



**CELEBRATING 125  
YEARS OF EXCELLENCE!**

**ASHEVILLE  
CITY SCHOOLS  
ASHEVILLE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



Comprehensive Annual Financial Report  
of the  
**Asheville City Schools**

Asheville, North Carolina  
For the Fiscal Year Ended June 30, 2012



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



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RAISING THE ACHIEVEMENT OF ALL STUDENTS -  
ONE CHILD AT A TIME



INTRODUCTORY SECTION





# Asheville City Schools

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

## LETTER OF TRANSMITTAL

November 14, 2012

### **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*, 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, 2012, is herewith submitted. Responsibility for the accuracy, completeness, and clarity of the report rests with the 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 3 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 state legislature. For fiscal year 2012, the Board operated eight schools that provided a continuum of service from birth through twelfth grade. These schools include a preschool; 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. The average daily membership for the 2011-12 school year was 3,978 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 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 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.

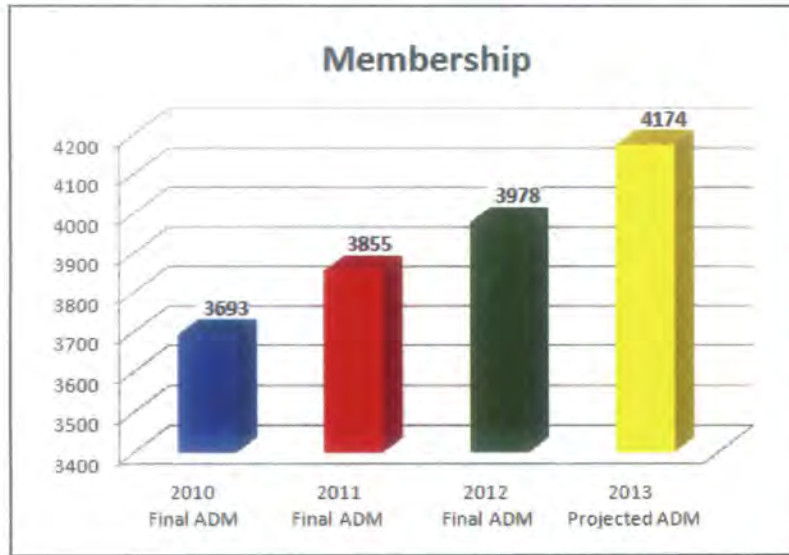
North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The Board's annual budget resolution authorizes expenditures by purpose or function on a modified accrual basis. For internal management purposes, the budget is allocated by line item within 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 38% 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 has been negatively impacted by the nationwide economic downturn and made major cuts to the State Public School Fund in order to balance its budget for fiscal year 2012. However, since most state funding formulas are driven by student population and Asheville City Schools is experiencing a sustained period of significant student population growth, increases in state funding due to student population growth helped to offset many of the state cuts so that the total amount received through the State Public School Fund for fiscal year 2012 actually increased when compared to the prior fiscal year. This same trend in student population growth is expected to continue into fiscal year 2013 to once again help Asheville City Schools experience growth in its State Public School Fund budget. A graph comparing final average daily membership for



fiscal years 2010 through 2012 and projected average daily membership for fiscal year 2013 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 impact of the nationwide economic downturn on the local economy has been relatively modest due to diversification among various industries. Therefore, Buncombe County was able to continue its strong support of education by providing a 5.78% increase to the general appropriation funding for fiscal year 2012. Likewise, supplemental tax revenues also increased during fiscal year 2012. Expected increases to the amount budgeted for the Buncombe County general appropriation for fiscal year 2013, along with expected state funding increases due to student population

growth, 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 2012, the Board sought support from the Buncombe County Commissioners to replace those facilities on their existing sites. The County Commissioners approved funding of up to \$2 million for architectural contracts to design and determine construction costs for a new Asheville Middle School and a new Dickson Elementary School. The architectural selection process was completed during fiscal year 2012 and contracts were awarded to two separate architectural firms at the start of fiscal year 2013 to begin the design and planning phase for these projects.

## MAJOR ACCOMPLISHMENTS AND INITIATIVES

As noted above, throughout these difficult economic times Asheville City Schools has been able to maintain a strong foundation, increase academic performance and employ innovative programs and initiatives to ensure student success. During the 2011-12 school year, the system recorded the following milestones and achievements:

- Established in 1887, Asheville City Schools celebrated its 125<sup>th</sup> school year during 2012.
- During fiscal year 2012, the district began a collaborative and comprehensive process to develop a new three year strategic plan focused around the strategic imperative “Raising the achievement of all students – one child at a time.”
- The average daily membership for the system increased three percent from 3,855 students in fiscal year 2011 to 3,978 students in fiscal year 2012.
- Asheville City Schools achieved an 85.9% graduation rate in 2012, by far the highest for the system since the new state graduation model was put in place in 2006.

- Asheville City Schools met 40 of 49 (81.6%) Annual Measurable Objectives as part of No Child Left Behind for school year 2012.
- For the third consecutive year, every school within the district met or exceeded North Carolina's rigorous student academic growth standards. Five schools were recognized for "high growth." Additionally, three schools were recognized as Schools of Distinction by the State and SILSA was named an Honor School of Excellence for the third time in the past four years.
- All five district elementary schools and the Asheville City Schools Preschool were recognized by the State as Positive Behavior Intervention and Support (PBIS) Model Schools for 2011-12. Asheville Middle School was recognized as a Green Ribbon school for that same year. 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 15<sup>th</sup> consecutive year while posting one of the highest participation rates in both the state and the nation. The district posted a combined math and reading mean score of 1,077 with a 76.8% participation rate.
- The district continued implementation of the \$3 million system wide IMPACT technology grant awarded in fiscal year 2010 to be fully spent or encumbered by September 30, 2012.
- Using IMPACT grant funding, a \$100,000 Appalachian Regional Commission grant and a \$100,000 donation from the Mebane Charitable Foundation, all Asheville High School and SILSA students were issued laptops to support their coursework during the year.
- During fiscal year 2011, Buncombe County issued \$3.8 million Qualified Zone Academy Bonds on behalf of Asheville City Schools to renovate science labs within the main building on the Asheville High School campus. The project began in fiscal year 2011 and was near completion by the end of fiscal year 2012.
- During fiscal year 2012, Buncombe County authorized up to \$2 million for architectural contracts to design plans for a new Asheville Middle School and a new Dickson Elementary School

and to determine cost estimates to replace those schools on their existing sites.

All of the above noted accomplishments support Superintendent Allen Johnson's statement, "We pledged to sustain a tradition of excellence in Asheville City Schools' classrooms despite a challenging economic climate. I am pleased to report that we have done just that, thanks to excellent support from our County Commissioners and citizens, judicious use of the last of federal special program dollars, the efficient use of energy and supplies and a true spirit of doing more with less among our employees."

### **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, 2012, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Asheville City Schools financial statements for the fiscal year ended June 30, 2012, 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 Single Audit Report.



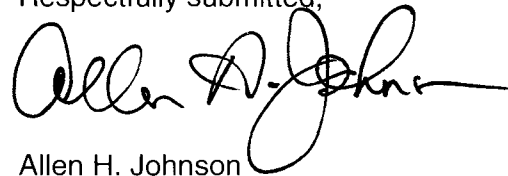
## FINANCIAL REPORTING AWARDS

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-five years. These awards are made to governmental units that publish a comprehensive annual financial report that is easily readable, efficiently organized, and conforms to program standards as well as satisfies 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, 2012.

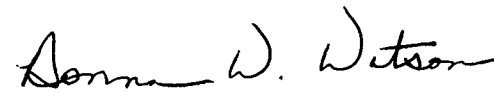
## ACKNOWLEDGMENTS

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.

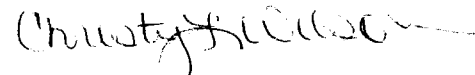
Respectfully submitted,



Allen H. Johnson  
Superintendent



Donna W. Watson, CPA  
Chief Financial Officer



Christy L. Wilson  
Director of Financial and Data Service

**Certificate of Excellence - Association of School Business Officials International**

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**ASHEVILLE CITY SCHOOLS**

**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended June 30, 2011

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



**Certificate of Achievement - Government Finance Officers Association**

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

Presented to

**Asheville City Schools  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



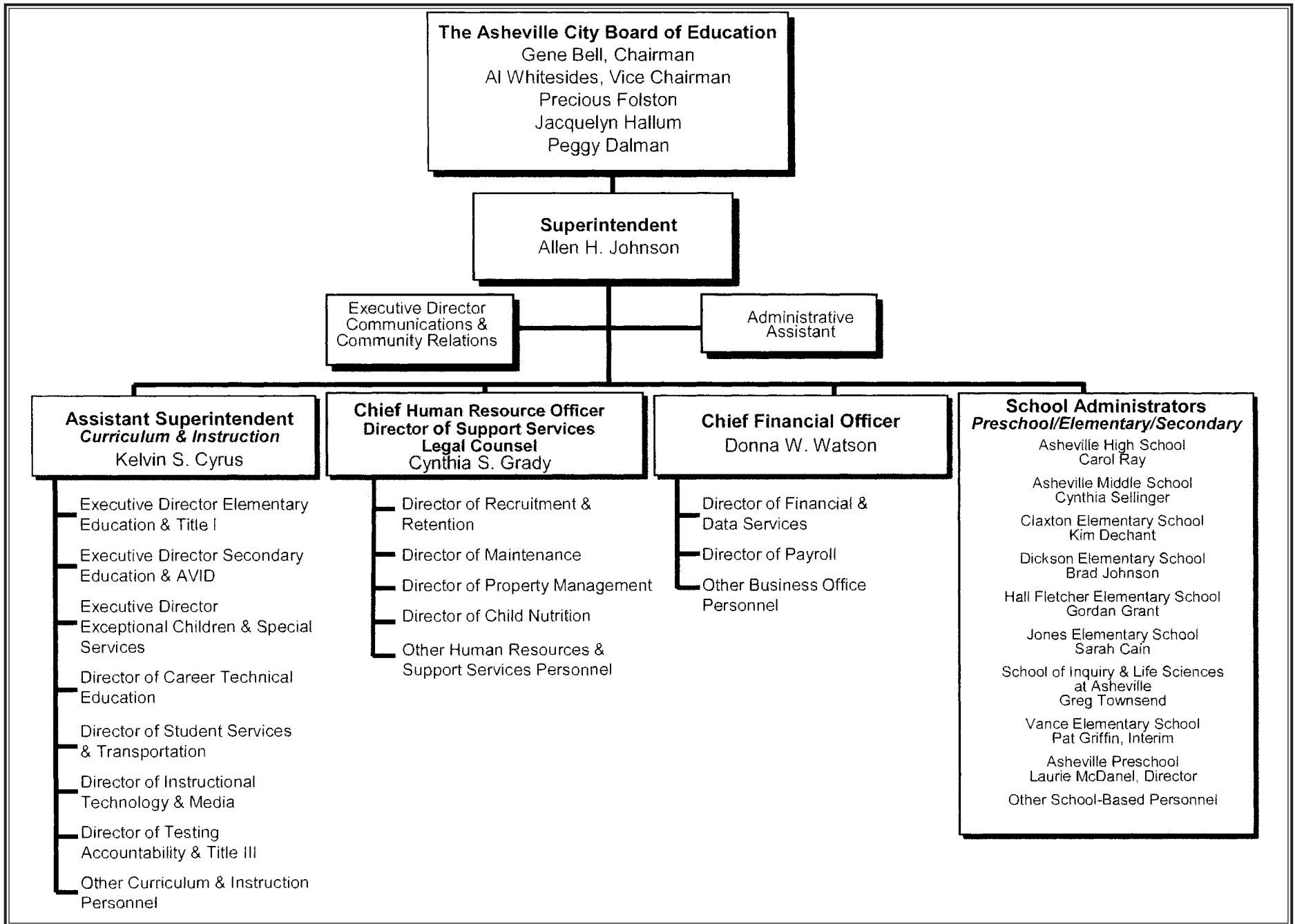
*Linda C. Danson*

President

*Jeffrey R. Egan*

Executive Director

# ASHEVILLE CITY SCHOOLS ORGANIZATIONAL CHART







RAISING THE ACHIEVEMENT OF ALL STUDENTS -  
ONE CHILD AT A TIME



FINANCIAL SECTION





**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

## **INDEPENDENT AUDITORS' REPORT**

The Asheville City Board of Education  
Asheville City Schools  
Asheville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Asheville City Schools, as of and for the year ended June 30, 2012, which collectively comprise Asheville City Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Asheville City Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Asheville City Schools as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Federal Grants Fund, and the Other Specific Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of the Asheville City Schools' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Asheville City Schools. The combining and individual non-major fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State 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 taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Asheville City Schools. The introductory section and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Asheville, North Carolina  
November 14, 2012

*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, 2012. 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 \$48,030,876.
- The Board's total net assets increased by \$1,934,981.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$7,524,757 an increase of \$1,777,985.
- The Board enjoyed an increase of 123 students (3.2%) when comparing average daily membership for fiscal year 2012 to the previous year.
- A multi-year \$3.8 million project to renovate science labs on the Asheville High School campus that begun during fiscal year 2011 was largely completed by the end of fiscal year 2012.

### 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 budgetary schedules for governmental 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 Assets and the Statement of Activities. The Statement of Net Assets 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, 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 Assets 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 assets and how they have changed. Net assets - 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 assets 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 the County's 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 - not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

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

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, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, 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:* Assets held by the Board as an agent for other organizations are accounted for using an 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 assets may serve over time as one useful indicator of the fiscal health of the Board. The Board's assets exceeded its liabilities by \$48,030,876 as of June 30, 2012, an increase of \$1,934,981 compared to the prior fiscal year. Capital assets (e.g. land, buildings, machinery and equipment), net of related debt, represented the largest component of net assets. Net assets invested in capital assets totaled \$42,408,927 (88.3%) at June 30, 2012, an increase of \$190,970 compared to June 30, 2011. Restricted net assets accounted for \$2,264,680 (4.7%) of net assets, an increase of \$207,021. Unrestricted net assets at year end totaled \$3,357,269 (7.0%), an increase of \$1,536,990 compared to the prior fiscal year.

Following is a summary of the Statement of Net Assets:

**Table 1**  
**Condensed Statement of Net Assets**  
**June 30, 2012 and 2011**

	2012			2011		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Current assets	\$ 8,617,639	\$ 282,434	\$ 8,900,073	\$ 7,086,536	\$ 211,362	\$ 7,297,898
Capital assets	42,318,931	187,768	42,506,699	42,212,464	201,042	42,413,506
Total assets	50,936,570	470,202	51,406,772	49,299,000	412,404	49,711,404
Current liabilities	1,390,654	22,151	1,412,805	1,637,540	21,943	1,659,483
Long-term liabilities	1,940,304	22,787	1,963,091	1,934,763	21,263	1,956,026
Total liabilities	3,330,958	44,938	3,375,896	3,572,303	43,206	3,615,509
Invested in capital assets	42,221,159	187,768	42,408,927	42,016,915	201,042	42,217,957
Restricted net assets	2,264,680	-	2,264,680	2,057,659	-	2,057,659
Unrestricted net assets	3,119,773	237,496	3,357,269	1,652,123	168,156	1,820,279
Total net assets	\$ 47,605,612	\$ 425,264	\$ 48,030,876	\$ 45,726,697	\$ 369,198	\$ 46,095,895

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, 2012 and 2011**

	2012			2011		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,615,094	\$ 466,232	\$ 2,081,326	\$ 1,471,855	\$ 468,500	\$ 1,940,355
Operating grants and contributions	28,556,943	1,201,310	29,758,253	28,669,673	1,199,626	29,869,299
Capital grants and contributions	908,591	-	908,591	536,628	-	536,628
General revenues:						
U.S. Government	65,869	-	65,869	72,516	-	72,516
Buncombe County	10,696,653	-	10,696,653	10,208,033	-	10,208,033
Supplemental city school tax	8,093,877	-	8,093,877	8,053,018	-	8,053,018
Local option sales tax	2,228,877	-	2,228,877	2,273,028	-	2,273,028
Other revenues	335,010	172	335,182	427,631	67	427,698
Total revenues	52,500,914	1,667,714	54,168,628	51,712,382	1,668,193	53,380,575
<b>Expenses:</b>						
Governmental activities:						
Instructional programs	37,987,862	-	37,987,862	38,127,000	-	38,127,000
Support services	9,708,344	-	9,708,344	9,934,044	-	9,934,044
Ancillary services	267,333	-	267,333	268,351	-	268,351
Non-programmed charges	985,393	-	985,393	1,153,715	-	1,153,715
Unallocated depreciation expense	1,589,990	-	1,589,990	1,533,209	-	1,533,209
Business-type activities:						
Child Nutrition	-	1,694,725	1,694,725	-	1,658,572	1,658,572
Total expenses	50,538,922	1,694,725	52,233,647	51,016,319	1,658,572	52,674,891
Revenues over (under) expenses	1,961,992	(27,011)	1,934,981	696,063	9,621	705,684
Transfers in (out)	(83,077)	83,077	-	(66,792)	66,792	-
Change in net assets	1,878,915	56,066	1,934,981	629,271	76,413	705,684
Net assets—beginning	45,726,697	369,198	46,095,895	45,097,426	292,785	45,390,211
Net assets—ending	\$ 47,605,612	\$ 425,264	\$ 48,030,876	\$ 45,726,697	\$ 369,198	\$ 46,095,895

Governmental activities generated revenues of \$52.5 million for fiscal year 2012 compared to \$51.7 million for the previous year. Governmental activities expenses totaled \$50.5 million for fiscal year 2012 compared to \$51 million for the previous year. After transfers to the business-type activities, the increase in net assets stands at \$1,878,915 at June 30, 2012 compared to \$629,271 in 2011.

The Asheville City Schools supplemental city school tax comprised 15.4% of total governmental revenues for fiscal year 2012 compared to 15.6% for fiscal year 2011. County funding increased from 19.7% in 2011 to 20.4% in 2012. Much of the remaining governmental revenues consist of

restricted state and federal money. Instructional expenses comprised 75.2% of total governmental expenses for fiscal year 2012 compared to 74.7% for fiscal year 2011. Support services accounted for 19.2% of expenses in fiscal year 2012 compared to 19.5% for fiscal year 2011.

Business-type activities generated revenues of \$1.7 million in 2012 and 2011, and had expenses of \$1.7 million in both fiscal years. Net assets increased in the business-type activities by \$56,066, after transfers in from the governmental activities of \$83,077.

**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, 2012 and 2011 for the General Fund, the Other Specific Revenue Fund, the Capital Outlay Fund and the Non-Major Governmental 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, 2012 and 2011**

	2012					2011				
	General Fund	Other Specific Revenue Fund	Capital Outlay Fund	Non-Major Governmental Fund	Total	General Fund	Other Specific Revenue Fund	Capital Outlay Fund	Non-Major Governmental Fund	Total
Non-spendable	\$ 28,256	\$ -	\$ -	\$ -	\$ 28,256	\$ 27,797	\$ -	\$ -	\$ -	\$ 27,797
Restricted	138,553	399,792	1,242,501	483,834	2,264,680	187,726	242,757	1,243,810	383,366	2,057,659
Committed	-	165,493	-	-	165,493	-	64,058	-	-	64,058
Assigned	625,000	-	-	-	625,000	227,000	-	-	-	227,000
Unassigned	4,441,328	-	-	-	4,441,328	3,370,258	-	-	-	3,370,258
<b>Total</b>	<b>\$ 5,233,137</b>	<b>\$ 565,285</b>	<b>\$ 1,242,501</b>	<b>\$ 483,834</b>	<b>\$ 7,524,757</b>	<b>\$ 3,812,781</b>	<b>\$ 306,815</b>	<b>\$ 1,243,810</b>	<b>\$ 383,366</b>	<b>\$ 5,746,772</b>

The General Fund, the Other Specific Revenue Fund and the Individual Schools Fund all ended the year with a surplus of revenues and other financing sources over expenditures and other financing uses. Expenditures and other financing uses exceeded revenues by only a small amount in the Capital Outlay Fund. Thus, at June 30, 2012, the governmental funds of Asheville City Schools reported a combined fund balance of \$7,524,757, an \$1,777,985 net increase compared to the prior year.

State funding received through the State Public School Fund increased \$1,085,952, largely due to student population growth but also due to increased benefit costs and the partial restoration of allotments that had been funded through the Federal Grants Fund in 2011 using American Recovery and Reinvestment Act (ARRA) Education Stabilization funding. At the same time, funds received through the Federal Grants Fund decreased \$912,717, mostly due to the spend-down of funding received through both ARRA and a multi-year technology IMPACT grant. The decrease in the Federal Grants Fund was partially offset by funding received through the Education Jobs Fund and the Race to the Top grant. The Buncombe County General Appropriation increased \$833,844 (12%), partly due to new funding added to the County-wide appropriation and partly due to the increase in the Board’s share of the appropriation resulting from its student population growth. Overall, revenues recorded within the governmental funds increased a net \$697,657, while the Board was able to reduce its expenditures and other financing uses by a net \$1,749,506 when compared to the prior year.



Proprietary Fund: The Board’s proprietary fund reflected an increase in net assets of \$56,066 for 2012 compared to an increase of \$76,413 for 2011. An increase in federal reimbursements received along with a transfer from the Capital Outlay Fund for the purchase of capitalized equipment contributed to the increase in net assets in the proprietary fund.

**General Fund Budgetary Highlights**

During the year, the Board revised the General Fund budget only once to provide for the negotiated settlement payment to three local charter schools seeking an increased share of current expense funding for fiscal years 2007 through 2010.

Actual General Fund revenues exceeded budgeted amounts due to better than projected collections of the supplemental tax. At the same time, actual General Fund expenditures were less than budgeted amounts particularly in the areas of utility costs and other purchased services. Consequently, the Board was able to end the fiscal year with an \$1,420,356 increase to the fund balance recorded in the General Fund.

**Capital Assets**

Capital assets increased \$93,193 or 0.2% over the previous year. This was largely due to the ongoing renovation projects occurring on the campus of Asheville High School. Following is a summary of capital assets, net of depreciation at year-end. Additional information regarding the Board’s capital assets can be found in the notes to the basic financial statements on Pages 30 through 33 of this report.

**Table 4  
Summary of Capital Assets  
June 30, 2012 and 2011**

	2012			2011		
	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	1,543,602	-	1,543,602	1,623,460	-	1,623,460
Buildings	29,571,498	-	29,571,498	30,888,736	-	30,888,736
Construction in progress	7,658,204	-	7,658,204	5,886,807	-	5,886,807
Equipment and furniture	1,184,347	187,768	1,372,115	1,256,345	201,042	1,457,387
Vehicles	1,053,704	-	1,053,704	1,249,540	-	1,249,540
<b>Total</b>	<b>\$ 42,318,931</b>	<b>\$ 187,768</b>	<b>\$ 42,506,699</b>	<b>\$ 42,212,464</b>	<b>\$ 201,042</b>	<b>\$ 42,413,506</b>

## 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 2012, the Board's outstanding debt was composed of the final principal payment due for the installment financing of school buses and 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 33 and 34 of the report.

## Economic Factors Affecting Next Year's Budget

The Board has approved a \$57.1 million total budget for fiscal year 2013, a decrease of 0.6% compared to the final fiscal year 2012 budget. The following factors were considered when developing the 2013 budget:

- All employees enjoyed a salary increase of 1.2%.
- The retirement matching rate as set by the North Carolina General Assembly increased from 13.12% to 14.23%.
- The annual cost of employer provided hospitalization insurance increased from \$4,931 to \$5,192, per employee.
- The State Public School Fund budget increased \$985,370, largely due to the continuing growth in the Board's student population since most state funding formulas are based on student population. The aforementioned salary and benefits increases also contributed to the increase in the state budget.
- The Asheville City Schools supplemental tax rate remained unchanged at 15 cents per \$100 of assessed valuation. Projected collections of the tax increased \$116,919 (1.5%), mostly due to the increase in the estimated values of motor vehicles subject to the tax.
- Due to student population growth, Asheville City Schools' share of the Buncombe County General Appropriation increased \$336,755 (4.3%).
- The Federal Grants Fund total budget decreased \$1,823,868 since the Board expended all of its Education Jobs Fund allocation during fiscal year 2012, along with approximately one-third of its Race to the Top funding. Likewise, most of the balance remaining in the multi-year technology IMPACT grant included in the Federal Grants Fund was expended during fiscal year 2012.

## 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



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## **BASIC FINANCIAL STATEMENTS**

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**ASHEVILLE CITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
Assets:			
Cash and cash equivalents	\$ 7,524,692	\$ 186,737	\$ 7,711,429
Due from other governments	1,014,691	38,015	1,052,706
Accounts receivable (net)	50,000	9,686	59,686
Inventories	-	47,996	47,996
Prepays	28,256	-	28,256
Capital assets:			
Land and construction in progress	8,965,780	-	8,965,780
Other capital assets, net of depreciation	33,353,151	187,768	33,540,919
Total capital assets	<u>42,318,931</u>	<u>187,768</u>	<u>42,506,699</u>
Total assets	<u>50,936,570</u>	<u>470,202</u>	<u>51,406,772</u>
Liabilities:			
Accounts payable	484,392	2,490	486,882
Accrued salaries and wages payable	96,700	4,894	101,594
Unearned revenue	511,790	10,767	522,557
Long-term liabilities:			
Due in one year	297,772	4,000	301,772
Due in more than one year	1,940,304	22,787	1,963,091
Total liabilities	<u>3,330,958</u>	<u>44,938</u>	<u>3,375,896</u>
Net assets:			
Invested in capital assets, net of related debt	42,221,159	187,768	42,408,927
Restricted for:			
Stabilization by State Statute	1,050,307	-	1,050,307
School capital outlay	730,539	-	730,539
Individual school activities	483,834	-	483,834
Unrestricted	3,119,773	237,496	3,357,269
Total net assets	<u>\$ 47,605,612</u>	<u>\$ 425,264</u>	<u>\$ 48,030,876</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, 2012

<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	\$ 19,376,160	\$ 145,464	\$ 14,488,483	\$ -	\$ (4,742,213)	\$ -	\$ (4,742,213)
Special populations	5,007,831	-	4,367,265	-	(640,566)	-	(640,566)
Alternative programs	4,381,741	314,324	3,899,431	-	(167,986)	-	(167,986)
School leadership	2,644,627	-	1,135,155	-	(1,509,472)	-	(1,509,472)
Co-curricular	1,575,126	1,147,810	106,800	-	(320,516)	-	(320,516)
School-based support	5,002,377	-	2,897,827	200,000	(1,904,550)	-	(1,904,550)
System-wide support services:							
Support and development	288,157	-	10,065	-	(278,092)	-	(278,092)
Special populations support and development	198,879	-	53,198	-	(145,681)	-	(145,681)
Alternative programs and services support and development	414,830	-	257,224	-	(157,606)	-	(157,606)
Technology support	650,599	-	48,360	-	(602,239)	-	(602,239)
Operational support	5,146,646	1,892	522,511	708,591	(3,913,652)	-	(3,913,652)
Financial and human resource	1,026,495	-	230,822	-	(795,673)	-	(795,673)
Accountability	103,428	-	-	-	(103,428)	-	(103,428)
System-wide pupil support	372,625	-	-	-	(372,625)	-	(372,625)
Policy, leadership and public relations	1,506,685	-	470,238	-	(1,036,447)	-	(1,036,447)
Ancillary services	267,333	5,604	69,564	-	(192,165)	-	(192,165)
Non-programmed charges	985,393	-	-	-	(985,393)	-	(985,393)
Unallocated depreciation* expense	1,589,990	-	-	-	(1,589,990)	-	(1,589,990)
Total governmental activities	<u>50,538,922</u>	<u>1,615,094</u>	<u>28,556,943</u>	<u>908,591</u>	<u>(19,458,294)</u>	<u>-</u>	<u>(19,458,294)</u>

(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	\$ 1,694,725	\$ 466,232	\$ 1,201,310	\$ -	\$ -	\$ (27,183)	\$ (27,183)
Total government-wide	<u>\$ 52,233,647</u>	<u>\$ 2,081,326</u>	<u>\$ 29,758,253</u>	<u>\$ 908,591</u>	<u>(19,458,294)</u>	<u>(27,183)</u>	<u>(19,485,477)</u>
General revenues:							
U.S. Government					65,869	-	65,869
Buncombe County					10,696,653	-	10,696,653
Supplemental city school tax					8,093,877	-	8,093,877
Local option sales tax					2,228,877	-	2,228,877
Interest earned on investments					40,251	172	40,423
Other revenues					294,759	-	294,759
Transfers					(83,077)	83,077	-
Total general revenues and transfers					<u>21,337,209</u>	<u>83,249</u>	<u>21,420,458</u>
Change in net assets					1,878,915	56,066	1,934,981
Net assets--beginning					<u>45,726,697</u>	<u>369,198</u>	<u>46,095,895</u>
Net assets--ending					<u>\$ 47,605,612</u>	<u>\$ 425,264</u>	<u>\$ 48,030,876</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, 2012**

	<u>Major Funds</u>					<u>Non-major</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Federal Grants</u>	<u>Other Specific Revenue</u>	<u>Capital Outlay</u>	<u>Individual Schools</u>	
<b><u>Assets</u></b>							
Cash and cash equivalents	\$ 5,280,484	\$ -	\$ -	\$ 676,961	\$ 1,083,413	\$ 483,834	\$ 7,524,692
Due from other funds	-	-	325	-	-	-	325
Due from other governments	88,553	5,823	8,561	399,792	511,962	-	1,014,691
Accounts receivable (net)	50,000	-	-	-	-	-	50,000
Prepays	28,256	-	-	-	-	-	28,256
Total assets	<u>\$ 5,447,293</u>	<u>\$ 5,823</u>	<u>\$ 8,886</u>	<u>\$ 1,076,753</u>	<u>\$ 1,595,375</u>	<u>\$ 483,834</u>	<u>\$ 8,617,964</u>
<b><u>Liabilities and Fund Balances</u></b>							
Liabilities:							
Accounts payable	\$ 124,117	\$ -	\$ 3,259	\$ 4,142	\$ 352,874	\$ -	\$ 484,392
Accrued salaries and wages payable	89,714	4,903	-	2,083	-	-	96,700
Deferred revenue	-	920	5,627	505,243	-	-	511,790
Due to other funds	325	-	-	-	-	-	325
Total liabilities	<u>214,156</u>	<u>5,823</u>	<u>8,886</u>	<u>511,468</u>	<u>352,874</u>	<u>-</u>	<u>1,093,207</u>

(continued)

	Major Funds					Non-major	Total Governmental Funds
	General	State Public School	Federal Grants	Other Specific Revenue	Capital Outlay	Individual Schools	
Fund balances							
Non-spendable							
Prepays	\$ 28,256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,256
Restricted:							
Stabilization by State Statute	138,553	-	-	399,792	511,962	-	1,050,307
School capital outlay	-	-	-	-	730,539	-	730,539
Individual school activities	-	-	-	-	-	483,834	483,834
Committed:							
Special programs	-	-	-	165,493	-	-	165,493
Assigned:							
Subsequent year's budget	625,000	-	-	-	-	-	625,000
Unassigned	4,441,328	-	-	-	-	-	4,441,328
Total fund balances	<u>5,233,137</u>	<u>-</u>	<u>-</u>	<u>565,285</u>	<u>1,242,501</u>	<u>483,834</u>	<u>7,524,757</u>
Total liabilities and fund balances	<u>\$ 5,447,293</u>	<u>\$ 5,823</u>	<u>\$ 8,886</u>	<u>\$ 1,076,753</u>	<u>1,595,375</u>	<u>\$ 483,834</u>	

Amounts reported for governmental activities in the Statement of Net

Assets are different because:

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

42,318,931

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

Installment purchase contracts

(97,772)

Compensated absences

(2,140,304)

Net assets of governmental activities

\$ 47,605,612

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, 2012**

	<u>Major Funds</u>					<u>Non-major</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Federal Grants</u>	<u>Other Specific Revenue</u>	<u>Capital Outlay</u>	<u>Individual Schools</u>	
Revenues:							
State of North Carolina	\$ -	\$ 21,439,295	\$ -	\$ 481,341	\$ 483,202	\$ -	\$ 22,403,838
U.S. Government	-	-	5,308,562	1,233,662	271,289	-	6,813,513
Local:							
Buncombe County	7,779,035	-	-	-	2,917,618	-	10,696,653
Supplemental city school tax	8,093,877	-	-	-	-	-	8,093,877
Local option sales tax	-	-	-	2,228,877	-	-	2,228,877
Other local revenues	148,850	-	-	760,164	199,436	1,254,610	2,363,060
Total revenues	<u>16,021,762</u>	<u>21,439,295</u>	<u>5,308,562</u>	<u>4,704,044</u>	<u>3,871,545</u>	<u>1,254,610</u>	<u>52,599,818</u>
Expenditures:							
Current:							
Instructional services:							
Regular instructional	3,061,326	13,534,496	883,644	1,349,229	168,450	-	18,997,145
Special populations	286,662	3,163,867	1,143,586	300,991	-	-	4,895,106
Alternative programs	199,983	584,187	1,890,887	1,703,771	-	-	4,378,828
School leadership	1,335,445	1,122,237	12,918	190,227	-	-	2,660,827
Co-curricular	202,131	-	-	-	-	1,274,642	1,476,773
School-based support	1,115,796	1,876,718	981,291	241,053	672,041	-	4,886,899
System-wide support services:							
Support and development	255,614	10,065	-	20,156	-	-	285,835
Special populations support and development	132,629	1,000	52,198	10,157	-	-	195,984
Alternative programs and services support and development	158,203	-	112,354	144,870	-	-	415,427
Technology support	532,396	48,360	-	32,405	4,693	-	617,854
Operational support	4,076,068	453,480	7,041	222,796	81,616	-	4,841,001
Financial and human resource	745,897	105,083	125,739	41,069	-	-	1,017,788
Accountability	94,798	-	-	7,961	-	-	102,759
System-wide pupil support	340,532	-	-	26,670	-	-	367,202
Policy, leadership and public relations	939,560	470,238	-	83,840	-	-	1,493,638

(continued)

	Major Funds					Non-major	Total Governmental Funds
	General	State Public School	Federal Grants	Other Specific Revenue	Capital Outlay	Individual Schools	
Expenditures, continued:							
Current:							
Ancillary services	\$ 18,473	\$ 2,790	\$ -	\$ 70,379	\$ 4,881	\$ -	\$ 96,523
Non-programmed charges:							
Payments to charter schools	985,393	-	-	-	-	-	985,393
Other	-	-	98,904	-	-	-	98,904
Debt service	-	-	-	-	97,777	-	97,777
Capital outlay	-	-	-	-	2,827,093	-	2,827,093
Total expenditures	<u>14,480,906</u>	<u>21,372,521</u>	<u>5,308,562</u>	<u>4,445,574</u>	<u>3,856,551</u>	<u>1,274,642</u>	<u>50,738,756</u>
Revenues over (under) expenditures	<u>1,540,856</u>	<u>66,774</u>	<u>-</u>	<u>258,470</u>	<u>14,994</u>	<u>(20,032)</u>	<u>1,861,062</u>
Other financing sources (uses):							
Transfers from other funds	-	-	-	-	-	120,500	120,500
Transfers to other funds	(120,500)	(66,774)	-	-	(16,303)	-	(203,577)
Total other financing sources (uses)	<u>(120,500)</u>	<u>(66,774)</u>	<u>-</u>	<u>-</u>	<u>(16,303)</u>	<u>120,500</u>	<u>(83,077)</u>
Net change in fund balances	1,420,356	-	-	258,470	(1,309)	100,468	1,777,985
Fund balances--beginning	<u>3,812,781</u>	<u>-</u>	<u>-</u>	<u>306,815</u>	<u>1,243,810</u>	<u>383,366</u>	<u>5,746,772</u>
Fund balances--ending	<u>\$ 5,233,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,285</u>	<u>\$ 1,242,501</u>	<u>\$ 483,834</u>	<u>\$ 7,524,757</u>

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

Net changes in fund balances--total governmental funds	\$ 1,777,985
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	(2,882,898)
Capital outlays	3,003,911
Loss on disposal of capital assets	(14,546)
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	(103,314)
Repayment of long-term debt	97,777
Total changes in net assets of governmental activities	<u>\$ 1,878,915</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, 2012**

	<u>General Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:				
Local	\$ 15,779,215	\$ 15,779,215	\$ 16,021,762	\$ 242,547
Total revenues	<u>15,779,215</u>	<u>15,779,215</u>	<u>16,021,762</u>	<u>242,547</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	3,545,623	3,545,623	3,061,326	484,297
Special populations	380,118	380,118	286,662	93,456
Alternative programs	215,676	215,676	199,983	15,693
School leadership	1,378,467	1,378,467	1,335,445	43,022
Co-curricular	238,606	238,606	202,131	36,475
School based support	1,230,171	1,230,171	1,115,796	114,375
System-wide support services:				
Support and development	263,149	263,149	255,614	7,535
Special populations support and development	134,239	134,239	132,629	1,610
Alternative programs and services support and development	161,277	161,277	158,203	3,074
Technology support	554,544	554,544	532,396	22,148
Operational support	4,652,789	4,652,789	4,076,068	576,721
Financial and human resource	866,524	866,524	745,897	120,627
Accountability	95,102	95,102	94,798	304
System-wide pupil support	345,111	345,111	340,532	4,579
Policy, leadership and public relations	1,058,337	1,058,337	939,560	118,777

(continued)



	<b>General Fund</b>			
	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Positive (Negative) Variance</u></b>
Expenditures:				
Current, continued:				
Ancillary services	\$ 18,750	\$ 18,750	\$ 18,473	\$ 277
Non-programmed charges:				
Payments to charter schools	672,232	1,028,070	985,393	42,677
Total expenditures	<u>15,810,715</u>	<u>16,166,553</u>	<u>14,480,906</u>	<u>1,685,647</u>
Revenues over (under) expenditures	<u>(31,500)</u>	<u>(387,338)</u>	<u>1,540,856</u>	<u>1,928,194</u>
Other financing sources (uses):				
Transfers to other funds	(145,500)	(145,500)	(120,500)	25,000
Appropriated fund balance	227,000	582,838	-	(582,838)
Contingency	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	<u>31,500</u>	<u>387,338</u>	<u>(120,500)</u>	<u>(507,838)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,420,356	<u>\$ 1,420,356</u>
Fund balance--beginning of year			<u>3,812,781</u>	
Fund balance--end of year			<u>\$ 5,233,137</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, 2012**

	<b>State Public School Fund</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:				
State of North Carolina	\$ 21,458,586	\$ 21,785,694	\$ 21,439,295	\$ (346,399)
Expenditures:				
Current:				
Instructional services:				
Regular instructional	13,847,193	13,713,309	13,534,496	178,813
Special populations	2,903,043	3,203,520	3,163,867	39,653
Alternative programs	600,975	595,441	584,187	11,254
School leadership	1,148,998	1,148,931	1,122,237	26,694
School based support	1,856,006	1,928,220	1,876,718	51,502
System-wide support services:				
Support and development	-	13,977	10,065	3,912
Special populations support and development	1,500	1,500	1,000	500
Technology support	-	48,360	48,360	-
Operational support	441,192	471,356	453,480	17,876
Financial and human resource	104,040	105,358	105,083	275
Policy, leadership and public relations	483,513	483,596	470,238	13,358
Ancillary services	3,966	3,966	2,790	1,176
Total expenditures	<u>21,390,426</u>	<u>21,717,534</u>	<u>21,372,521</u>	<u>345,013</u>
Revenues over expenditures	68,160	68,160	66,774	(1,386)
Other financing uses:				
Transfers to other funds	<u>(68,160)</u>	<u>(68,160)</u>	<u>(66,774)</u>	<u>1,386</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance--beginning of year			-	
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**  
**FEDERAL GRANTS FUND**  
**For the Year Ended June 30, 2012**

	<u>Federal Grants Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:				
U.S. Government	\$ 7,423,845	\$ 7,578,840	\$ 5,308,562	\$ (2,270,278)
Expenditures:				
Current:				
Instructional services:				
Regular instructional	871,116	906,674	883,644	23,030
Special populations	2,182,136	2,193,790	1,143,586	1,050,204
Alternative programs	1,996,511	2,071,045	1,890,887	180,158
School leadership	12,918	12,918	12,918	-
School-based support	1,137,517	1,141,422	981,291	160,131
System-wide support services:				
Special populations support and development	52,453	52,453	52,198	255
Alternative programs and services support and development	114,735	114,735	112,354	2,381
Operational support	11,282	16,152	7,041	9,111
Financial and human resource	163,225	163,225	125,739	37,486
Non-programmed charges:				
Unbudgeted federal grants	716,564	757,441	-	757,441
Other	165,388	148,985	98,904	50,081
Total expenditures	<u>7,423,845</u>	<u>7,578,840</u>	<u>5,308,562</u>	<u>2,270,278</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, 2012**

	<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	\$ 441,010	\$ 493,018	\$ 481,341	\$ (11,677)
U.S. Government	1,698,904	1,698,904	1,233,662	(465,242)
Local	2,894,953	2,899,329	2,989,041	89,712
Total revenues	<u>5,034,867</u>	<u>5,091,251</u>	<u>4,704,044</u>	<u>(387,207)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	1,427,060	1,403,785	1,349,229	54,556
Special populations	569,407	594,061	300,991	293,070
Alternative programs	1,883,235	1,928,243	1,703,771	224,472
School leadership	194,598	194,598	190,227	4,371
School based support	253,282	254,182	241,053	13,129
System-wide support services:				
Support and development	20,234	20,234	20,156	78
Special populations support and development	10,157	10,157	10,157	-
Alternative programs	171,070	171,070	144,870	26,200
Technology support	33,502	33,502	32,405	1,097
Operational support	227,527	234,527	222,796	11,731
Financial and human resource	42,915	42,915	41,069	1,846
Accountability	7,961	7,962	7,961	1
System-wide pupil support	26,672	26,672	26,670	2
Policy, leadership and public relations	81,746	83,842	83,840	2
Ancillary services	85,501	85,501	70,379	15,122
Total expenditures	<u>5,034,867</u>	<u>5,091,251</u>	<u>4,445,574</u>	<u>645,677</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	258,470	<u>\$ 258,470</u>
Fund balance--beginning of year			306,815	
Fund balance--end of year			<u>\$ 565,285</u>	

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



**ASHEVILLE CITY SCHOOLS**  
**STATEMENT OF NET ASSETS—PROPRIETARY FUND**  
**June 30, 2012**

	<b>Child Nutrition Fund</b>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 186,737
Due from other governments	38,015
Accounts receivable (net)	9,686
Inventories	47,996
Total current assets	282,434
Non-current assets:	
Capital assets:	
Furniture and equipment, net	187,768
Total assets	470,202
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable	2,490
Accrued salaries and wages payable	4,894
Unearned revenue	10,767
Compensated absences, current portion	4,000
Total current liabilities	22,151
Non-current liabilities:	
Compensated absences, less current portion	22,787
Total liabilities	44,938
<b><u>Net Assets</u></b>	
Invested in capital assets	187,768
Unrestricted	237,496
Total net assets	\$ 425,264

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 ASSETS—PROPRIETARY FUND**  
**For the Year Ended June 30, 2012**

	<b>Child Nutrition Fund</b>
Operating revenues:	
Food sales	\$ 466,232
Operating expenses:	
Food cost	711,674
Salaries and benefits	870,639
Materials and supplies	56,440
Depreciation	29,577
Other	26,395
Total operating expenses	1,694,725
Operating loss	(1,228,493)
Non-operating revenues:	
Federal reimbursements and grants	1,022,283
Federal commodities	74,703
State reimbursements	104,324
Interest earned	172
Total non-operating revenues	1,201,482
Loss before transfers	(27,011)
Transfers from other funds	83,077
Change in net assets	56,066
Total net assets--beginning	369,198
Total net assets--ending	\$ 425,264

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, 2012**

	<b>Child Nutrition Fund</b>
Cash flows from operating activities:	
Cash received from customers	\$ 473,410
Cash paid for goods and services	(704,899)
Cash paid to employees for services	(805,147)
Net cash used for operating activities	<u>(1,036,636)</u>
Cash flows from non-capital financing activities:	
State reimbursements	104,177
Federal reimbursements	1,016,212
Net cash provided by non-capital financing activities	<u>1,120,389</u>
Cash flows from investing activities:	
Interest on investments	<u>172</u>
Net increase in cash and cash equivalents	83,925
Cash and cash equivalents, beginning of year	<u>102,812</u>
Cash and cash equivalents, end of year	<u><u>\$ 186,737</u></u>

(continued)

	<b>Child Nutrition Fund</b>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (1,228,493)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	29,577
Donated commodities consumed	74,703
Salaries paid by special revenue fund	66,774
Change in assets and liabilities:	
Decrease in accounts receivable	5,457
Decrease in inventories of food and supplies	13,614
Decrease in accounts payable and accrued salaries and wages payable	(1,513)
Increase in compensated absences	1,524
Increase in unearned revenue	1,721
	<hr/>
Net cash used for operating activities	<u>\$ (1,036,636)</u>
Non-cash investing, capital, and financing activities:	
Donated commodities received, reflected as a non-operating revenue and operating expense	<u>\$ 74,703</u>
Transfer for salaries paid by the State Public School Fund, reflected as a transfer in and operating expense	<u>\$ 66,774</u>
Equipment purchased by the Capital Outlay Fund, reflected as a transfer in and an addition to capital assets	<u>\$ 16,303</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, 2012**

	<b>Agency Fund</b>
Assets:	
Cash and cash equivalents	\$ 196,332
	<u>                    </u>
Liabilities:	
Due to other sources	\$ 196,332
	<u>                    </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 (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 assets 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 other governmental 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



## NOTES TO FINANCIAL STATEMENTS

General Fund consists of the Local Current Expense Fund.

- ✓ **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.
- ✓ **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.
- ✓ **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 fund:

- ✓ **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

## NOTES TO FINANCIAL STATEMENTS

incurred, there are both restricted and unrestricted net assets 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.

The Board's business-type activities and enterprise fund follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

### **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 individual school funds. 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 ASSETS / 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.

## NOTES TO FINANCIAL STATEMENTS

**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 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, 2012, represents the value of accumulated unpaid vacation leave and salary related payments as of that date (See Table V).

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 Assets/Fund Balances:** Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets; restricted and unrestricted. Restricted net assets represent 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. [G.S. 115C-425a.] 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, encumbrances, and deferred revenues arising from cash receipts as those amounts stand 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



## NOTES TO FINANCIAL STATEMENTS

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.

**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 2012-2013 budget ordinance that is not already classified in 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 or other funds.

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 of Education.

### 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, 2012, the Board had deposits with financial institutions with a carrying amount of \$894,279 and \$-0- with the State Treasurer. The bank balances with the financial institutions and the State Treasurer were \$1,148,730 and \$178,538, respectively. Of these balances, \$722,656 was covered by federal depository insurance, \$426,074 was covered by collateral under the Pooling Method, and \$178,538 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board's petty cash at June 30, 2012, was \$275.

**Investments:** At June 30, 2012, the Board had \$23,878 invested with the North Carolina Capital Management Trust's Term Portfolio which is unrated. The Board had \$331,477 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 \$6,657,852 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2012. 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, 2012, are summarized in Table I on the following page.

**Capital Assets:** Capital asset activity for the year ended June 30, 2012, is summarized in Table II on the following page.



**NOTES TO FINANCIAL STATEMENTS**

<b>DUE FROM OTHER GOVERNMENTS</b>							
	<b>Governmental Activities</b>					<b>Business-type Activities</b>	
	<b>General</b>	<b>State Public School</b>	<b>Federal Grants</b>	<b>Other Specific Revenue</b>	<b>Capital Outlay</b>	<b>Total</b>	<b>Child Nutrition</b>
State government	\$ -	\$ 5,823	\$ 5,627	\$ 50,036	\$ 31,320	\$ 92,806	\$ 38,015
Federal government	-	-	2,934	9,858	-	12,792	-
Local governments	88,553	-	-	339,898	480,642	909,093	-
	<u>\$ 88,553</u>	<u>\$ 5,823</u>	<u>\$ 8,561</u>	<u>\$ 399,792</u>	<u>\$ 511,962</u>	<u>\$ 1,014,691</u>	<u>\$ 38,015</u>

<b>CAPITAL ASSETS</b>					
	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balances</b>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 1,307,576	\$ -	\$ -	\$ -	\$ 1,307,576
Construction in progress	5,886,807	1,812,451	-	(41,054)	7,658,204
Total capital assets not being depreciated	<u>7,194,383</u>	<u>1,812,451</u>	<u>-</u>	<u>(41,054)</u>	<u>8,965,780</u>
Capital assets being depreciated:					
Buildings	61,867,836	861,619	(11,424)	41,054	62,759,085
Equipment and furniture	4,106,879	222,369	(154,857)	-	4,174,391
Vehicles	3,208,102	44,895	(169,663)	-	3,083,334
Land improvements	3,706,425	62,577	-	-	3,769,002
Total capital assets being depreciated	<u>72,889,242</u>	<u>1,191,460</u>	<u>(335,944)</u>	<u>41,054</u>	<u>73,785,812</u>
Less accumulated depreciation for:					
Buildings	(30,979,100)	(2,214,999)	6,512	-	(33,187,587)
Equipment and furniture	(2,850,534)	(294,367)	154,857	-	(2,990,044)
Vehicles	(1,958,562)	(231,097)	160,029	-	(2,029,630)
Land improvements	(2,082,965)	(142,435)	-	-	(2,225,400)
Total accumulated depreciation	<u>(37,871,161)</u>	<u>(2,882,898)</u>	<u>321,398</u>	<u>-</u>	<u>(40,432,661)</u>
Total capital assets being depreciated, net	<u>35,018,081</u>	<u>(1,691,438)</u>	<u>(14,546)</u>	<u>41,054</u>	<u>33,353,151</u>
Governmental activity capital assets, net	<u>\$ 42,212,464</u>	<u>\$ 121,013</u>	<u>\$ (14,546)</u>	<u>\$ -</u>	<u>\$ 42,318,931</u>
<b>Business-type activities:</b>					
Child Nutrition Fund:					
Capital assets being depreciated:					
Equipment	\$ 645,719	\$ 16,303	\$ -	\$ -	\$ 662,022
Less accumulated depreciation for:					
Equipment	(444,677)	(29,577)	-	-	(474,254)
Business-type activities capital assets, net	<u>\$ 201,042</u>	<u>\$ (13,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,768</u>

## NOTES TO FINANCIAL STATEMENTS

Depreciation was charged to the governmental functions as follows:

Regular instructional	\$ 322,760
Special populations	105,491
Alternative programs	2,360
School leadership	2,350
Co-curricular	98,353
School-based support	234,156
Technology support	33,123
Operational support	323,480
Policy leadership and public relations	855
Ancillary	169,980
Unallocated	1,589,990
	<u>\$ 2,882,898</u>

**Construction Commitments:** At June 30, 2012, the Board's commitment with contractors for school construction projects was approximately \$343,000.

Subsequent to year end, the Board entered into contracts with architects for the design phases of two new schools with a base price of approximately \$1 million for each school. The Board also contracted, subsequent to year end, with a construction company for roof maintenance projects at two elementary schools for approximately \$825,000.

### LIABILITIES

**Accounts Payable:** The balance in accounts payable at June 30, 2012 is summarized in Table III.

Table III ACCOUNTS PAYABLE						
	Governmental Activities					Business- type Activities
	General	Federal Grants	Other Specific Revenue	Capital Outlay	Total	Child Nutrition
	Vendors	\$ 87,232	\$ 3,259	\$ 4,142	\$352,874	\$447,507
Charter Schools	36,885	-	-	-	36,885	-
	<u>\$124,117</u>	<u>\$ 3,259</u>	<u>\$ 4,142</u>	<u>\$352,874</u>	<u>\$484,392</u>	<u>\$ 2,490</u>

Table IV DEFERRED/UNEARNED REVENUE					
	Governmental Activities				Business- type Activities
	State Public School	Federal Grants	Other Specific Revenue	Total	Child Nutrition
	Grants and contracts	\$ 920	\$ 5,627	\$ 505,243	\$ 511,790
Prepaid lunch sales	-	-	-	-	10,767
	<u>\$ 920</u>	<u>\$ 5,627</u>	<u>\$ 505,243</u>	<u>\$ 511,790</u>	<u>\$ 10,767</u>

Table V LONG-TERM OBLIGATIONS					
	Beginning Balances	Increases	Decreases	Ending Balances	Due in One Year
Governmental activities:					
Installment purchase	\$ 195,549	\$ -	\$ 97,777	\$ 97,772	\$ 97,772
Compensated absences	2,036,990	1,650,869	1,547,555	2,140,304	200,000
Total	<u>\$2,232,539</u>	<u>\$1,650,869</u>	<u>\$1,645,332</u>	<u>\$2,238,076</u>	<u>\$ 297,772</u>
Business-type activities:					
Compensated absences	\$ 25,263	\$ 29,198	\$ 27,674	\$ 26,787	\$ 4,000

**Deferred/Unearned Revenue:** The balance in deferred/unearned revenue at June 30, 2012, is summarized in Table IV.

**Long-Term Obligations:** The summary of changes in the Board's long-term obligations for the year ended June 30, 2012, is shown in Table V.



## NOTES TO FINANCIAL STATEMENTS

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 outstanding balance of \$97,772, as of June 30, 2012, will be paid in full during the 2013 fiscal year.

### **FUND BALANCE**

The Board does not have a formal minimum fund balance policy. Therefore, the unassigned fund balance in the General Fund is available for appropriation.

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, 2012, outstanding encumbrances in the General Fund

and Capital Outlay Fund amounted to \$3,367 and \$1,651, 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 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, 2012, the Board was required to contribute 7.44% 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, 2012, 2011, and 2010 were \$2,075,485 \$1,439,325, and \$1,014,871, 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 North Carolina State Health Plan for Teachers and State Employees (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 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

## NOTES TO FINANCIAL STATEMENTS

Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- ✓ **FUNDING POLICY.** The State Health 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 non-contributory 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, 2012, 2011, and 2010, the Board paid all annual required contributions to the Plan for post-employment healthcare and death benefits of \$1,394,815, \$1,447,279, and \$1,324,734, respectively. These contributions represented 5.00%, 5.06%, and 4.66%, of covered payroll, respectively.

### Long-Term Disability Benefits

- ✓ **PLAN DESCRIPTION.** Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as 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-employment 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



## NOTES TO FINANCIAL STATEMENTS

participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and 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 members currently eligible to receive disability benefits as an other post-employment benefit. For the fiscal years ended June 30, 2012, 2011, and 2010, the Board paid all annual required contributions to the DIPNC for disability benefits of \$145,061, \$151,815, and \$147,829, respectively. These contributions represented .52% of covered payroll each year.

### 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 subject to the adjusted total coverage of all scheduled property. The Fund purchases excess reinsurance to cover catastrophic events in excess of \$10 million. Excess reinsurance is purchased through commercial insurers. Flood and earthquake damages are subject to limits of \$5 million per occurrence and \$15 million aggregate. Increased cost of construction is provided at \$10 million per occurrence.

The Board maintains Workers' Compensation coverage up to statutory limits for employees not paid from state funds through a commercial carrier. The State of North Carolina provides Workers' Compensation for employees 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-



## NOTES TO FINANCIAL STATEMENTS

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 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, 2012, consist of \$66,774 transferred from the State Public School Fund to the Child Nutrition Fund for administrative costs; \$16,303 transferred from the Capital Outlay Fund to the Child Nutrition Fund for equipment; and \$120,500 transferred from the General Fund to the Non-major Governmental Fund for the individual schools.

#### DUE TO/FROM OTHER FUNDS

Due to/from other funds at June 30, 2012, consists of \$325 owed to the Federal Grants Fund from the General Fund for operating purposes. The balance is expected to be repaid in the near term.

### 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 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. Revaluation of real property, required at least every eight years, was completed during the Spring of 2006 and was effective for the levy of taxes for the fiscal year ending June 30, 2007. Historically, Buncombe County requires revaluation of real property every four years; however, the County voted to delay the next revaluation until 2014. The assessed valuation of the property subject to the supplemental city school tax is estimated to be \$5 billion (unaudited) at June 30, 2012.

### 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.







RAISING THE ACHIEVEMENT OF ALL STUDENTS -  
ONE CHILD AT A TIME



SUPPLEMENTARY INFORMATION



## **CAPITAL OUTLAY FUND**

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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.

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**ASHEVILLE CITY SCHOOLS  
CAPITAL OUTLAY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Revenues:			
State of North Carolina	\$ 485,869	\$ 483,202	\$ (2,667)
U.S. Government	273,594	271,289	(2,305)
Local:			
Buncombe County	3,397,778	2,917,618	(480,160)
Other local sources	194,650	199,436	4,786
Total revenues	<u>4,351,891</u>	<u>3,871,545</u>	<u>(480,346)</u>
Expenditures:			
Current:			
Instructional Services:			
Regular instructional	202,500	168,450	34,050
School-based support	680,000	672,041	7,959
System-wide Support Services:			
Technology support	20,000	4,693	15,307
Operational support	85,000	81,616	3,384
Ancillary services	8,697	4,881	3,816
Debt service	100,444	97,777	2,667
Capital outlay	3,728,947	2,827,093	901,854
Total expenditures	<u>4,825,588</u>	<u>3,856,551</u>	<u>969,037</u>
Revenues over (under) expenditures	<u>(473,697)</u>	<u>14,994</u>	<u>488,691</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	(16,303)	(16,303)	-
Contingency	(10,000)	-	10,000
Total other financing sources (uses)	<u>473,697</u>	<u>(16,303)</u>	<u>(490,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,309)</u>	<u>\$ (1,309)</u>
Fund balance:			
Beginning of year, July 1		<u>1,243,810</u>	
End of year, June 30		<u>\$ 1,242,501</u>	



## **CHILD NUTRITION FUND**

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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.

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**ASHEVILLE CITY SCHOOLS  
CHILD NUTRITION FUND  
SCHEDULE OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL (Non-GAAP)  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Operating revenues:			
Food sales	\$ 477,337	\$ 467,953	\$ (9,384)
Operating expenditures:			
Purchase of food	768,471	699,036	69,435
Salaries and benefits	914,632	869,115	45,517
Materials and supplies	67,200	55,464	11,736
Other	31,600	26,395	5,205
Total operating expenditures	<u>1,781,903</u>	<u>1,650,010</u>	<u>131,893</u>
Operating loss	<u>(1,304,566)</u>	<u>(1,182,057)</u>	<u>122,509</u>
Non-operating revenues:			
Federal reimbursements	1,047,938	1,022,283	(25,655)
Federal commodities	75,298	74,703	(595)
State reimbursement	88,104	104,324	16,220
Interest earned	66	172	106
Total non-operating revenues	<u>1,211,406</u>	<u>1,201,482</u>	<u>(9,924)</u>
Revenues over (under) expenditures before other financing sources	(93,160)	19,425	112,585
Other financing sources:			
Transfers from other funds	93,160	83,077	(10,083)
Revenues and other sources over expenditures	<u>\$ -</u>	<u>102,502</u>	<u>\$ 102,502</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(29,577)	
Increase in compensated absences		(1,524)	
Decrease in inventories of food and supplies		(13,614)	
Increase in unearned revenue		(1,721)	
Change in net assets		<u>\$ 56,066</u>	



## **AGENCY FUND**

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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.

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**ASHEVILLE CITY SCHOOLS  
 AGENCY FUND  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2012**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASHEVILLE HIGH AWARDS:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 20,017</u>	<u>\$ 138</u>	<u>\$ 147</u>	<u>\$ 20,008</u>
Liabilities:				
Due to other sources	<u>\$ 20,017</u>	<u>\$ 138</u>	<u>\$ 147</u>	<u>\$ 20,008</u>
<b>ASHEVILLE CITY SCHOOLS POOL COMMITTEE:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ -</u>
Liabilities:				
Due to other sources	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ -</u>
<b>EDUCATIONAL ACCESS CHANNEL CONSORTIUM:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 196,213</u>	<u>\$ -</u>	<u>\$ 19,889</u>	<u>\$ 176,324</u>
Liabilities:				
Due to other sources	<u>\$ 196,213</u>	<u>\$ -</u>	<u>\$ 19,889</u>	<u>\$ 176,324</u>
<b>TOTAL--AGENCY FUND:</b>				
Assets:				
Cash and cash equivalents	<u>\$ 216,610</u>	<u>\$ 138</u>	<u>\$ 20,416</u>	<u>\$ 196,332</u>
Liabilities:				
Due to other sources	<u>\$ 216,610</u>	<u>\$ 138</u>	<u>\$ 20,416</u>	<u>\$ 196,332</u>







RAISING THE ACHIEVEMENT OF ALL STUDENTS -  
ONE CHILD AT A TIME



STATISTICAL SECTION

## STATISTICAL SECTION

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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.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets	\$ 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	\$ 32,814,131
Restricted	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	1,862,829
Unrestricted	3,119,773	1,652,123	1,803,925	1,889,585	2,527,733	2,365,479	2,528,870	2,778,082	2,755,847	1,569,563
Total governmental activities net assets	<u>\$ 47,605,612</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>	<u>\$ 36,246,523</u>
Business-type activities										
Invested in capital assets	\$ 187,768	\$ 201,042	\$ 230,279	\$ 239,890	\$ 272,359	\$ 305,870	\$ 56,496	\$ 83,170	\$ 81,624	\$ 95,560
Unrestricted	237,496	168,156	62,506	50,072	(23,956)	(118,922)	20,275	162,616	256,026	286,422
Total business-type activities net assets	<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>	<u>\$ 381,982</u>
Government-wide										
Invested in capital assets	\$ 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	\$ 32,909,691
Restricted	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	1,862,829
Unrestricted	3,357,269	1,820,279	1,866,431	1,939,657	2,503,777	2,246,557	2,549,145	2,940,698	3,011,873	1,855,985
Total government-wide net assets	<u>\$ 48,030,876</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>	<u>\$ 36,628,505</u>

Note: Asheville City Schools implemented GASB Statement 54 in 2011. The amounts shown above have been restated in accordance with GASB Statement 54 for comparability purposes.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
Instructional programs	\$ 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	\$ 27,060,043
Support services	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	9,650,031
Unallocated depreciation expense	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	1,492,569
Other	1,252,726	1,422,066	875,589	788,107	713,959	624,887	603,596	555,921	529,272	393,149
Total governmental activities expenses	50,538,922	51,016,319	50,071,302	50,879,383	49,021,468	46,661,966	43,842,393	41,536,931	40,118,717	38,595,792
Business-type activities:										
Child nutrition	1,694,725	1,658,572	1,682,677	1,781,287	1,695,817	1,719,078	1,621,843	1,589,636	1,558,638	1,559,570
Total government-wide expenses	52,233,647	52,674,891	51,753,979	52,660,670	50,717,285	48,381,044	45,464,236	43,126,567	41,677,355	40,155,362
Program revenues:										
Governmental activities:										
Charges for services										
Instructional programs	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	1,292,519
Support programs	1,892	-	-	6,302	4,749	-	31,246	17,610	29,530	51,289
Ancillary services	5,604	2,015	4,465	8,178	6,424	6,628	6,401	35,570	17,879	16,955
Operating grants and contributions	28,556,943	28,669,673	28,054,706	28,623,511	27,475,326	25,468,050	24,621,723	23,449,502	23,121,865	22,622,287
Capital grants and contributions	908,591	536,628	386,673	351,765	51,599	5,588	23,345	16,779	20,718	65,908
Total governmental activities program revenues	31,080,628	30,678,156	29,966,828	30,442,744	28,881,532	26,916,685	26,040,126	24,866,774	24,591,605	24,048,958
Business-type activities:										
Charges for services	466,232	468,500	469,799	526,806	537,651	507,126	446,497	492,729	531,832	552,360
Operating grants and contributions	1,201,310	1,199,626	1,099,164	1,064,302	1,020,189	965,387	929,235	919,137	916,443	917,825
Total business-type activities program revenues	1,667,542	1,668,126	1,568,963	1,591,108	1,557,840	1,472,513	1,375,732	1,411,866	1,448,275	1,470,185
Total government-wide program revenues	32,748,170	32,346,282	31,535,791	32,033,852	30,439,372	28,389,198	27,415,858	26,278,640	26,039,880	25,519,143
Net (expense)	\$ (19,485,477)	\$ (20,328,609)	\$ (20,218,188)	\$ (20,626,818)	\$ (20,277,913)	\$ (19,991,846)	\$ (18,048,378)	\$ (16,847,927)	\$ (15,637,475)	\$ (14,636,219)

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

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense):										
Government-wide net (expense)	\$ (19,485,477)	\$ (20,328,609)	\$ (20,218,188)	\$ (20,626,818)	\$ (20,277,913)	\$ (19,991,846)	\$ (18,048,378)	\$ (16,847,927)	\$ (15,637,475)	\$ (14,636,219)
General revenues and transfers:										
Governmental activities:										
U.S. Government	65,869	72,516	-	-	-	-	-	-	-	-
State of North Carolina--construction	-	-	-	-	-	-	450,000	213,738	1,361,964	232,800
Buncombe County--appropriation	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	5,754,619
Buncombe County--other	1,594,660	2,086,144	2,139,695	18,378	410,692	1,561,433	7,159,805	2,576,052	555,244	1,617,478
Supplemental city school tax	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	6,235,382
Local option sales tax	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	2,009,599
Other revenues	335,010	427,631	498,423	678,438	975,978	1,171,268	793,963	848,660	1,012,357	1,042,384
Transfers (out)	(83,077)	(66,792)	(116,047)	(231,618)	(197,717)	(354,923)	(60,682)	(79,353)	(62,666)	(54,422)
Total governmental activities general revenues and transfers	21,337,209	20,967,434	20,439,400	18,808,009	19,362,749	19,740,017	24,301,195	18,764,999	17,860,400	16,837,840
Business-type activities:										
Other revenues	172	67	490	120	1,715	1,819	16,414	6,553	3,365	4,074
Transfers in	83,077	66,792	116,047	231,618	197,717	354,923	60,682	79,353	62,666	54,422
Total business-type activities general revenues and transfers	83,249	66,859	116,537	231,738	199,432	356,742	77,096	85,906	66,031	58,496
Total government-wide general revenues and transfers	21,420,458	21,034,293	20,555,937	19,039,747	19,562,181	20,096,759	24,378,291	18,850,905	17,926,431	16,896,336
Change in net assets	\$ 1,934,981	\$ 705,684	\$ 337,749	\$ (1,587,071)	\$ (715,732)	\$ 104,913	\$ 6,329,913	\$ 2,002,978	\$ 2,288,956	\$ 2,260,117

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Non-spendable	\$ 28,256	\$ 27,797	\$ 29,828	\$ 31,797	\$ 37,744	\$ 57,321	\$ 81,437	\$ 54,900	\$ -	\$ -
Restricted--Stabilization by State Statute	138,553	187,726	313,718	537,212	635,599	573,419	517,672	557,334	524,201	399,131
Assigned	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	455,000
Unassigned	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	2,887,002
Total General Fund	<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>	<u>\$ 3,741,133</u>
All other governmental funds:										
Restricted--Stabilization by State Statute	\$ 911,754	\$ 815,694	\$ 578,609	\$ 16,209	\$ 15,559	\$ 42,024	\$ 472,865	\$ 325,047	\$ 333,029	\$ 319,649
Restricted--school capital outlay	730,539	670,873	1,329,522	2,166,806	2,173,881	1,345,886	171,173	637,812	710,438	869,782
Restricted--individual schools activities	483,834	383,366	351,181	320,806	296,085	262,136	302,351	231,236	243,775	274,267
Committed--special programs	165,493	64,058	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 2,291,620</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>	<u>\$ 1,463,698</u>

Note: Asheville City Schools implemented GASB Statement 54 in 2011.

The amounts shown above have been restated in accordance with GASB Statement 54 for comparability purposes.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
State of North Carolina	\$ 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	\$ 19,043,498
U. S. Government	6,813,513	7,728,067	8,062,245	6,480,293	5,162,624	4,275,071	4,296,347	4,130,198	4,108,617	3,759,971
Local sources:										
Buncombe County - appropriation	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	5,981,751
Buncombe County - other	1,594,660	2,086,144	2,139,695	18,378	410,692	1,561,433	7,159,805	2,576,052	555,244	1,617,478
Supplemental city school tax	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	6,235,382
Local option sales tax	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	2,009,599
Other local revenues	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	2,349,344
Total revenues	<u>52,599,818</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>	<u>40,997,023</u>
Expenditures:										
Instructional programs	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	26,903,434
Support services	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	9,120,717
Capital Outlay	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	2,755,271
Other	1,278,597	1,718,499	1,149,128	1,088,251	641,082	732,796	679,620	625,273	587,643	444,635
Total expenditures	<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>	<u>39,224,057</u>
Revenues over (under) expenditures	<u>1,861,062</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>	<u>1,772,966</u>
Other financing (uses):										
Transfers from other funds	120,500	124,247	253,156	270,674	264,786	274,199	250,559	251,073	264,840	248,663
Transfers to other funds	(203,577)	(191,039)	(369,203)	(502,292)	(462,503)	(629,122)	(311,241)	(330,426)	(327,506)	(303,085)
Installment purchase obligations issued	-	-	391,105	682,733	-	-	-	-	-	-
Total other financing (uses)	<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>	<u>(54,422)</u>
Extraordinary item	-	-	-	-	-	-	-	-	-	(692,567)
Net change in fund balances	<u>\$ 1,777,985</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>	<u>\$ 1,025,977</u>

Notes: The extraordinary item recorded in fiscal year 2003 was the payment of a summary judgment ruled against Asheville City Schools.  
A state-wide chart of accounts change was implemented during fiscal year 2008 which reclassified certain expenditures between the categories above.



**ASHEVILLE CITY SCHOOLS  
ASSESSED VALUE OF TAXABLE PROPERTY  
Supplemental City School Tax  
Last Ten Fiscal Years  
(in thousands)**

Fiscal Year	Actual Value - Asheville City School District				Direct Tax Rate
	Real Property	Personal Property	Public Service Companies	Total Taxable Value	
2012	\$ 4,846,221	\$ 431,310	\$ 99,201	\$ 5,376,732	\$ 0.15
2011	4,813,441	412,260	101,106	5,326,807	0.15
2010	4,735,398	439,940	82,152	5,257,490	0.15
2009	4,616,367	475,376	111,655	5,203,398	0.15
2008	4,461,149	479,873	103,974	5,044,996	0.15
2007	4,370,104	486,341	88,824	4,945,269	0.15
2006	2,796,592	454,223	96,752	3,347,567	0.20
2005	2,691,470	418,201	97,959	3,207,630	0.20
2004	2,646,183	424,238	97,668	3,168,089	0.20
2003	2,628,502	435,069	88,802	3,152,373	0.20

Source: Buncombe County Tax Department  
Notes: Property is assessed at market value.  
The tax rate is per \$100 of assessed value.

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

<u>Fiscal Year</u>	<u>Direct</u>		<u>Overlapping Rates</u>		<u>Total Combined Rate</u>			
	<u>Supplemental City School Tax</u>		<u>Buncombe County</u>	<u>City of Asheville</u>				
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
2003		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  
Supplemental City School Tax  
Current Year and Six Years Ago**

Taxpayer	Business	2012			2006		
		Taxable Value (in thousands)	Rank	Percentage of Total Taxable Value	Taxable Value (in thousands)	Rank	Percentage of Total Taxable Value
Jack Tar/Grove Park Inc.	Hotels/Convention Services	\$ 132,883	1	2.59%	\$ 101,700	1	3.00%
Progress Energy	Electric Utility	58,383	2	1.14%			
BellSouth	Communications Service	25,938	3	0.50%	38,799	3	1.20%
Power Development	Real Estate Development	24,815	4	0.48%			
Nesbitt Asheville Venture LLC	Hotels/Convention Services	23,372	5	0.45%	12,252	4	0.40%
GPI Ventures LLC	Hotels/Convention Services	17,361	6	0.34%			
FIRC Haywood Part Holdings LLC	Real Estate	16,826	7	0.33%			
Mission Hospital Inc	Medical	16,424	8	0.32%			
Hospitality Lodging Investors II	Hotels/Convention Services	16,215	9	0.32%			
Ingles Markets	Supermarkets	15,823	10	0.31%	11,451	5	0.30%
Carolina Power & Light	Electric Power Utility				46,960	2	1.40%
Park Terrace Properties LLC	Real Estate/Commercial Office				9,703	6	0.30%
Tower Associates Inc.	Real Estate/Commercial Office				8,986	7	0.30%
Country Club of Asheville	Real Estate/Private Golf Club				8,799	8	0.30%
Pack Square Investors LLC	Real Estate/Commercial Office				8,644	9	0.30%
HGA Development LLC	Real Estate/Commercial Office				8,635	10	0.30%

Source: Buncombe County Tax Department.

Note: Asheville City Schools did not start reporting principal property tax payers until 2006.

**ASHEVILLE CITY SCHOOLS  
PROPERTY TAX LEVIES AND COLLECTIONS  
Supplemental City School Tax  
Last Ten Fiscal Years  
(in thousands)**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percentage of Current Collections to Levy</b>	<b>Prior Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percentage of Total Collections to Levy</b>
2012	\$ 8,056	\$ 8,007	99.4%	\$ 65	\$ 8,072	100.2%
2011	8,000	7,926	99.1%	107	8,033	100.4%
2010	7,849	7,734	98.5%	57	7,791	99.3%
2009	7,767	7,693	99.0%	34	7,727	99.5%
2008	7,557	7,533	99.7%	37	7,570	100.2%
2007	7,391	7,347	99.4%	41	7,388	100.0%
2006	6,668	6,617	99.2%	42	6,659	99.9%
2005	6,411	6,360	99.2%	57	6,417	100.1%
2004	6,320	6,257	99.0%	66	6,323	100.0%
2003	6,248	6,163	98.6%	57	6,220	99.6%

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**

<b>Fiscal Year</b>	<b>Estimated Population (in thousands)</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Estimated Median Age</b>	<b>Unemployment Rate</b>
2012	241	Unavailable	Unavailable	Unavailable	7.9
2011	239	Unavailable	Unavailable	40.7	8.2
2010	231	\$ 8,067,390	\$ 33,777	40.7	8.3
2009	229	7,840,018	33,171	40.6	9.0
2008	227	8,178,954	34,987	41.0	4.9
2007	223	7,902,157	34,243	39.8	4.0
2006	219	7,424,683	32,777	39.6	4.0
2005	216	6,815,418	30,750	40.0	4.6
2004	213	6,461,346	29,620	40.0	3.4
2003	211	5,920,887	27,541	39.0	4.0

Sources: Buncombe County Finance Department.

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

**ASHEVILLE CITY SCHOOLS  
PRINCIPAL EMPLOYERS  
Current Year and Six Years Ago**

<b><u>Employer</u></b>	<b>2012</b>		<b>2006</b>	
	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>
Mission Health System & Hospitals	1	7,000	1	6,000
Buncombe County Government	2	1,700	2	1,500
The Biltmore Company	3	1,600		
The Grove Park Inn Resort & Spa	4	1,100	4	950
City of Asheville	5	1,000	3	1,300
Asheville City Schools	6	700	6	700
University of North Carolina at Asheville	7	700	7	650
Asheville-Buncombe Technical Community College	8	400	5	900
YMCA of Western North Carolina	9	400		
Asheville Radiology	10	300		
Wal-Mart Stores, Inc.			8	500
United States Postal Service - Asheville Facility			9	450
Asheville Citizen-Times			10	300

Source: Asheville Area Chamber of Commerce

Notes: Figures have been rounded to the nearest hundred.

Asheville City Schools did not start reporting top ten employers until 2006.

Information regarding the percentage of total employment is not available.

**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>
2012	404	243	647	3,978	9.8
2011	411	258	669	3,855	9.4
2010	411	259	670	3,693	9.0
2009	423	261	684	3,686	8.7
2008	422	264	686	3,683	8.7
2007	417	258	675	3,730	8.9
2006	407	262	669	3,753	9.2
2005	405	268	673	3,789	9.4
2004	407	270	677	3,789	9.3
2003	397	271	668	3,864	9.7

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**

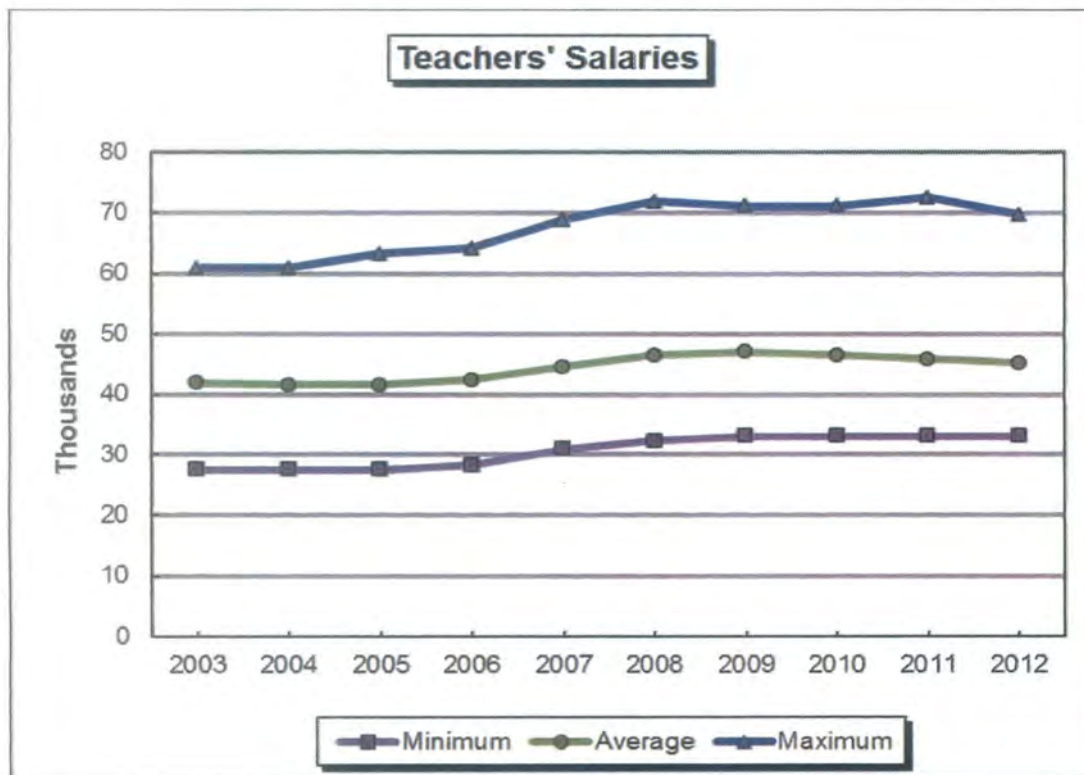
Fiscal Year	Average Daily Membership	Average Daily Attendance	Per Pupil Expenditure	North Carolina Per Pupil Expenditure Rank	Students Receiving Free or Reduced-Price Meals	Student Racial/Ethnic Composition		
						Black	White	Other
2012	3,978	3,769	\$ 11,315	Fifth	47.9%	27.9%	57.5%	14.6%
2011	3,855	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%
2003	3,864	3,665	9,273	Third	51.6%	45.0%	50.8%	4.2%

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>
2012	\$ 33,017	\$ 69,828	\$ 45,259
2011	33,017	72,611	45,916
2010	33,017	71,225	46,557
2009	33,017	71,225	47,032
2008	32,279	71,962	46,519
2007	30,933	68,904	44,542
2006	28,248	64,219	42,465
2005	27,396	63,294	41,597
2004	27,396	60,942	41,601
2003	27,396	60,942	41,941

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**

<b>School</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Elementary:</b>										
Claxton:										
Square feet	81,193	81,193	81,193	81,193	81,193	81,193	78,711	78,711	64,146	64,146
Capacity	480	480	480	480	480	480	480	480	432	432
First month membership	455	431	419	418	412	386	387	395	388	382
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	445	423	419	417	412	388	413	416	361	355
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	306	309	306	301	292	286	290	271	281
Jones:										
Square Feet	85,730	85,730	85,162	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	390	405	376	382	356	356	379	368	370	403
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	441	405	379	368	352	353	317	328	314	295

(continued)

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

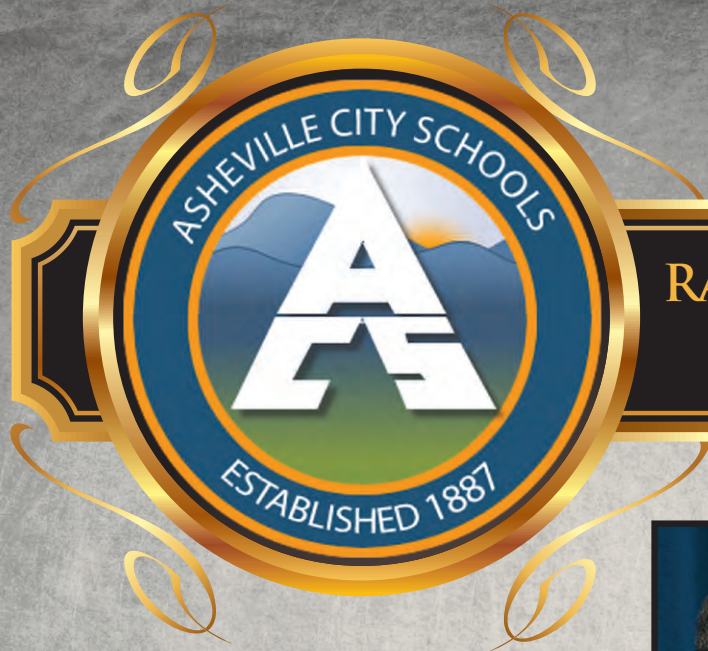
<b>School</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Middle:</b>										
Asheville Middle:										
Square Feet	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418	170,418
Capacity	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064	1,064
First month membership	766	719	661	672	666	648	654	677	745	813
<b>Middle/High:</b>										
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	48	84	73	57	132	176	172	169	110
<b>High:</b>										
Asheville High/SILSA:										
Square Feet	367,041	365,441	365,441	365,441	365,441	365,441	353,041	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	1,228	1,135	1,111	1,101	1,150	1,222	1,203	1,221	1,227	1,248

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

Notes: From 2003 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.







RAISING THE ACHIEVEMENT OF ALL STUDENTS -  
ONE CHILD AT A TIME

## MISSION

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



**GENE BELL**  
Chairman



**AL WHITESIDES**  
Vice Chairman



**ALLEN JOHNSON**  
Superintendent



**JACQUELYN HALLUM**



**PEGGY DALMAN**



**PRECIOUS FOLSTON**