General revenues and transfers:										
Governmental activities:										
U.S. Government	59,184	65,869	72,516	-	-	-	-	-	-	-
State of North Carolina--construction	-	-	-	-	-	-	-	450,000	213,738	1,361,964
Buncombe County--appropriation	9,570,694	9,101,993	8,121,889	7,937,508	7,954,545	7,578,633	6,834,500	6,432,698	6,210,175	6,027,697
Buncombe County--other	2,084,703	1,594,660	2,086,144	2,139,695	18,378	410,692	1,561,433	7,159,805	2,576,052	555,244
Supplemental city school tax	8,104,621	8,093,877	8,053,018	7,816,953	7,735,552	7,596,032	7,402,672	6,677,152	6,441,256	6,351,447
Local option sales tax	2,364,755	2,228,877	2,273,028	2,162,868	2,652,714	2,999,131	3,125,067	2,848,259	2,554,471	2,614,357
Other revenues	332,403	335,010	427,631	498,423	678,438	975,978	1,171,268	793,963	848,660	1,012,357
Transfers (out)	(93,236)	(83,077)	(66,792)	(116,047)	(231,618)	(197,717)	(354,923)	(60,682)	(79,353)	(62,666)
Total governmental activities general revenues and transfers	<u>22,423,124</u>	<u>21,337,209</u>	<u>20,967,434</u>	<u>20,439,400</u>	<u>18,808,009</u>	<u>19,362,749</u>	<u>19,740,017</u>	<u>24,301,195</u>	<u>18,764,999</u>	<u>17,860,400</u>
Business-type activities:										
Other revenues	1,949	172	67	490	120	1,715	1,819	16,414	6,553	3,365
Transfers in	93,236	83,077	66,792	116,047	231,618	197,717	354,923	60,682	79,353	62,666
Total business-type activities general revenues and transfers	<u>95,185</u>	<u>83,249</u>	<u>66,859</u>	<u>116,537</u>	<u>231,738</u>	<u>199,432</u>	<u>356,742</u>	<u>77,096</u>	<u>85,906</u>	<u>66,031</u>
Total government-wide general revenues and transfers	<u>22,518,309</u>	<u>21,420,458</u>	<u>21,034,293</u>	<u>20,555,937</u>	<u>19,039,747</u>	<u>19,562,181</u>	<u>20,096,759</u>	<u>24,378,291</u>	<u>18,850,905</u>	<u>17,926,431</u>
Change in net position	<u>\$ 1,920,464</u>	<u>\$ 2,114,622</u>	<u>\$ 705,684</u>	<u>\$ 337,749</u>	<u>\$ (1,587,071)</u>	<u>\$ (715,732)</u>	<u>\$ 104,913</u>	<u>\$ 6,329,913</u>	<u>\$ 2,002,978</u>	<u>\$ 2,288,956</u>

Note: Asheville City Schools implemented GASB Statement No. 65 in 2013. The amounts shown above have been restated beginning in 2012.

**ASHEVILLE CITY SCHOOLS
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Non-spendable	\$ 32,531	\$ 28,256	\$ 27,797	\$ 29,828	\$ 31,797	\$ 37,744	\$ 57,321	\$ 81,437	\$ 54,900	\$ -
Restricted—Stabilization by State Statute	128,223	138,553	187,726	313,718	537,212	635,599	573,419	517,672	557,334	524,201
Assigned	1,301,415	625,000	227,000	1,900,000	1,900,000	1,900,000	2,018,000	2,249,000	2,291,500	1,808,000
Unassigned	4,979,955	4,441,328	3,370,258	1,913,092	1,967,542	2,326,390	2,144,286	2,020,660	2,271,770	2,756,282
Total General Fund	<u>\$ 6,442,124</u>	<u>\$ 5,233,137</u>	<u>\$ 3,812,781</u>	<u>\$ 4,156,638</u>	<u>\$ 4,436,551</u>	<u>\$ 4,899,733</u>	<u>\$ 4,793,026</u>	<u>\$ 4,868,769</u>	<u>\$ 5,175,504</u>	<u>\$ 5,088,483</u>
All other governmental funds:										
Restricted—Stabilization by State Statute	\$ 1,161,832	\$ 911,754	\$ 815,694	\$ 578,609	\$ 16,209	\$ 15,559	\$ 42,024	\$ 472,865	\$ 325,047	\$ 333,029
Restricted—school capital outlay	588,343	730,539	670,873	1,329,522	2,166,806	2,173,881	1,345,886	171,173	637,812	710,438
Restricted—individual schools activities	395,850	483,834	383,366	351,181	320,806	296,085	262,136	302,351	231,236	243,775
Committed—special programs	1,215,303	670,384	64,058	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 3,361,328</u>	<u>\$ 2,796,511</u>	<u>\$ 1,933,991</u>	<u>\$ 2,259,312</u>	<u>\$ 2,503,821</u>	<u>\$ 2,485,525</u>	<u>\$ 1,650,046</u>	<u>\$ 946,389</u>	<u>\$ 1,194,095</u>	<u>\$ 1,287,242</u>

Note: Asheville City Schools implemented GASB Statement No. 65 in 2013. The amounts shown above have been restated beginning in 2012.

ASHEVILLE CITY SCHOOLS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
State of North Carolina	\$ 23,355,556	\$ 22,403,838	\$ 21,339,952	\$ 20,262,065	\$ 22,453,531	\$ 22,214,646	\$ 20,987,659	\$ 20,654,243	\$ 19,360,866	\$ 20,302,734
U. S. Government	5,577,328	7,318,404	7,728,067	8,062,245	6,480,293	5,162,624	4,275,071	4,296,347	4,130,198	4,108,617
Local sources:										
Buncombe County - appropriation	9,570,694	9,101,993	8,121,889	7,937,508	7,954,545	7,578,633	7,125,864	6,699,943	6,456,646	6,276,519
Buncombe County - other	2,084,703	1,594,660	2,086,144	2,139,695	18,378	410,692	1,561,433	7,159,805	2,576,052	555,244
Supplemental city school tax	8,104,621	8,093,877	8,053,018	7,816,953	7,735,552	7,596,032	7,402,672	6,677,152	6,441,256	6,351,447
Local option sales tax	2,364,755	2,228,877	2,273,028	2,162,868	2,652,714	2,999,131	3,125,067	2,848,259	2,554,471	2,614,357
Other local revenues	2,186,411	2,363,060	2,300,063	2,312,178	2,312,276	2,590,455	2,637,892	2,212,199	2,349,424	2,437,197
Total revenues	<u>53,244,068</u>	<u>53,104,709</u>	<u>51,902,161</u>	<u>50,693,512</u>	<u>49,607,289</u>	<u>48,552,213</u>	<u>47,115,658</u>	<u>50,547,948</u>	<u>43,868,913</u>	<u>42,646,115</u>
Expenditures:										
Instructional programs	37,692,061	37,295,578	37,519,981	37,152,716	38,020,523	36,336,671	31,764,836	30,193,557	28,740,482	27,905,800
Support services	9,516,968	9,337,488	9,617,311	9,889,095	10,555,648	9,158,220	11,559,015	10,942,004	10,353,467	9,627,553
Capital Outlay	3,186,048	2,827,093	3,648,756	3,302,053	838,868	1,276,337	2,076,174	9,226,526	4,076,464	3,291,559
Other	981,951	1,278,597	1,718,499	1,149,128	1,088,251	641,082	732,796	679,620	625,273	587,643
Total expenditures	<u>51,377,028</u>	<u>50,738,756</u>	<u>52,504,547</u>	<u>51,492,992</u>	<u>50,503,290</u>	<u>47,412,310</u>	<u>46,132,821</u>	<u>51,041,707</u>	<u>43,795,686</u>	<u>41,412,555</u>
Revenues over (under) expenditures	<u>1,867,040</u>	<u>2,365,953</u>	<u>(602,386)</u>	<u>(799,480)</u>	<u>(896,001)</u>	<u>1,139,903</u>	<u>982,837</u>	<u>(493,759)</u>	<u>73,227</u>	<u>1,233,560</u>
Other financing (uses):										
Transfers from other funds	131,500	120,500	124,247	253,156	270,674	264,786	274,199	250,559	251,073	264,840
Transfers to other funds	(224,736)	(203,577)	(191,039)	(369,203)	(502,292)	(462,503)	(629,122)	(311,241)	(330,426)	(327,506)
Installment purchase obligations issued	-	-	-	391,105	682,733	-	-	-	-	-
Total other financing (uses)	<u>(93,236)</u>	<u>(83,077)</u>	<u>(66,792)</u>	<u>275,058</u>	<u>451,115</u>	<u>(197,717)</u>	<u>(354,923)</u>	<u>(60,682)</u>	<u>(79,353)</u>	<u>(62,666)</u>
Net change in fund balances	<u>\$ 1,773,804</u>	<u>\$ 2,282,876</u>	<u>\$ (669,178)</u>	<u>\$ (524,422)</u>	<u>\$ (444,886)</u>	<u>\$ 942,186</u>	<u>\$ 627,914</u>	<u>\$ (554,441)</u>	<u>\$ (6,126)</u>	<u>\$ 1,170,894</u>

Notes: A state-wide chart of accounts change was implemented during fiscal year 2008 which reclassified certain expenditures between the categories above.

Asheville City Schools implemented GASB Statement No. 65 in 2013. The amounts shown above have been restated beginning in 2012.

**ASHEVILLE CITY SCHOOLS
ASSESSED VALUE OF TAXABLE PROPERTY FOR BUNCOMBE COUNTY
Last Ten Fiscal Years
(in thousands)**

Fiscal Year	Actual Value				Direct Tax Rate
	Real Property	Personal Property	Public Service Companies	Total Taxable Value	
2013	\$ 25,856,235	\$ 3,294,479	\$ 529,268	\$ 29,679,982	0.525
2012	25,617,723	3,171,622	525,644	29,314,989	0.525
2011	25,450,384	3,122,958	513,573	29,086,915	0.525
2010	25,067,557	3,256,329	517,281	28,841,167	0.525
2009	24,238,498	3,322,960	524,793	28,086,251	0.525
2008	23,218,414	3,419,504	620,602	27,258,520	0.525
2007	22,283,435	3,279,316	618,348	26,181,099	0.530
2006	15,328,593	3,239,310	537,650	19,105,553	0.590
2005	14,625,549	2,920,381	488,950	18,034,880	0.590
2004	14,047,823	2,955,548	493,131	17,496,502	0.590

Source: Buncombe County Tax Department

Notes: Property is assessed at market value.

The tax rate is per \$100 of assessed value.

Information presented for County as a whole. Information presented is not seperately available for the Asheville City School District.

ASHEVILLE CITY SCHOOLS
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Direct	Overlapping Rates		Total Combined Rate
	Supplemental City School Tax	Buncombe County	City of Asheville	
2013	\$ 0.1500	\$ 0.5250	\$ 0.4200	\$ 1.0950
2012	0.1500	0.5250	0.4200	1.0950
2011	0.1500	0.5250	0.4200	1.0950
2010	0.1500	0.5250	0.4200	1.0950
2009	0.1500	0.5250	0.4200	1.0950
2008	0.1500	0.5250	0.4200	1.0950
2007	0.1500	0.5300	0.4238	1.1038
2006	0.2000	0.5900	0.5300	1.3200
2005	0.2000	0.5900	0.5300	1.3200
2004	0.2000	0.5900	0.5300	1.3200

Source: Buncombe County Tax Department.
Note: Rates are per \$100 of assessed valuation.

**ASHEVILLE CITY SCHOOLS
PRINCIPAL PROPERTY TAX PAYERS
FOR BUNCOMBE COUNTY
Current Year and Ten Years Ago**

Taxpayer	Year ended December 31, 2012			Year ended December 31, 2003		
	Taxable Value (in thousands)	Rank	Percentage of Total Taxable Value	Taxable Value (in thousands)	Rank	Percentage of Total Taxable Value
Progress Energy Carolinas	\$ 314,129,123	1	1.06%	\$ 282,594,998	1	1.62%
Ingles Markets Inc.	213,226,216	2	0.72%	106,297,980	2	0.61%
The Cliffs at Walnut Cove LLC	136,498,700	3	0.46%	47,897,800	9	0.28%
Jack Tar Hotels (Grove Park)	132,625,290	4	0.45%	80,364,600	4	0.46%
Town Square West LLC	114,808,690	5	0.39%			
Biltmore Company	98,392,382	6	0.33%	77,118,120	5	0.44%
Asheville LLC	78,531,000	7	0.26%	56,830,460	8	0.32%
Bellsouth Telephone Company	70,451,946	8	0.24%	105,206,671	3	0.60%
Southeastern Container	64,746,250	9	0.22%	58,305,945	7	0.33%
Borgwarner Turbo Systems	64,317,250	10	0.22%			
Arvato Digital Services (Sonopress)				69,366,130	6	0.40%
Charter Communications				40,723,840	10	0.23%
Totals	<u>\$ 1,287,726,847</u>		<u>4.35%</u>	<u>\$ 924,706,544</u>		<u>5.29%</u>

Source: Buncombe County Tax Department.

Note: Information is presented for the County as a whole. Information presented is not separately available for the Asheville City School District.

ASHEVILLE CITY SCHOOLS
PROPERTY TAX LEVIES AND COLLECTIONS FOR BUNCOMBE COUNTY
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Total Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage		Amount	Percentage of Levy
2013	\$ 156,148	\$ 154,652	99.0%	-	\$ 154,652	99.04%
2012	154,046	152,262	98.8%	1,145	153,407	99.59%
2011	153,044	151,007	98.7%	117	151,124	98.75%
2010	151,681	149,601	98.6%	41	149,642	98.66%
2009	147,652	145,745	98.7%	26	145,771	98.73%
2008	143,256	142,008	99.1%	16	142,024	99.14%
2007	139,015	137,837	99.2%	12	137,849	99.16%
2006	112,954	111,707	98.9%	4	111,711	98.90%
2005	106,606	105,418	98.9%	3	105,421	98.89%
2004	103,437	102,079	98.7%	4	102,083	98.69%

Sources: Buncombe County Tax Department

Note: The total tax levy includes penalties assessed and releases or discoveries made after the original assessment of taxable value.

ASHEVILLE CITY SCHOOLS
Demographic and Economic Statistics for Buncombe County
Last Ten Fiscal Years

Fiscal Year	Estimated Population (in thousands)	Personal Income (in thousands)	Per Capita Personal Income	Estimated Median Age	County-wide School Enrollment	Unemployment Rate
2013	244	Unavailable	Unavailable	Unavailable	29,451	7.1
2012	241	Unavailable	Unavailable	41.1	29,238	7.9
2011	239	\$ 8,320,875	\$ 34,467	41.1	29,113	8.2
2010	231	8,067,390	33,777	40.7	28,979	8.3
2009	229	7,840,018	33,171	40.6	29,346	9.0
2008	227	8,178,954	34,987	41.0	28,894	4.9
2007	223	7,902,157	34,243	39.8	28,900	4.0
2006	219	7,424,683	32,777	39.6	29,211	4.0
2005	216	6,815,418	30,750	40.0	28,766	4.6
2004	213	6,461,346	29,620	40.0	28,649	3.4

Sources: Buncombe County Finance Department.

Note: Information presented is not separately identifiable for Asheville City Schools.

**ASHEVILLE CITY SCHOOLS
PRINCIPAL EMPLOYERS FOR BUNCOMBE COUNTY
Current Year and Ten Years Ago**

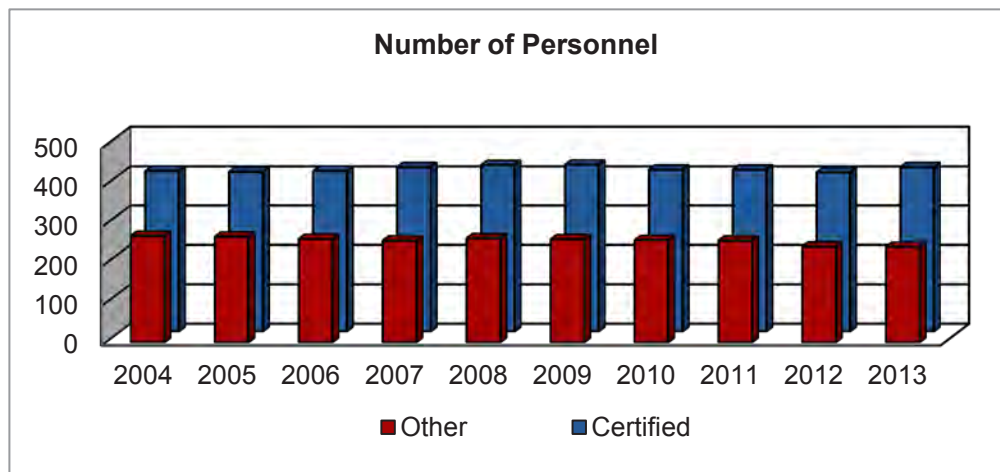
<u>Employer</u>	2013			2004		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Mission Health System and Hospital	6,994	1	5.38%	5,125	1	4.48%
Buncombe County Public Schools	4,000	2	3.08%	3,650	2	3.19%
The Biltmore Company	1,770	3	1.36%	875	9	0.76%
VA Medical Center - Asheville	1,593	4	1.23%	1,068	7	0.93%
Buncombe County Government	1,380	5	1.06%	1,882	4	1.64%
Ingles Markets, Inc.	1,137	6	0.88%	2,225	3	1.94%
The Grove Park Inn Resort & Spa	1,100	7	0.85%	1,000	8	0.87%
Asheville-Buncombe Technical Community College	1,019	8	0.78%			
City of Asheville	1,000	9	0.77%	1,245	5	1.09%
CarePartners	950	10	0.73%	1,100	6	0.96%
Asheville City Schools				677	10	0.59%
Total	<u>20,943</u>		<u>16.12%</u>	<u>18,847</u>		<u>16.45%</u>

Source: Buncombe County Finance Department

Notes: Labor Force Estimate for 2013 per NCESC: 129,900

Labor Force Estimate for 2004 per NCESC: 114,480

**ASHEVILLE CITY SCHOOLS
NUMBER OF PERSONNEL
Last Ten Fiscal Years**



<u>Year Ended June 30:</u>	<u>Certified Personnel</u>	<u>Other Operating Personnel</u>	<u>Total</u>	<u>Average Daily Membership</u>	<u>Ratio of Pupils to Certified Personnel</u>
2004	407	270	677	3,789	9.3
2005	405	268	673	3,789	9.4
2006	407	262	669	3,753	9.2
2007	417	258	675	3,730	8.9
2008	422	264	686	3,683	8.7
2009	423	261	684	3,686	8.7
2010	411	259	670	3,693	9.0
2011	411	258	669	3,855	9.4
2012	404	243	647	3,978	9.8
2013	417	242	659	4,081	9.8

Source: Asheville City Schools Human Resources Department.

Note: Certified Personnel includes teachers, librarians, counselors, principals, assistant principals and certified personnel working in the Administrative Offices.

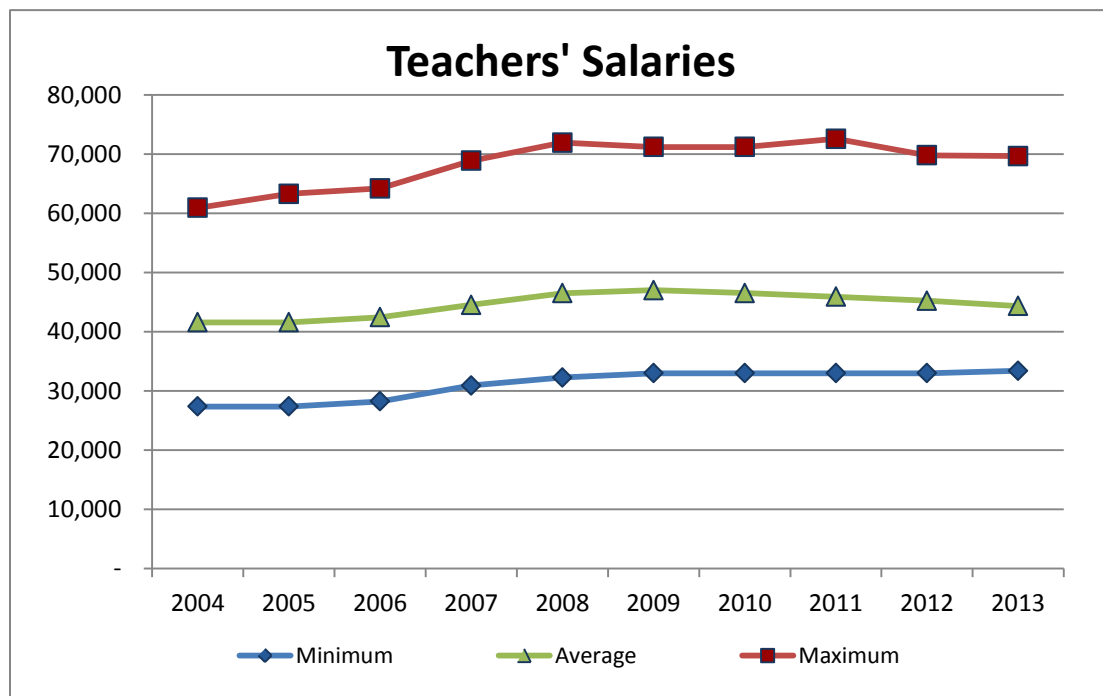
**ASHEVILLE CITY SCHOOLS
OPERATING STATISTICS
Last Ten Fiscal Years**

Fiscal Year	Average Daily Membership	Average Daily Attendance	Per Pupil Expenditure	North Carolina Per Pupil Expenditure Rank	Students Receiving Free or Reduced-Price Meals	Student Racial/Ethnic Composition		
						Black	White	Other
2013	4,081	3,854	\$ 11,243	Ninth	46.0%	26.0%	59.0%	15.0%
2012	3,978	3,769	11,334	Fifth	47.9%	27.9%	57.5%	14.6%
2011	3,855	3,640	11,894	Sixth	48.4%	28.7%	55.7%	15.6%
2010	3,693	3,463	12,513	Fourth	47.1%	39.3%	54.7%	6.0%
2009	3,686	3,480	12,803	Fifth	46.0%	40.7%	52.3%	7.0%
2008	3,683	3,477	12,209	Third	51.5%	42.1%	51.2%	6.7%
2007	3,730	3,546	11,506	Fourth	48.9%	42.4%	50.7%	6.9%
2006	3,753	3,543	10,856	Fourth	51.3%	43.5%	50.0%	6.5%
2005	3,789	3,560	10,210	Fourth	50.3%	43.7%	50.3%	6.0%
2004	3,789	3,579	10,102	Third	52.2%	45.7%	49.3%	5.0%

Sources: Asheville City Schools Child Nutrition Department, Students Receiving Free or Reduced-Price Meals.
North Carolina Department of Public Instruction, all other information reported.

Notes: The amounts shown for per pupil expenditures represent the per pupil expenditures as computed and reported by the North Carolina Department of Public Instruction (NCDPI). NCDPI computes this statistic by dividing current expense expenditures by average daily membership. Consequently, capital outlay expenditures and certain other expenditures (community services, Head Start, and inter/intra fund transfers) are excluded to improve the comparability of per pupil expenditures between fiscal years and between other North Carolina school districts. This computation is considered the official per pupil expenditure reported for Asheville City Schools.

**ASHEVILLE CITY SCHOOLS
TEACHERS' SALARIES
Last Ten Fiscal Years**



<u>Year Ended June 30:</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
2004	\$ 27,396	\$ 60,942	\$ 41,601
2005	27,396	63,294	41,597
2006	28,248	64,219	42,465
2007	30,933	68,904	44,542
2008	32,279	71,962	46,519
2009	33,017	71,225	47,032
2010	33,017	71,225	46,557
2011	33,017	72,611	45,916
2012	33,017	69,828	45,259
2013	33,418	69,674	44,369

Source: Asheville City Schools Business and Financial Services.

Note: The above table includes base pay from the state salary schedule and the systemwide local salary supplement.

**ASHEVILLE CITY SCHOOLS
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

School	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Elementary:										
Claxton:										
Square feet	81,193	81,193	81,193	81,193	81,193	81,193	81,193	78,711	78,711	64,146
Capacity	480	480	480	480	480	480	480	480	480	432
First month membership	439	455	431	419	418	412	386	387	395	388
Dickson:										
Square feet	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926
Capacity	449	449	449	449	449	449	449	449	449	449
First month membership	470	445	423	419	417	412	388	413	416	361
Hall Fletcher:										
Square Feet	88,205	88,205	88,205	88,205	88,205	88,205	88,205	88,205	88,205	88,205
Capacity	455	455	455	455	455	455	455	455	455	455
First month membership	302	302	306	309	306	301	292	286	290	271
Jones:										
Square Feet	85,730	85,730	85,730	85,162	85,162	85,162	85,162	85,162	85,162	85,162
Capacity	450	450	450	450	450	450	450	450	450	450
First month membership	415	390	405	376	382	356	356	379	368	370
Vance:										
Square Feet	69,965	69,965	69,965	69,965	69,965	69,965	69,965	69,965	69,965	69,965
Capacity	422	422	422	422	422	422	422	422	422	422
First month membership	459	441	405	379	368	352	353	317	328	314

(continued)

**ASHEVILLE CITY SCHOOLS
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

School	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Middle:										
Asheville Middle:										
Square Feet	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418
Capacity	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064
First month membership	787	766	719	661	672	666	648	654	677	745
Middle/High:										
Randolph Learning Center/William Randolph School:										
Square Feet	56,819	56,819	56,819	56,819	56,819	56,819	56,819	56,819	56,819	56,819
Capacity	384	384	384	384	384	384	384	384	384	384
First month membership	See below	See below	48	84	73	57	132	176	172	169
High:										
Asheville High/SILSA:										
Square Feet	367,803	367,041	365,441	365,441	365,441	365,441	365,441	353,041	353,041	353,041
Capacity	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
First month membership	1,273	1,228	1,135	1,111	1,101	1,150	1,222	1,203	1,221	1,227

Sources: District records and North Carolina Department of Public Instruction, Insurance Section

Notes: From 2004 through 2011, the Randolph Learning Center served as a stand-alone alternative school serving both middle and high school students. Beginning with school year 2012, the Randolph Learning Center was converted from an alternative school to an alternative program serving Asheville Middle School and Asheville High School students on the renamed William Randolph School campus. Students participating in the alternative program at William Randolph School are considered Asheville Middle School and Asheville High School students and have been included in the appropriate first month membership for those schools.





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Vice Chairman

MISSION

*Asheville City Schools
graduates students
who are thoughtful,
innovative and
productive citizens, and
who are prepared
to succeed globally.*



PRECIOUS FOLSTON



MATT BUYS



LEAH FERGUSON