



State Of North Carolina
Department Of State Treasurer

HARLAN E. BOYLES
TREASURER

State and Local Government Finance Division
and the Local Government Commission

ROBERT M. HIGH
DEPUTY TREASURER

December 19, 1997

The Honorable Carl Bartlett, Mayor
Town of Black Mountain
102 Montreat Road
Black Mountain, N C 28711

Dear Mayor Bartlett:

The staff of the Local Government Commission has analyzed the audited financial statements of the Town of Black Mountain for the fiscal year ended June 30, 1997. Based upon our review, we noted the following situation that requires your attention.

We noted signs of financial weakness in the Golf Fund because current liabilities exceeded liquid assets (cash, investments, and receivables). This ratio gives an indication of the Golf Fund's ability to pay its current bills, thereby providing a measure of short-term liquidity. The potential exists for cash flow problems to develop in meeting the Town's obligations to creditors, employees, and citizens. We also noted that the Golf Fund's budget included an appropriation of fund balance of \$30,475. G. S. 159-8(a) states that the amount of fund balance available for appropriation can not exceed the amount available for appropriation as of the end of the prior fiscal year. At June 30, 1996, the Golf Fund had a deficit cash position and therefore had no fund balance available for appropriation in the 1996-97 fiscal year.

In fact, the Golf Fund has a fund deficit at June 30, 1997 on the budgetary basis of accounting. The cash deficit is actually an advance from another fund. G.S. 159-13(b)(2) requires the full amount of any deficit to be budgeted in the following fiscal year's budget. Alternatively, the Town may elect to eliminate the deficit by writing off the advance from another fund. The Town may also elect to implement a repayment plan over a period of years. This would result in most of the advance being classified as long-term liability and eliminate the fund deficit. The Golf Fund would have to budget the portion of the loan to be repaid in each year's annual budget.

Please write to us about your plans to resolve the above problem areas. If your proposed financing is to be considered by the Local Government Commission at its January 6, 1998 meeting, we must receive your response by December 31, 1997. If you have any questions, contact me at 919/715-3733.

Sincerely,

A handwritten signature in cursive script that reads "T. Vance Holloman".

T. Vance Holloman
Director, Fiscal Management Section

cc: Suzanne Turner, Town Clerk
Albert Richardson, Jr., Finance Officer / Town Manager
Hughes Hughes & Co



Town of Black Mountain

102 Montreat Road • Black Mountain, North Carolina 28711 • Phone (704) 669-9102 • FAX (704) 669-4204

December 30, 1997

Mr. T. Vance Holloman, Director
North Carolina Department of State Treasurer
325 North Salisbury Street
Raleigh, N. C. 27603-1385

Dear Mr. Holloman:

We are in receipt of your letter of December 19, 1997 and submit the following response for your consideration.

Your analysis of the golf fund raises many issues that would be of more concern to us were it not for the fact that the fund actually cash flowed almost \$60,000 if you add back the \$46,000 of funds transferred to the general fund. Further, the general fund held a robust \$2.1 million in cash at June 30, 1997. The Town board obviously has no intentions of allowing the golf fund to suffer cash shortfalls in that the accounting function for this fund is centralized and controlled by the finance officer. Further, we certainly wish to do what is prudent to show our operations in the most positive light. Having said that, we would propose the following.

We will submit a resolution to the Town Board at our January meeting to recharacterize the cash deficit in the golf fund as a loan from the general fund, effective with the new budget beginning July 1, 1998. We will establish a repayment schedule of five years at no interest. The debt service payments will be set up separately from the currently budgeted transfer from golf to the general fund. The debt would be \$175,000 paid over five (5) years, with an annual payment of \$35,000. The Town has spent the past several years investing in needed capital improvements at the golf course. Because of these improvements, we are confident that an annual \$35,000 debt payment will not adversely affect the golf fund or the operation of the course.

Please let us know if this is acceptable as soon as possible so that a resolution can be presented to the Town Board at their January meeting.

Sincerely,

Vice Mayor Sara Marcia Rafter

Vice Mayor Sara Marcia Rafter

Albert F. Richardson, Jr.

Albert F. Richardson, Jr.

Town Manager

cc: Mayor Wm. Michael Begley
S. Williams, Deputy Finance/Budget Officer

**RESOLUTION TO APPROVE INTER-FUND LOAN BETWEEN THE
GENERAL FUND AND THE GOLF COURSE ENTERPRISE FUND**

WHEREAS, the golf fund is a profitable enterprise fund, which has consistently met all its budget obligations; and

WHEREAS, as a result of significant improvements and acquisition of equipment needed for the golf operations in recent years, the golf fund has experienced a cash deficit; and

WHEREAS, while there is no concern that the golf fund will not meet its cash flow needs, the Town is interested in showing the operation in the most positive light, and

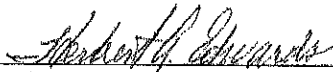
WHEREAS, the Local Government Commission has reviewed the financial statements of the Town and has expressed an opinion that an inter-fund loan between the general fund and the golf course enterprise fund would be a viable method; and

WHEREAS, with the completion of the improvements at the golf course, the golf course fund revenues will be more that sufficient to repay a inter-fund loan as proposed.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Aldermen of the Town of Black Mountain,

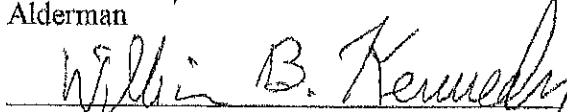
1. That the Board does hereby approve a inter-fund loan between general fund and the golf course enterprise fund in the amount of \$175,000,
2. That the loan will be at no interest and will be paid off over five (5) year term with annual payments of \$35,000, effective with the new budget year beginning July 1, 1998,
3. That the debt-service payments will be set up separately from the currently budgeted transfer from the golf course fund to the general fund.

I move the adoption of the foregoing resolution:



Alderman

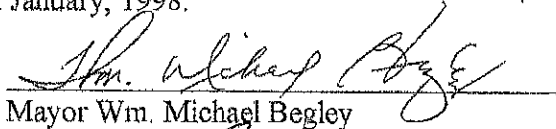
Seconded by:

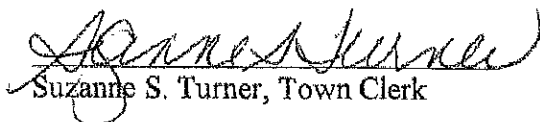


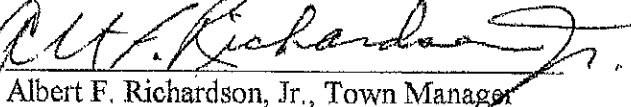
Alderman

Read, approved and adopted this 12th day of January, 1998.

ATTEST:


Mayor Wm. Michael Begley


Suzanne S. Turner, Town Clerk


Albert F. Richardson, Jr., Town Manager

Like the Water Fund, the Golf Course Fund is operated entirely by user fees. In past year, the Golf Fund has made an annual contribution to the General Fund to offset General Fund expenditures associated with the operation and maintenance of the golf course. As recommended in the Analysis of the Golf Course Operations and approved by the Board, this annual contribution has been increased to \$52,765, an amount based on actual expenses identified as being incurred by the General Fund. These expenses include administrative costs, as well as workers compensation, liability and property insurance costs.

The playing condition of the course continues to improve dramatically, thus attracting more and more players. This increase in play is reflected in the projected revenues for the Golf Course.

GOLF COURSE EXPENDITURES

Capital improvements for the golf course include equipment purchases, the construction of restrooms between #13 green and #14 tee, and cart paths, all of which have been itemized and included in the CIP plan.

A \$35,000 payment has been included in the debt payment line item in the Golf Operations department. This represents the second year of the five year payback period on the loan made from the General Fund.

SUMMARY

This budget proposal represents the most cost effective means to provide the services necessary for the citizens of the Town of Black Mountain. It also addresses many of the recommendations made in the Town's March, 1999 Organization and Staffing Analysis and the Analysis of the Golf Course Operations that was performed by Municipal Advisors Incorporated under contract through the North Carolina League of Municipalities. The Town's employees are dedicated to the goal of providing high quality services to our citizens in the most cost efficient manner possible. It is because of this dedication that the Town can continue to maintain one of the most reasonable tax rates in the state.

I would like to commend all of the Town employees for this accomplishment and for their commitment to the citizens of the Town of Black Mountain.

Respectfully submitted this the 27th day May , 1999.

Albert F. Richardson, Jr.
Town Manager