

Town of Black Mountain, North Carolina

Comprehensive Annual Financial Report

June 30, 2014





Town of Black Mountain, North Carolina

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014**



**Board of Aldermen
(As of June 30, 2014)**

C. Michael Sobol, Mayor
Don Collins, Vice Mayor

Larry B. Harris
Carlos Showers
Ryan Stone
Maggie Tuttle

Town Manager
Matt Settlemyer

Prepared under the direction of:
Finance Officer
Dean Luebbe

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INTRODUCTORY SECTION





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Black Mountain
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Town of Black Mountain

160 Midland Avenue • Black Mountain, North Carolina 28711
Phone 828-419-9300 Fax 828-669-4204



November 26, 2014

To the Mayor, Board of Alderman,
and Citizens of the Town of Black Mountain, North Carolina

Ladies and Gentlemen:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Black Mountain, North Carolina for the fiscal year ending June 30, 2014. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted governmental auditing standards by a firm of licensed certified public accountants. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations for the Town of Black Mountain for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the Town of Black Mountain. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the Town of Black Mountain has established a comprehensive internal control framework that is designed to protect the Town's assets from loss, theft, or misuse and to compile reliable information for the preparation of the Town of Black Mountain's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh the benefits, the Town of Black Mountain's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Black Mountain's financial statements have been audited by Gould Killian CPA Group, P.A., Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town of Black Mountain, for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Black Mountain's financial statements for the fiscal year

ended June 30, 2014 are fairly presented in conformity with GAAP. The report of the independent auditor is presented in the first component of the financial section of this report.

Generally Accepted Accounting Principles requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Black Mountain's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town of Black Mountain, North Carolina

The Town of Black Mountain was established in 1893 and is located in western North Carolina, sixteen miles east of Asheville, North Carolina. The town was named for the Black Mountain range, part of the Blue Ridge province of the Southern Appalachians. The Town presently covers 6.5 miles, and serves an official population of 8,160.

The Town operates under a council/manager form of government. Policy-making and legislative authority are vested in the Board of Aldermen, consisting of the mayor and five other members. The Mayor and Board of Aldermen serve four year staggered terms, with all elections being non-partisan. The Board of Aldermen is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the Town Manager and Town Attorney. The Town Manager is the chief administrative officer for the Town, and is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointing heads of the Town's departments.

The Town provides its citizens with a wide variety of services including public safety, planning and development, culture and recreation, streets maintenance, and water services. The Town's water system serves over 3,300 customers, which includes Town residents, and customers from outlying areas. On May 1, 2014 the Town reclaimed management responsibilities of its municipal golf course. The Town also contracts with GDS to provide sanitation services for its residents. This report includes all of the Town's activities in providing these services.

The Town is empowered to levy a property tax on both real and personal properties located within its boundaries. Buncombe County is the only other unit that levies taxes within the Town's limits. The Town is also empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the Board of Aldermen.

In government, much more than business, the budget is an integral part of a unit's accounting system and daily operations. North Carolina General Statutes require that all governmental units in the State to adopt a balanced budget by July 1st of each year. An annual or project budget ordinance, as adopted and amended by the governing body, creates the legal limit on spending authorizations and guides the Town's accounting system as well as daily operations. The Town of Black Mountain maintains budgetary controls to ensure compliance with annual and project

budget ordinances approved by the Board of Aldermen. Project budgets are adopted for the duration of the project; therefore, neither the project nor the appropriation need to be readopted in any subsequent fiscal year. The level of budgetary control (that is, the level at which expenses or expenditures cannot legally exceed the appropriated amount) is established by department level. More than one department may appear under a specific function, but the budgetary control is by department. Budgetary control is maintained through the use of an encumbrance accounting system and encumbrances outstanding at June 30th are closed out.

In accordance with state law, the Town's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for unmatured principal and interest on long-term debt and certain compensated absences. The General Fund is reported on the modified accrual basis in the fund financial statements. The Town's Proprietary Funds (Water and Golf) are reported on the full accrual basis in the fund financial statements, under which revenues are recorded when earned and expenses are recorded when incurred.

Economic Condition of Black Mountain, North Carolina

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Black Mountain operates.

Local Economy

The Town of Black Mountain is part of the Asheville Metropolitan Region, the western North Carolina center for manufacturing, health care, banking, professional services, and tourism. Despite the recent economic downturn, Black Mountain and Buncombe County have rated highly among the most desirable places to live in the country.

Buncombe County's unemployment rate of 6.3%, as of June 2014, compares favorably with the overall State of North Carolina rate of 6.4%. This is in part due to the diversity of the local economy with professional services, trade and distribution, health care, and service oriented businesses. Ingles Markets, a Fortune 1000 company with over 200 stores throughout the Southeast, is based in Black Mountain. Other major employers include the Buncombe County Board of Education and the Black Mountain Neuro-Medical Treatment Center.

Building permit revenue has seen an increase in the last twenty four months, and the Town is cautiously optimistic that this will positively impact property values. The Settings, an upscale community, located on the south side of town on Highway 9, has seen a steady rise in new construction over the last year.

Tourism plays a large role in the economy. The moderate climate, picturesque downtown, and the natural beauty of the mountains continue to draw visitors from far and near. Black Mountain also benefits from its proximity to two colleges (Montreat and Warren Wilson), as well as many large faith based conference centers.

Long-Term Financial Planning

The Town has designated a total of \$275,000 into its Capital Reserve Fund. The Town intends to make annual contributions to this fund as a way of setting aside funds needed for capital purchases throughout the different functions of Town government. This practice was also established to reduce the dependency on debt issuance and/or large one time reductions in fund balance. Currently, these funds are earmarked for the dredging of Lake Tomahawk, fire equipment replacement, and public safety building repair and renovation. The weighted average interest rate for all Town debt currently stands at 2.97%, and the Town Board has been aggressive in reducing debt levels, by refinancing debt when appropriate as well as electing to paying off debt before scheduled maturity.

Financial Policies

The Town's management has relied upon sound financial policies and procedures to manage the operations of the Town during the economic downturn while maintaining core services and providing for Board priorities. Maintaining an adequate fund balance has helped the Town weather the prospect of revenue shortfalls without an interruption of services. The Town's current unassigned fund balance of 33.4% is well above the 30.5% minimum level set by the Town. Idle cash is invested with the North Carolina Capital Management Trust (NCCMT), an investment pool for local governments and public authorities in the State of North Carolina.

Awards and Acknowledgements

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Black Mountain for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the third consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Finance Department. The cooperation of each Town department is appreciated, as we work together in conducting the Town's financial operations. We also express our appreciation to the mayor and members of the Board of Alderman for their continued

support, guidance, and advice in planning and conducting the financial activities of the Town in a responsible and progressive manner. We also thank Gould Killian CPA Group, P.A., for their assistance.

Respectively submitted,

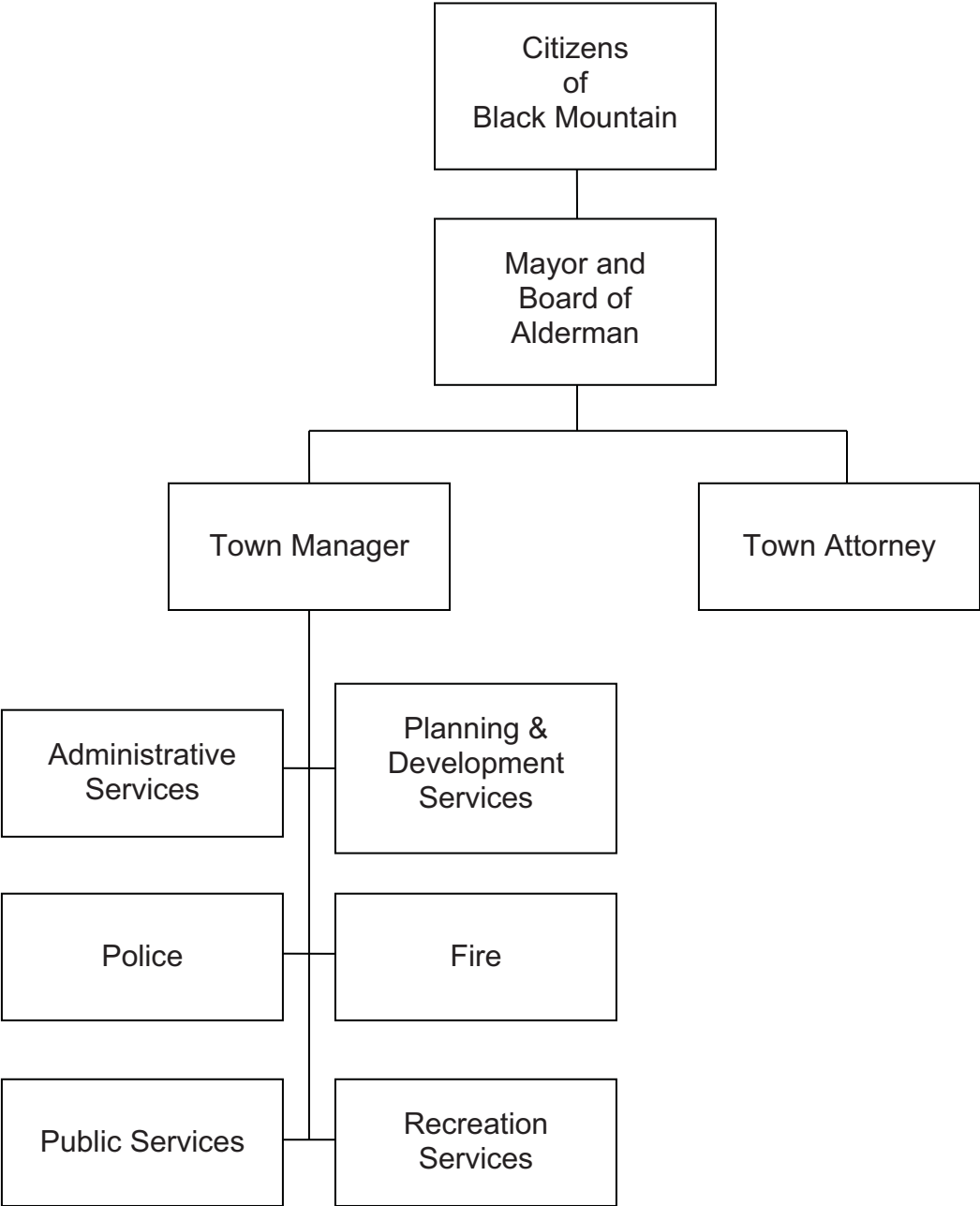


Matt Settlemeyer
Town Manager



Dean M. Luebbe, CPA
Finance Director

TOWN OF BLACK MOUNTAIN ORGANIZATIONAL CHART



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

THE TOWN GOVERNING BODY AND OFFICIALS

JUNE 30, 2014

MEMBERS OF THE GOVERNING BODY

MAYOR

C. Michael Sobol

BOARD OF ALDERMEN

Don Collins
(Vice Mayor)

Larry B. Harris

Carlos Showers

Ryan Stone

Maggie Tuttle

OFFICIALS

Matt Settlemyer	Town Manager
Dean Luebbe	Assistant Town Manager Finance Director
Steve Padgett	Police Chief
Steve Jones	Fire Chief
Jamey Matthews	Director of Public Services
Casey Connor	Director of Recreation Services
Josh Harrold	Director of Planning and Development

FINANCIAL SECTION





**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Black Mountain
Black Mountain, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Black Mountain, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Black Mountain ABC Board (a component unit) were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Black Mountain, North Carolina, as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Schedules of Employer Contributions on pages 4 through 11 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Black Mountain. The introductory section, individual fund statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of the Town of Black Mountain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Black Mountain's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina

November 26, 2014



Management's Discussion and Analysis

As management of the Town of Black Mountain, we offer readers of the Town of Black Mountain's financial statements this narrative overview and analysis of the financial activities of the Town of Black Mountain for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

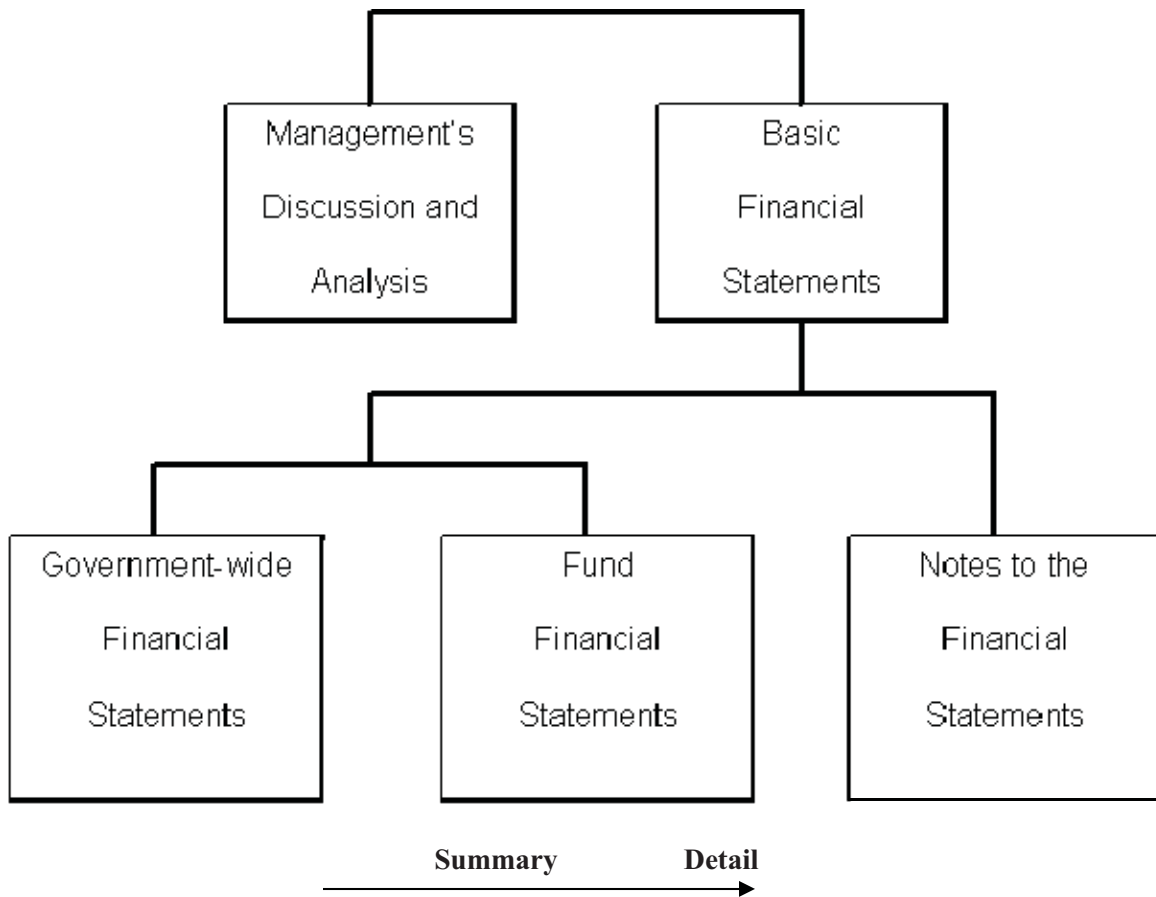
- The assets of the Town of Black Mountain exceeded its liabilities at the close of the fiscal year by \$15,794,799 (*net position*). Of this amount, \$4,246,959 may be used to meet the government's ongoing obligations to citizens and creditors (*unrestricted net position*).
- The government's total net assets increased by \$465,452 with the bulk of the increase being in governmental-type net assets.
- As of the close of the current fiscal year, the Town of Black Mountain's governmental funds reported combined ending fund balances of \$4,164,667, a decrease of \$79,278 in comparison with the prior year. Approximately 29.4% of this total amount, or \$1,224,884, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,464,402 or 33.4% of total general fund expenditures for the fiscal year. This compares with \$2,514,327 or 36.4% at the end of fiscal year 2013.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Black Mountain's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Black Mountain.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes, and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town of Black Mountain and operation of a municipal golf course. The final category is the component unit. Although legally separate from the Town, the Black Mountain Board of Alcoholic Control (ABC Board) is important to the town of Black Mountain because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Black Mountain, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Black Mountain can be divided into three categories: governmental funds, proprietary funds, and a fiduciary fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town of Black Mountain's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Black Mountain adopts an annual budget for its general fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary comparison statement provided for the general fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the general fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Black Mountain has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Black Mountain uses the enterprise funds to account for its water activity and for its golf course operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Fund – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Black Mountain has one fiduciary fund, which is a pension trust fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 – 41 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Black Mountain’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 44 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

**Government-Wide Financial Analysis
The Town of Black Mountain’s Net Assets**

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,441,438	\$ 4,536,133	\$ 2,084,635	\$ 1,966,245	\$ 6,526,073	\$ 6,502,378
Capital assets	9,034,012	8,894,805	5,734,548	5,919,808	14,768,560	14,814,613
Total assets	<u>13,475,450</u>	<u>13,430,938</u>	<u>7,819,183</u>	<u>7,886,053</u>	<u>21,294,633</u>	<u>21,316,991</u>
Long-term liabilities	2,703,857	3,112,730	2,069,908	2,304,531	4,773,765	5,417,261
Other liabilities & deferred inflows	<u>255,949</u>	<u>259,536</u>	<u>470,120</u>	<u>310,847</u>	<u>726,069</u>	<u>570,383</u>
Total liabilities & deferred inflows	<u>2,959,806</u>	<u>3,372,266</u>	<u>2,540,028</u>	<u>2,615,378</u>	<u>5,499,834</u>	<u>5,987,644</u>
Net assets:						
Invested in capital assets, net of related debt	6,682,269	6,062,891	3,702,761	3,684,913	10,385,030	9,747,804
Restricted	1,162,810	1,139,419	-	-	1,162,810	1,139,419
Unrestricted	<u>2,670,565</u>	<u>2,856,362</u>	<u>1,576,394</u>	<u>1,585,762</u>	<u>4,246,959</u>	<u>4,442,124</u>
Total net assets	<u>\$10,515,644</u>	<u>\$10,058,672</u>	<u>\$ 5,279,155</u>	<u>\$ 5,270,675</u>	<u>\$ 15,794,799</u>	<u>\$ 15,329,347</u>

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Black Mountain exceeded liabilities by \$15,794,799 as of June 30, 2014. The Town’s net assets *increased* by \$465,452 for the fiscal year ended June 30, 2014. However, the largest portion (65.7%) reflects the Town’s investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Black Mountain uses these capital

assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Black Mountain's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Black Mountain's net assets (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,246,958 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted net assets:

- The Town continues to maintain a high property tax collection percentage. The Town's collection percentage, excluding motor vehicle taxes, for fiscal year 2014, was 99.48%, which is higher than the statewide average of 97.3%.
- Property taxes increased by \$185,916 from the prior year, due to the first portion of a large local distribution center becoming taxable. Other taxes increased by \$46,151, an increase mainly fueled by sales tax, as Buncombe County business continued to grow.
- The overall weighted average interest rate of debt for the Town currently stands at 2.97%.

Town of Black Mountain Changes in Net Assets

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,322,643	\$ 1,247,127	\$ 1,380,410	\$ 1,231,027	\$ 2,703,053	\$ 2,478,154
Operating grants and contributions	274,624	296,504	-	-	274,624	296,504
Capital grants and contributions	213,222	2,339	-	-	213,222	2,339
General revenues:						
Property taxes	3,791,356	3,605,440	-	-	3,791,356	3,605,440
Other taxes	1,372,798	1,326,647	-	-	1,372,798	1,326,647
Grants and contributions	709,687	679,023	-	-	709,687	679,023
Other	<u>138,793</u>	<u>51,636</u>	<u>94,716</u>	<u>182,488</u>	<u>233,509</u>	<u>234,124</u>
Total revenues	<u>7,823,123</u>	<u>7,208,716</u>	<u>1,475,126</u>	<u>1,413,515</u>	<u>9,298,249</u>	<u>8,622,231</u>
Expenses:						
General government	1,264,384	1,204,608	-	-	1,264,384	1,204,608
Public safety	3,347,118	3,200,090	-	-	3,347,118	3,200,090
Public works	878,050	747,995	-	-	878,050	747,995
Environmental protection	693,266	650,060	-	-	693,266	650,060
Culture and recreation	772,137	698,246	-	-	772,137	698,246
Interest on long-term debt	76,196	98,531	-	-	76,196	98,531
Water	-	-	1,199,074	1,261,307	1,199,074	1,261,307
Golf course	-	-	<u>192,572</u>	<u>130,905</u>	<u>192,572</u>	<u>130,905</u>
Total expenses	<u>7,031,151</u>	<u>6,599,530</u>	<u>1,391,646</u>	<u>1,392,212</u>	<u>8,422,797</u>	<u>7,991,742</u>
Increase (decrease) in net assets before transfers	791,972	609,186	83,480	21,303	875,452	630,489
Billy Casper (management contract)	-	-	(410,000)	-	(410,000)	-
Transfers	<u>(335,000)</u>	<u>-</u>	<u>335,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	456,972	609,186	8,480	21,303	465,452	630,489
Net assets, beginning	<u>10,058,672</u>	<u>9,449,486</u>	<u>5,270,675</u>	<u>5,249,372</u>	<u>15,329,347</u>	<u>14,698,858</u>
Net assets, ending	<u>\$ 10,515,644</u>	<u>\$10,058,672</u>	<u>\$ 5,279,155</u>	<u>\$ 5,270,675</u>	<u>\$ 15,794,799</u>	<u>\$ 15,329,347</u>

Governmental activities. Governmental activities increased the Town's net position by \$456,972. Key elements of this increase are as follows.

- Ad valorem property tax revenue increased approximately \$186,000, or 5%. The increase is mainly attributable to additional property tax from a new distribution facility.
- The current year tax collection rate was 99.48%, excluding motor vehicle taxes. This is an increase from 99.2% in FY13.
- Sales tax increased approximately \$75,000, or 6%, from FY13.
- Expense for interest on long-term debt decreased by \$22,335 from \$98,531 in FY13 to a total of \$76,196 this fiscal year. The Town did not issue additional debt in FY14 and the weighted average interest rate for all debt currently stands at 2.97%.
- The General Fund recorded an expenditure for \$290,000 of the \$410,000 it previously advanced to the Golf Fund for continuing operations while under Billy Casper Golf Management.

Business-type activities: Business-type activities increased the Town of Black Mountain's net position by \$8,480. Key elements of this increase are as follows.

- The Town regained management responsibilities for the Golf Course from Billy Casper Golf Management (BCGM), effective May 1, 2014. The current year CAFR includes two months of operating results and financial information relating to transfers, depreciation, and a debt repayment reimbursement.
- The Water Fund increased net position by \$82,998 in FY14. Operating revenues increased by \$48,202, in part due to stricter collection procedures.
- The Golf Fund reported an operating loss of \$87,591 during May and June of FY14 while under the management of the Town. The Golf Fund would have reported operating income of \$61,293 if deferred membership revenue and depreciation had not been included as required.

Financial Analysis of the Town of Black Mountain's Funds

As noted earlier, the Town of Black Mountain uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Black Mountain's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Black Mountain's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Black Mountain. At the end of the current fiscal year, the Town of Black Mountain's fund balance available in the general fund was \$2,464,402, while total fund balance reached \$4,164,667. As a measure of the general fund's liquidity, it may be useful to compare available fund balance to the fund's expenditures. The Town currently has available fund balance of 33.4% of general fund expenditures, while total fund balance represents 56.5% of that same amount.

At June 30, 2014, the governmental funds of the Town of Black Mountain reported a combined fund balance of \$4,164,667, a 1.9% decrease from last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

The Town of Black Mountain relied on property taxes to account for \$3,809,276 of revenue, which represents 49.9% of total General Fund revenues. Local option sales tax increased from \$1,245,694 in FY13 to \$1,321,087 in FY14, representing 17.3% of General Fund revenue. Overall, general fund revenues exceeded budgeted amounts by \$244,513. Expenditures, as required by budget ordinance, should not exceed appropriated levels. Overall expenditures were \$287,888 less than budgeted amounts due mainly to savings in the public safety function, although all departments were under budget. Similar to most local governments, salaries and benefits represent the largest portion of General Fund expenditures (55.3%).

Proprietary Funds. The Town’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. The total increase in net position for the funds were \$8,480. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town’s business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Black Mountain’s investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$14,768,560 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and water and sewer facilities and infrastructure.

Major capital asset transactions during the year include the following:

- The Town purchased over \$680,000 of capital assets in FY14. Included in these purchases were three police vehicles (\$70,520) and golf course irrigation improvements (\$45,491). The Town also expended \$384,670 on sidewalk improvements and \$88,486 on paving projects.

**Town of Black Mountain’s Capital Assets
(Net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$3,485,062	\$ 3,485,062	\$ 481,775	\$ 481,775	\$ 3,966,837	\$ 3,966,837
Buildings	3,462,964	3,565,454	325,059	334,922	3,788,023	3,900,376
Land improvements	1,580,800	1,195,423	2,757,426	2,809,832	4,338,226	4,005,255
Furniture and fixtures	24,006	28,906	5,613	6,322	29,619	35,228
Equipment	109,551	148,666	72,225	87,769	181,776	236,435
Water infrastructures	-	-	1,895,450	1,962,788	1,895,450	1,962,788
Vehicles and motorized equipment	371,629	392,211	197,000	236,400	568,629	628,611
Construction in progress	-	79,083	-	-	-	79,083
Total	\$ 9,034,012	\$ 8,894,805	\$ 5,734,548	\$ 5,919,808	\$ 14,768,560	\$ 14,814,613

Additional information on the Town’s capital assets can be found in Note 2-A.5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2014, the Town of Black Mountain had long term obligations of \$4,383,279. The Town’s long term obligations include installment purchases, capitalized leases, and revolving loans. It does not include pension and other postemployment liabilities or accrued vacation pay. The Town of Black Mountain’s total debt decreased from \$5,066,810 in FY13 to \$4,383,279 at the end of FY14.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Black Mountain is approximately \$71,400,000.

Additional information regarding the Town of Black Mountain's long-term debt can be found in Note 2.B.6 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability of the Town of Black Mountain:

- Low unemployment. The Town of Black Mountain rate of 6.3% is below the statewide level of 6.4%.
- Buncombe County recently completed a property revaluation which will affect FY14. Although property values in Black Mountain were reduced by the revaluation, Black Mountain property held its value better than all other governments in the county.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Government Activities

- Property taxes are expected to grow by 3.5% from FY14 budgeted levels, and are budgeted to account for 48.2% of General Fund revenues. Sales tax revenues are expected to grow by 4.9% from FY14 budgeted levels, and account for 17.3% of General Fund revenues. Both have been positively impacted by growth in the tax base.
- Budgeted expenditures in the General Fund are 3.6% higher compared to FY14. Salaries and benefits account for 53.5% of General Fund expenditures. Appropriated fund balance of \$200,381 was needed to balance the FY15 budget.
- The tax rate for real property currently stands at 37.5 cents per one hundred dollars of value.
- Phase II of the Montreat sidewalk will be completed during FY15.

Business Activities

- Town of Black Mountain water rates were raised by 2% to cover the increased costs of operations.
- The Town will complete the Carolina Heights/Black Mountain Estates Water System Improvement project. This project will impact over six hundred water customers by increasing water pressure and creating redundancy in the water distribution system.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Dean Luebbe, Finance Director, Town of Black Mountain, 160 Midland Avenue, Black Mountain, NC 28711. Requests may also be made by telephone at (828) 419-9301, or by e-mail at dean.luebbe@townofblackmountain.org.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Town of Black Mountain ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,136,426	\$ 1,935,096	\$ 5,071,522	\$ 264,200
Taxes receivable, net	29,060	-	29,060	-
Accrued interest receivable	2,731	-	2,731	-
Accounts receivable, net	69,860	341,179	411,039	-
Due from/(to) other funds	271,312	(271,312)	-	-
Due from other governments	579,311	-	579,311	-
Inventories	4,199	79,672	83,871	233,963
Prepaid expenses	84,544	-	84,544	811
Restricted:				
Cash and cash equivalents	263,995	-	263,995	-
Total current assets	4,441,438	2,084,635	6,526,073	498,974
Non-current assets:				
Capital assets:				
Land and construction in progress	3,485,062	481,775	3,966,837	66,737
Other capital assets, net	5,548,950	5,252,773	10,801,723	70,795
Total capital assets	9,034,012	5,734,548	14,768,560	137,532
Total assets	13,475,450	7,819,183	21,294,633	636,506
LIABILITIES				
Current liabilities:				
Accounts payable	82,208	326,643	408,851	-
Other liabilities	114,435	72,758	187,193	149,668
Accrued interest payable	37,638	9,974	47,612	-
Customer deposits	-	60,745	60,745	-
Current portion of long-term liabilities	554,919	221,022	775,941	-
Total current liabilities	789,200	691,142	1,480,342	149,668
Long-term liabilities:				
Due in more than one year	2,148,938	1,848,886	3,997,824	11,307
Total liabilities	2,938,138	2,540,028	5,478,166	160,975
DEFERRED INFLOWS OF RESOURCES				
	21,668	-	21,668	-
NET POSITION				
Net investment in capital assets	6,682,269	3,702,761	10,385,030	137,532
Restricted for:				
Stabilization by State statute	898,815	-	898,815	-
Streets	209,242	-	209,242	-
Public safety	54,754	-	54,754	53,624
Capital projects	-	-	-	-
Unrestricted	2,670,564	1,576,394	4,246,958	284,375
Total net position	\$ 10,515,644	\$ 5,279,155	\$ 15,794,799	\$ 475,531

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Statement of Activities
For the year ended June 30, 2014

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 1,264,384	\$ 127,090	\$ -	\$ -
Public safety	3,347,118	1,026,845	21,739	-
Public works	878,050	-	236,075	-
Environmental protection	693,266	-	-	-
Cultural and recreational	772,137	168,708	16,810	-
Economic and physical development	-	-	-	213,222
Interest on long-term debt	76,196	-	-	-
Total governmental activities	7,031,151	1,322,643	274,624	213,222
Business-type activities:				
Water	1,199,074	1,279,528	-	-
Golf Course	192,572	100,882	-	-
Total business-type activities	1,391,646	1,380,410	-	-
Total primary government	\$ 8,422,797	\$ 2,703,053	\$ 274,624	\$ 213,222
Component unit:				
Town of Black Mountain ABC Board	\$ 1,804,501	\$ 1,807,547	\$ -	\$ -
Total component unit	\$ 1,804,501	\$ 1,807,547	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Special item (note 4):

Billy Casper (management contract)

Transfers

Total general revenues

Changes in net position

Net position, beginning of year

Net position, end of year

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Town of Black Mountain ABC Board	
\$ (1,137,294)	\$ -	\$ (1,137,294)	\$ -	-
(2,298,534)	-	(2,298,534)	-	-
(641,975)	-	(641,975)	-	-
(693,266)	-	(693,266)	-	-
(586,619)	-	(586,619)	-	-
213,222	-	213,222	-	-
(76,196)	-	(76,196)	-	-
(5,220,662)	-	(5,220,662)	-	-
-	80,454	80,454	-	-
-	(91,690)	(91,690)	-	-
-	(11,236)	(11,236)	-	-
(5,220,662)	(11,236)	(5,231,898)	-	-
-	-	-	3,046	-
-	-	-	3,046	-
3,791,356	-	3,791,356	-	-
1,321,087	-	1,321,087	-	-
51,711	-	51,711	-	-
709,687	-	709,687	-	-
2,112	1,124	3,236	357	-
3,797	18,184	21,981	-	-
132,884	75,408	208,292	-	-
-	(410,000)	(410,000)	-	-
(335,000)	335,000	-	-	-
5,677,634	19,716	5,697,350	357	-
456,972	8,480	465,452	3,403	-
10,058,672	5,270,675	15,329,347	472,128	-
\$ 10,515,644	\$ 5,279,155	\$ 15,794,799	\$ 475,531	-

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Exhibit 3

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2014

	<u>Major Funds</u>		Total Governmental Funds
	General Fund	Capital Project Fund	
ASSETS			
Cash and cash equivalents	\$ 3,136,426	\$ -	\$ 3,136,426
Restricted cash and cash equivalents	263,995	-	263,995
Taxes receivable, net	29,060	-	29,060
Accounts receivable, net	69,860	-	69,860
Due from other funds	271,312	-	271,312
Due from other governments	579,311	-	579,311
Inventories	4,199	-	4,199
Prepaid items	57,875	-	57,875
Total assets	<u>\$ 4,412,038</u>	<u>\$ -</u>	<u>\$ 4,412,038</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 82,208	\$ -	\$ 82,208
Salaries and payroll taxes payable	114,435	-	114,435
Total liabilities	<u>196,643</u>	<u>-</u>	<u>196,643</u>
DEFERRED INFLOWS OF RESOURCES	<u>50,728</u>	<u>-</u>	<u>50,728</u>
FUND BALANCES			
Nonspendable:			
Inventories	4,199	-	4,199
Prepaid expenses	57,875	-	57,875
Restricted for:			
Stabilization by State statute	898,815	-	898,815
Streets	209,242	-	209,242
Public safety	54,754	-	54,754
Committed for capital reserve	275,000	-	275,000
Assigned - subsequent year's expenditures	200,381	-	200,381
Unassigned	2,464,402	-	2,464,402
Total fund balances	<u>4,164,667</u>	<u>-</u>	<u>4,164,667</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,412,038</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,034,012
Other current assets (accrued interest receivable from taxes and certain prepaid expenses) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	29,400
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	29,060
Some liabilities, including notes payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,741,495)</u>
Net position of governmental activities	<u>\$ 10,515,644</u>

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

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2014

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Project Fund</u>	
REVENUES			
Ad valorem taxes	\$ 3,809,276	\$ -	\$ 3,809,276
Other taxes and licenses	1,372,798	-	1,372,798
Unrestricted intergovernmental	709,687	-	709,687
Restricted intergovernmental	274,624	213,222	487,846
Permits and fees	165,285	-	165,285
Sales and services	1,157,358	-	1,157,358
Miscellaneous	132,884	-	132,884
Investment earnings	2,112	-	2,112
Total revenues	<u>7,624,024</u>	<u>213,222</u>	<u>7,837,246</u>
EXPENDITURES			
Current:			
General government	1,175,458	-	1,175,458
Public safety	3,291,394	-	3,291,394
Public works	952,357	-	952,357
Environmental protection	652,963	-	652,963
Cultural and recreational	732,495	-	732,495
Capital outlay	-	217,080	217,080
Debt service:			
Principal	480,422	-	480,422
Interest	83,152	-	83,152
Total expenditures	<u>7,368,241</u>	<u>217,080</u>	<u>7,585,321</u>
Revenues over (under) expenditures	<u>255,783</u>	<u>(3,858)</u>	<u>251,925</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	3,797	-	3,797
Contribution to golf fund	(45,000)	-	(45,000)
Transfer to golf fund	(290,000)	-	(290,000)
Total other financing sources (uses)	<u>(331,203)</u>	<u>-</u>	<u>(331,203)</u>
Net change in fund balances	(75,420)	(3,858)	(79,278)
Fund balances, beginning of year	<u>4,240,087</u>	<u>3,858</u>	<u>4,243,945</u>
Fund balances, end of year	<u>\$ 4,164,667</u>	<u>\$ -</u>	<u>\$ 4,164,667</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds \$ (79,278)

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 was more than depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 502,909	
Depreciation expense for governmental assets	<u>(363,702)</u>	139,207

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (56,041)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		480,422
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest expense		6,956
Compensated absences used (accrued)		(33,428)
Net pension obligation (prepayment)		<u>(866)</u>

Total changes in net position of governmental activities		<u><u>\$ 456,972</u></u>
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TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Exhibit 6

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – GENERAL FUND
 For the year ended June 30, 2014

General Fund				
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,643,936	\$ 3,643,936	\$ 3,809,276	\$ 165,340
Other taxes and licenses	1,358,000	1,358,000	1,372,798	14,798
Unrestricted intergovernmental	709,000	746,500	709,687	(36,813)
Restricted intergovernmental	264,000	257,500	274,624	17,124
Permits and fees	129,500	129,500	165,285	35,785
Sales and services	1,105,655	1,105,655	1,157,358	51,703
Investment earnings	4,350	4,350	2,112	(2,238)
Miscellaneous	27,800	134,070	132,884	(1,186)
Total revenues	<u>7,242,241</u>	<u>7,379,511</u>	<u>7,624,024</u>	<u>244,513</u>
Expenditures:				
Current:				
General government	1,244,495	1,208,495	1,175,458	33,037
Public safety	3,325,466	3,394,944	3,291,394	103,550
Public works	1,028,520	1,031,020	952,357	78,663
Environmental protection	680,810	678,310	652,963	25,347
Cultural and recreation	711,717	780,017	732,495	47,522
Debt service:				
Principal retirement	480,425	480,425	480,422	3
Interest and other charges	82,918	82,918	83,152	(234)
Total expenditures	<u>7,554,351</u>	<u>7,656,129</u>	<u>7,368,241</u>	<u>287,888</u>
Revenues over (under) expenditures	<u>(312,110)</u>	<u>(276,618)</u>	<u>255,783</u>	<u>532,401</u>
Other financing sources (uses):				
Appropriated fund balance	307,110	646,618	-	(646,618)
Proceeds from sale of fixed assets	5,000	5,000	3,797	(1,203)
Transfer to golf fund	-	(290,000)	(290,000)	-
Transfer to capital reserve fund	-	(40,000)	(25,000)	15,000
Contribution to golf fund	-	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>312,110</u>	<u>276,618</u>	<u>(356,203)</u>	<u>(632,821)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(100,420)</u>	<u>\$ (100,420)</u>
Fund balance, beginning of year			<u>3,990,087</u>	
Fund balance, end of year			<u>3,889,667</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer from general fund			<u>25,000</u>	
Fund balance, beginning of year (Capital Reserve Fund)			<u>250,000</u>	
Fund balance, end of year (Exhibit 4)			<u>\$ 4,164,667</u>	

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

PROPRIETARY FUNDS
Statement of Fund Net Position
For the year ended June 30, 2014

	Major Enterprise Funds		
	Water Fund	Golf Course Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,850,932	\$ 84,164	\$ 1,935,096
Accounts receivable:			
Accounts receivable - billed, net	240,740	-	240,740
Accounts receivable - unbilled, net	100,439	-	100,439
Inventories	73,176	6,496	79,672
Total current assets	<u>2,265,287</u>	<u>90,660</u>	<u>2,355,947</u>
Capital assets:			
Land and other non-depreciable assets	175,645	306,130	481,775
Other capital assets, net of depreciation	4,649,045	603,728	5,252,773
Capital assets, net	<u>4,824,690</u>	<u>909,858</u>	<u>5,734,548</u>
Total assets	<u>7,089,977</u>	<u>1,000,518</u>	<u>8,090,495</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	299,916	26,727	326,643
Deferred annual golf memberships	-	72,758	72,758
Accrued interest payable	9,008	966	9,974
Due to general fund	-	271,312	271,312
Customer deposits	60,745	-	60,745
Compensated absences, current	23,557	800	24,357
Revolving loans payable, current	110,331	-	110,331
Installment purchase, current	28,007	58,327	86,334
Total current liabilities	<u>531,564</u>	<u>430,890</u>	<u>962,454</u>
Noncurrent liabilities:			
Compensated absences	9,774	3,990	13,764
Revolving loans payable	1,755,862	-	1,755,862
Installment purchase	19,889	59,371	79,260
Total noncurrent liabilities	<u>1,785,525</u>	<u>63,361</u>	<u>1,848,886</u>
Total liabilities	<u>2,317,089</u>	<u>494,251</u>	<u>2,811,340</u>
NET POSITION			
Net investment in capital assets	2,910,601	792,160	3,702,761
Unrestricted (deficit)	1,862,287	(285,893)	1,576,394
Total net position	<u>\$ 4,772,888</u>	<u>\$ 506,267</u>	<u>\$ 5,279,155</u>

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

PROPRIETARY FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended June 30, 2014

	Major Enterprise Funds		
	Water Fund	Golf Course Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,132,180	\$ -	\$ 1,132,180
Golf course revenue	-	100,882	100,882
Other	147,348	-	147,348
Miscellaneous	1,420	-	1,420
Total operating revenues	<u>1,280,948</u>	<u>100,882</u>	<u>1,381,830</u>
OPERATING EXPENSES			
Administration	250,593	112,347	362,940
Water system operations	681,612	-	681,612
Depreciation	208,177	76,126	284,303
Total operating expenses	<u>1,140,382</u>	<u>188,473</u>	<u>1,328,855</u>
Operating income (loss)	<u>140,566</u>	<u>(87,591)</u>	<u>52,975</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	1,124	-	1,124
Interest on long-term debt	(58,692)	(4,099)	(62,791)
Gain on sale of fixed asset	-	18,184	18,184
Billy Casper operations	-	(410,000)	(410,000)
Reimbursement from Billy Casper Golf	-	73,988	73,988
Total nonoperating revenue (expenses)	<u>(57,568)</u>	<u>(321,927)</u>	<u>(379,495)</u>
OTHER FINANCING SOURCES			
Transfer from general fund	-	290,000	290,000
Contribution from general fund	-	45,000	45,000
Total other financing sources	<u>-</u>	<u>335,000</u>	<u>335,000</u>
Change in net position	82,998	(74,518)	8,480
Net position, beginning of year	<u>4,689,890</u>	<u>580,785</u>	<u>5,270,675</u>
Net position, end of year	<u>\$ 4,772,888</u>	<u>\$ 506,267</u>	<u>\$ 5,279,155</u>

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended June 30, 2014

	Major Enterprise Funds		
	Water Fund	Golf Course Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,301,161	\$ 173,640	\$ 1,474,801
Cash paid for goods and services	(497,664)	(37,219)	(534,883)
Cash paid to or on behalf of employees for services	(401,329)	(50,107)	(451,436)
Net cash provided (used) by operating activities	<u>402,168</u>	<u>86,314</u>	<u>488,482</u>
Cash flows from noncapital and related financing activities:			
Transfer from General Fund	-	290,000	290,000
Payments to Billy Casper Golf	-	(322,000)	(322,000)
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>(32,000)</u>	<u>(32,000)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(53,590)	(45,451)	(99,041)
Contribution from General Fund	-	45,000	45,000
Proceeds on sale of golf carts	-	18,184	18,184
Principal payment on long-term debt	(145,806)	(57,301)	(203,107)
Interest on long-term debt	(60,259)	(4,570)	(64,829)
Reimbursement of lease payments by Billy Casper Golf	-	73,988	73,988
Net cash provided (used) by capital and related financing activities	<u>(259,655)</u>	<u>29,850</u>	<u>(229,805)</u>
Cash flows from investing activities:			
Interest earned	1,124	-	1,124
Net cash provided by investing activities	<u>1,124</u>	<u>-</u>	<u>1,124</u>
Net increase in cash and cash equivalents	143,637	84,164	227,801
Cash and cash equivalents, beginning of year	1,707,295	-	1,707,295
Cash and cash equivalents, end of year	<u>\$ 1,850,932</u>	<u>\$ 84,164</u>	<u>\$ 1,935,096</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 140,566	\$ (87,591)	\$ 52,975
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	208,177	76,126	284,303
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(3,832)	-	(3,832)
(Increase) decrease in inventory	(265)	(6,496)	(6,761)
Increase (decrease) in accounts payable and accrued liabilities	37,781	26,727	64,508
Increase in deferred annual golf memberships	-	72,758	72,758
Increase (decrease) in compensated absences	(4,304)	4,790	486
Increase in customer deposits	24,045	-	24,045
Total adjustments	<u>261,602</u>	<u>173,905</u>	<u>435,507</u>
Net cash provided (used) by operating activities	<u>\$ 402,168</u>	<u>\$ 86,314</u>	<u>\$ 488,482</u>

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

FIDUCIARY FUND
 Statement of Fiduciary Net Position
 June 30 2014

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 123,199
NET POSITION	
Assets held in trust for pension benefits	\$ 123,199

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

FIDUCIARY FUND
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	<u>Pension Trust Fund</u>
ADDITIONS	
Employer contributions	<u>36,170</u>
Investment Income:	
Interest	<u>13</u>
DEDUCTIONS	
Benefits	<u>41,064</u>
Change in net position	(4,880)
Net position, beginning of year	<u>128,079</u>
Net position, end of year	<u>\$ 123,199</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Town of Black Mountain and its discretely presented component unit 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 policies:

A. Reporting Entity

The Town of Black Mountain is a municipal corporation which is governed by an elected mayor and a five member board of aldermen. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Black Mountain ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Black Mountain ABC Board, Highway 9, Black Mountain, NC 28711.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-

exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

Capital Project Fund – This fund is used to account for funds that are restricted for use for various capital projects ongoing in the Town.

The Town reports the following major enterprise funds:

Water Fund – This fund is used to account for the Town’s water system operations.

Golf Course Fund – This fund is used to account for the Town’s operation of a municipal golf course.

The Town reports the following fund type:

Pension Trust Fund – The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers’ Special Separation Allowance, a single-employer, public employee retirement system. The balances in this fund have been omitted from the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual 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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues

are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Buncombe County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Black Mountain. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Buncombe County from March 2013 through February 2014 apply to the fiscal year ended June 30, 2014. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes, and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Reserve Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the General Fund Capital Project Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The Town Manager is authorized by the budget ordinance to transfer appropriations between departmental areas within a fund up to \$2,500; however, any revisions that alter the total expenditures of any fund or that change departmental appropriations by more than \$2,500 must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina.

State law [G.S. 159-30(c)] authorizes the Town and the ABC 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, and the North Carolina Capital Management Trust (NCCMT).

The Town's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolios are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The Town 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. The ABC Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The unexpended balance of grant funds are classified as restricted assets for the general fund because their use is completely restricted to the purpose for which the grants were intended. The unexpended balance of forfeiture funds for Public Safety are classified as restricted assets for the general fund because their use is completely restricted to the purpose for which the funds were intended. In addition, customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town and those of the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund and Water Fund inventory consists of expendable supplies that are recorded as expenditures when used rather than when purchased.

The inventory of the ABC Board consists of materials and supplies held for subsequent resale. The cost of these inventories is expensed when held for resale rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are \$5,000

for all capital assets, with the exception of the following, which are capital assets regardless of value: assets deemed to be an improvement to the water distribution system and golf carts. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	50
Water distribution system improvements	30
Building and land improvements	15
Furniture and fixtures	10
Automobiles	5
Equipment (non-computer, including golf carts)	5
Computer equipment	3
Computer software	3

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings and improvements	40
Equipment	5 - 10

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three significant items that meet the criterion for this category – prepaid taxes, prepaid privilege licenses, and property taxes receivable.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In fund financial statements, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The Town's sick leave policy 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 Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – portion of the fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

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

Restricted for stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for streets – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for capital projects – portion of fund balance that is restricted by revenue source for Town improvements.

Restricted for public safety – portion of fund balance that is forfeiture funds restricted for public safety.

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Black Mountain's Board of Alderman (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned fund balance – portion of fund balance that the Town of Black Mountain intends to use for specific purposes. Unassigned fund balance may be assigned by the Board of Alderman or the Town Manager for specific purposes through the budget process or agenda items.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

The Town of Black Mountain has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond

proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are typically 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 if it is in the best interest of the Town.

The Town of Black Mountain has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 30.5% of budgeted expenditures. Any portion of the general fund balance in excess of 30.5% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Note 2 – Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agent in these units' names. 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 Town, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. 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 Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. 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 Town and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town and the ABC Board complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$1,960,102 and a bank balance of \$1,974,765. Of the bank balance, \$351,090 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$262,700 and the bank balance was \$274,658. All of the ABC Board's bank balance was covered by federal depository insurance.

The Town and the ABC Store also had cash on hand at June 30, 2014 of \$3,490 and \$1,500, respectively.

2. Investments

At June 30, 2014, the Town of Black Mountain had funds with a carrying amount of \$3,371,925 and a bank balance of \$3,371,925 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk – The Town has no formal investment policy regarding interest rate risk.

Credit Risk – The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible rating whenever particular types of securities are rated.

At June 30, 2014, the ABC Board held no investments.

3. Reconciliation of Cash and Cash Equivalents

A reconciliation of cash and cash equivalents as shown on the government-wide statement of net position is as follows:

Reported value of deposits	\$ 1,960,102
Petty cash	3,490
Fair value of investments	<u>3,371,925</u>
	<u>\$ 5,335,517</u>
Statement of Net Position	
Cash and cash equivalents	\$ 5,071,522
Cash and cash equivalents, restricted	<u>263,995</u>
	<u>\$ 5,335,517</u>

4. Receivables – Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position does not include any penalties levied or outstanding. The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014 are net of the following allowances for doubtful accounts:

	<u>June 30, 2014</u>
General Fund:	
Allowance for uncollectible property taxes	\$ 25,477
Water Fund:	
Allowance for uncollectible water receivables	<u>103,736</u>
Total allowance for uncollectible accounts	<u>\$ 129,213</u>

5. Capital Assets**Primary Government**

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

	<u>Beginning</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending</u>
	<u>Balances</u>						<u>Balances</u>
Governmental activities:							
Capital assets not being depreciated:							
Land	\$ 3,485,062	\$ -		\$ -		\$ 3,485,062	
Construction in process	<u>79,084</u>	<u>206,538</u>		<u>285,622</u>		<u>-</u>	
Total capital assets not being depreciated	<u>3,564,146</u>	<u>206,538</u>		<u>285,622</u>		<u>3,485,062</u>	
Capital assets being depreciated:							
Buildings	4,978,384	-		-		4,978,384	
Land improvements	1,889,155	505,293		-		2,394,448	
Furniture and fixtures	228,662	-		-		228,662	
Equipment	868,685	6,180		6,573		868,292	
Automobiles	<u>2,673,544</u>	<u>70,520</u>		<u>27,420</u>		<u>2,716,644</u>	
Total capital assets being depreciated	<u>10,638,430</u>	<u>581,993</u>		<u>33,993</u>		<u>11,186,430</u>	
Less accumulated depreciation for:							
Buildings	1,412,930	102,491		-		1,515,421	
Land improvements	693,732	119,915		-		813,647	
Furniture and fixtures	199,756	4,900		-		204,656	
Equipment	<u>720,019</u>	<u>45,295</u>		<u>6,573</u>		<u>758,741</u>	

Automobiles	<u>2,281,333</u>	<u>91,102</u>	<u>27,420</u>	<u>2,345,015</u>
Total accumulated depreciation	<u>5,307,770</u>	<u>363,702</u>	<u>33,993</u>	<u>5,637,480</u>
Total capital assets being depreciated, net	<u>5,330,660</u>			<u>5,548,950</u>
Governmental activities capital assets, net	<u>\$ 8,894,806</u>			<u>\$ 9,034,012</u>

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

General government	\$ 51,131
Public safety	107,492
Transportation	128,924
Environmental protection	10,303
Cultural and recreational	<u>65,852</u>
Total depreciation expense	<u>\$ 363,702</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 175,645	\$ -	\$ -	\$ 175,645
Capital assets being depreciated:				
Land improvements	3,440,407	-	-	3,440,407
Reservoir and treatment systems	3,515,403	34,417	-	3,549,820
Buildings	12,060	-	-	12,060
Sewer lines	1,119,781	-	-	1,119,781
Equipment	207,046	19,174	-	226,220
Automobiles	<u>195,513</u>	<u>-</u>	<u>21,202</u>	<u>174,311</u>
Total capital assets being depreciated	<u>8,490,210</u>	<u>53,591</u>	<u>21,202</u>	<u>8,522,599</u>
Less accumulated depreciation for:				
Land improvements	656,230	86,334	-	742,564
Reservoir and treatment systems	2,597,853	64,425	-	2,662,278
Buildings	2,229	241	-	2,470
Sewer lines	74,543	37,326	-	111,869
Equipment	160,210	19,850	-	180,060
Automobiles	<u>195,513</u>	<u>-</u>	<u>21,202</u>	<u>174,311</u>
Total accumulated depreciation	<u>3,686,578</u>	<u>208,176</u>	<u>21,202</u>	<u>3,873,552</u>
Total capital assets being depreciated, net	<u>4,803,632</u>			<u>4,649,047</u>
Water fund capital assets, net	<u>4,979,277</u>			<u>4,824,692</u>

Golf Fund

Capital assets not being depreciated:				
Land	306,130	-	-	306,130
Capital assets being depreciated:				
Land improvements	789,315	45,451	-	834,766
Buildings	484,523	-	-	484,523
Furniture and fixtures	18,172	-	-	18,172
Equipment	481,114	-	200,717	280,397
Golf carts	275,800	-	-	275,800
Automobiles	<u>20,127</u>	<u>19,300</u>	<u>19,300</u>	<u>20,127</u>
Total capital assets being depreciated	<u>2,069,051</u>	<u>64,751</u>	<u>220,017</u>	<u>1,913,785</u>
Less accumulated depreciation for:				
Land improvements	763,660	11,523	-	775,183

Buildings	159,432	9,624	-	169,056
Furniture and fixtures	11,850	709	-	12,559
Equipment	440,181	14,870	200,717	254,334
Golf carts	39,400	39,400	-	78,800
Automobiles	20,127	19,300	19,300	20,127
Total accumulated depreciation	1,434,650	95,426	220,017	1,310,059
Total capital assets being depreciated, net	634,401			603,726
Golf fund capital assets, net	940,531			909,856
Business-type activities capital assets, net	\$ 5,919,808			\$ 5,734,548

Discretely presented component unit:

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 66,737	\$ -	\$ -	\$ 66,737
Total capital assets not being depreciated	66,737	-	-	66,737
Capital assets being depreciated:				
Buildings and improvements	186,312	-	1,907	184,405
Equipment	48,467	4,766	1,717	51,516
Total capital assets being depreciated	234,779	4,766	3,624	235,921
Less accumulated depreciation for:				
Buildings and improvements	127,380	6,016	1,907	131,489
Equipment	33,036	2,318	1,717	33,637
Total accumulated depreciation	160,416	8,334	3,624	165,126
Total capital assets being depreciated, net	74,363			70,795
ABC Board capital assets, net	\$ 141,100			\$ 137,532

B. Liabilities1. Pension Plan Obligationsa. Local Government Employees' Retirement System

Plan Description – The Town of Black Mountain and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.06% and 7.54%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7% of annual covered payroll. The contribution requirements of members and of the Town and ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$212,606, \$186,056, and \$192,428, respectively. The ABC Board's contributions to LGERS for the years

ended June 30, 2014, 2013, and 2012 were \$7,638, \$6,735, and \$6,822, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description*

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increase in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the Town's report as a pension trust fund. All full-time law enforcement officers of the Town are covered by the Separation Allowance.

At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>18</u>
Total	<u><u>21</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies*

Basis of Accounting – Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value. Short-term money market debt instruments, deposits and repurchase agreements, are reported at cost or amortized cost, which approximates fair value.

3. *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$36,170 or 5.03% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

4. *Annual Pension Cost and Net Pension (Asset)* – The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contributions	\$	36,170
Interest on net pension obligation		(1,377)
Adjustment to annual required contribution		<u>2,243</u>
Annual pension cost		37,036
Contributions made		<u>36,170</u>
(Increase) decrease in net pension asset		866
Net pension asset, beginning of fiscal year		<u>(27,535)</u>
Net pension asset, end of fiscal year	\$	<u><u>(26,669)</u></u>

3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2012	\$ 31,359	99.13%	\$ (27,876)
2013	\$ 35,741	99.05%	\$ (27,535)
2014	\$ 37,036	97.66%	\$ (26,669)

5. *Funded Status and Funding Progress*

As of December 31, 2013, the most recent actuarial valuation date, the plan was 34.03 percent funded. The actuarial accrued liability for benefits was \$482,740, and the actuarial value of assets was \$164,256, resulting in an unfunded actuarial accrued liability (UAAL) of \$318,484. The covered payroll (annual payroll of active employees covered by the plan) was \$719,524, and the ratio of the UAAL to the covered payroll was 44.26 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers (and general employees)

Plan Description – The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and general employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and general employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$260,939, which consisted of \$146,806 from the Town and \$114,133 from the law enforcement officers and general employees.

d. Fireman's and Rescue Squad Workers' Pension Fund

Plan Description – The State of North Carolina contributes, on behalf of the Town of Black Mountain, to the Firemen's and Rescue Squad Worker's Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Worker's Pension Fund 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 the Fund. That report may be obtained by writing to the Officer of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – The Town contributes \$10 per month to the Fund for each eligible member. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Other Postemployment Benefits

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

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's internet home page <http://www.ncosc.net> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 891-5454.

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly

contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2014, 2013, and 2012, the Town paid all required contributions to the Plan for postemployment healthcare benefits of \$161,170, \$146,305, and \$136,546, respectively. These contributions represented 4.54%, 5.30%, and 5.00% of covered payroll, respectively.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town had no deferred outflows of resources at year-end.

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

<u>General Fund</u>	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>	<u>Total</u>
Prepaid taxes not yet earned	\$ -	\$ 64	\$ 64
Taxes receivable - net	29,060	-	29,060
Prepaid privilege licenses	-	7,004	7,004
Other	-	14,600	14,600
Total	<u>\$ 29,060</u>	<u>\$ 21,668</u>	<u>\$ 50,728</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has insurance through a commercial company for workers' compensation coverage of \$1 million per occurrence. The Town has general liability and auto liability through commercial companies for single occurrence claims up to \$2 million with general aggregate limit of \$4 million and property coverage in excess of \$10 million.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Town does not carry any additional flood insurance.

The Town of Black Mountain ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is

bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Operating Leases

In the current year, the Town was obligated under three operating leases for equipment which contain cancellation provisions and are subject to annual appropriations. For the reporting period, rent expenditures were \$74,585. These expenditures were made from the General Fund and Golf Fund.

The Town has entered into a lease and operating agreement with the Black Mountain Center for the Arts (Center), upon purchase of the art center building by the Town. The agreement was executed on August 14, 2003 for lease of the building, which requires \$1 annually for a period of twenty-five (25) years. As part of the agreement, the Center will have sole responsibility for the management, operation and programming of the arts center building.

6. Long-Term Obligations

a. Installment Purchase Notes

Serviced by the General Fund:

\$414,959 bank note due in quarterly installments of \$10,508 plus interest through January 2024; interest is at 2.97%, for renovation of Town pool. Original amount of note was \$500,000 with interest at 3.91%. Note was refinanced in April 2012. Defeasance of debt from this refinance resulted in no unamortized differences. \$ 354,665

\$1,890,000 bank note due in annual installments of \$126,000 plus interest through October 2026; interest is at 3.07%, for purchase of Town property. Original amount of note was \$2,100,000 with interest at 4.92%. Note was refinanced in April 2012. Defeasance of debt from this refinance resulted in no unamortized differences. 1,638,000

\$248,000 bank note due in semi-annual installments of \$26,283, including interest at 2.14%, through November 2015, for the purchase of Town vehicles. 77,190

\$129,033 bank note due in quarterly installments of \$4,558 including interest at 4.34% through October 2018, for the purchase of the Arts Center Building. 74,172

\$178,170 bank note due in semi-annual installments of \$10,944 including interest at 4.09% through July 2019, for refinancing of fire trucks and phone system debt. 106,830

\$150,000 bank note due in annual installments of \$51,801 including interest at 1.79% through October 2015, for purchase of a Pumper/Tanker Fire Truck. 100,884

Total \$ 2,351,741

Serviced by the Water Fund:

\$208,567 bank note due in quarterly installments of \$16,214 including interest at 3.97% through February 2015, for the purchase of automated meter reading units. \$ 22,921

\$43,011 bank note due in quarterly installments of \$1,519, including

interest at 4.34% through October 2018, for the purchase of a water tank site.	<u>24,724</u>
Total	<u>\$ 47,645</u>
Serviced by the Golf Fund:	
\$175,000 bank note due in annual installments of \$60,434 including interest at 1.79% through June 2016 for purchase of 72 golf carts.	<u>\$ 117,698</u>
Total	<u>\$ 117,698</u>

Future minimum payments of the installment purchase notes as of June 30, 2014, including interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	381,121	70,438	86,334	4,922
2016	251,634	59,131	64,682	2,426
2017	176,428	52,386	5,546	532
2018	178,176	46,769	5,790	288
2019	170,572	41,139	3,241	49
2020-2024	815,561	301,607	-	-
2025-2029	<u>378,000</u>	<u>23,209</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,351,492</u>	<u>\$ 594,679</u>	<u>\$ 165,593</u>	<u>\$ 8,217</u>

b. Revolving Loans

Serviced by the Water Fund:

\$991,540 federal revolving loan with interest due semiannually at 4.02%. Principal due in annual installments of \$52,186 beginning May 2013 through May 2032, for replacement of water lines.	<u>\$ 887,167</u>
\$974,345 federal revolving loan with interest due semiannually at 2.22%. Principal due in annual installments of \$48,717 through May 2030, for the extension of sewer lines.	828,193
\$188,543 federal revolving loan payable due in annual installments of \$9,927, with 0% interest, for storm water project at Lake Tomahawk.	<u>150,834</u>
Total	<u>\$ 1,866,194</u>

Future minimum payments of the revolving loans as of June 30, 2014, including interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	110,331	54,050
2016	110,331	50,871
2017	110,331	47,691
2018	110,331	44,512
2019	110,331	41,332
2020-2024	551,653	108,152
2025-2029	551,653	54,076
2030-2033	<u>211,233</u>	<u>6,489</u>
Total	<u>\$ 1,866,194</u>	<u>\$ 407,173</u>

At June 30, 2014, the Town of Black Mountain had a legal debt margin of approximately \$71,400,000.

c. Changes in Long-Term Liabilities

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 2,831,914	\$ -	\$ 480,422	\$ 2,351,492	\$ 381,121
Compensated absences	<u>280,816</u>	<u>245,347</u>	<u>173,798</u>	<u>352,365</u>	<u>173,798</u>
Governmental activity long-term liabilities	<u>\$ 3,112,730</u>	<u>\$ 245,347</u>	<u>\$ 654,220</u>	<u>\$ 2,703,857</u>	<u>\$ 554,919</u>
Business-type activities:					
Installment purchases	\$ 258,370	\$ -	\$ 92,777	\$ 165,593	\$ 86,334
Revolving loans	1,976,525	-	110,331	1,866,194	110,331
Compensated absences	<u>37,636</u>	<u>24,842</u>	<u>24,357</u>	<u>38,121</u>	<u>24,357</u>
Business-type activity long-term liabilities	<u>\$ 2,272,531</u>	<u>\$ 24,842</u>	<u>\$ 227,465</u>	<u>\$ 2,069,908</u>	<u>\$ 221,022</u>

Compensated absences typically have been liquidated in the general fund.

C. Interfund Balances and Activity

Balances due to/(from) the General Fund at June 30, 2014, consist of the following:

From the Golf Course Fund to cover negative cash balances	\$ 151,312
From the Golf Course Fund for BCGM Advance	<u>120,000</u>
	<u>\$ 271,312</u>

Transfers to/(from) the Golf Fund at June 30, 2014, consist of the following:

To the Golf Fund to fund capital projects related to drainage and irrigation	\$ (45,000)
To the Capital Reserve Fund (net) for budgeted funding to be reimbursed to the General Fund	<u>(25,000)</u>
	<u>\$ (90,000)</u>

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the Town of Black Mountain has recognized on-behalf payments for pension contributions made by the State of \$17,529 for the 30 volunteer firemen and the 19 employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the Town, investment income, and a State appropriation.

E. Fund Balance

The following schedule provides management and citizens with information on the portion of the General Fund balance that is available for appropriation:

Total fund balance – General Fund	\$ 4,164,667
Less:	
Inventories	4,199
Prepaid	57,875
Stabilization by State statute	898,815
Streets – Powell Bill	209,242
Public safety	54,754
Capital reserve fund	275,000
Appropriated fund balance in FY 2015 budget	200,381
Working capital / fund balance policy	<u>2,335,119</u>
Remaining fund balance	<u>\$ 129,282</u>

The Town of Black Mountain has adopted a minimum fund balance policy for the General Fund which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 30.5% of budgeted expenditures.

The Town had no outstanding encumbrances related to purchase orders and contracts that remained unperformed at year-end.

Note 3 – Summary Disclosure of Significant ContingenciesFederal and State Assisted Programs

The Town has received 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 monies.

Note 4 – Special Item: Agreement with Billy Casper Golf to Manage Municipal Golf Course

The Town entered into a five year agreement starting on September 1, 2011 with a management company (Billy Casper Golf) to manage operations of the Town's golf course. The agreement was intended to provide a more efficient and cost-effective approach to operating the golf course. Management evaluated the accounting and financial reporting for this agreement including the application of the definitions of financial statement elements and communication methods and consideration of governmental accountability for infrastructure and other public assets and the services that are provided.

The Town, through this arrangement, conveyed to Billy Casper Golf the right and obligation to provide public services through the use and operation of the golf course in exchange for consideration of a management fee of \$6,290 per month and 25% of profits derived from the golf course operations. The management fee is described to be taken from the profits from the golf course operations. The Town would receive 75% of the profit annually.

During the first three years of this agreement through the year ended June 30, 2014, the Town received no profit distribution. The Town retained full ownership of the property and related capital assets throughout the course of the agreement. The Town provided start-up capital per terms of the agreement of \$100,000 to Billy Casper Golf and was repaid \$50,000 during the fiscal year ended June 30, 2012. During the fiscal year ended June 30, 2013, the Town provided additional capital in the amount of \$70,000. As such, the Town had recorded a receivable as of June 30, 2013 of \$120,000 due from Billy Casper Golf for the balance of the operating cash provided.

Effective May 1, 2014, the Town rescinded the contract with Billy Casper and reassumed operations of the golf course. The Golf Course Fund provided capital of \$290,000 during the year ended June 30, 2014 to Billy Casper for operations of the golf course. In addition, Management has written off the \$290,000 that was transferred from the General Fund to the Golf Fund during the year ended June 30, 2014. These funds were used by Billy Casper for golf course operations. The Town was not repaid the capital advanced for the operations of the golf course. As of June 30, 2014, the Golf Fund has outstanding balances due to the General Fund of \$271,312 as indicated in Note 2C. The \$271,312 does not include the \$290,000 written off for 2014 advances.



REQUIRED SUPPLEMENTAL FINANCIAL DATA



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
12/31/07	100,767	325,880	225,113	31%	691,081	32.6%
12/31/08	107,265	310,239	202,974	35%	725,516	28.0%
12/31/09	113,108	397,102	283,994	28%	730,745	38.9%
12/31/10	138,547	352,703	214,156	39%	729,638	29.4%
12/31/11	154,674	419,213	264,539	37%	718,677	36.8%
12/31/12	151,564	460,237	308,673	33%	730,888	42.2%
12/31/13	164,256	482,740	318,484	34%	719,524	44.3%

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	26,980	103.0%
2011	36,157	100.0%
2012	31,087	100.0%
2013	35,400	100.0%
2014	36,170	100.0%



INDIVIDUAL FUND STATEMENTS AND SCHEDULES



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND

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

For the year ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Current year taxes	\$ 3,379,891	\$ 3,609,677	\$ 229,786
Prior year taxes	37,000	27,421	(9,579)
DMV taxes	215,045	159,189	(55,856)
Penalties and interest	12,000	12,989	989
	<u>3,643,936</u>	<u>3,809,276</u>	<u>165,340</u>
Other Taxes and Licenses:			
Privilege licenses	35,000	27,061	(7,939)
Automobile license	33,000	23,244	(9,756)
Rental tax	1,000	1,406	406
Local option sales tax	1,289,000	1,321,087	32,087
	<u>1,358,000</u>	<u>1,372,798</u>	<u>14,798</u>
Unrestricted Intergovernmental:			
Franchise tax	325,000	328,899	3,899
Beer and wine taxes	36,000	35,043	(957)
Telecommunications tax	110,000	82,231	(27,769)
Piped natural gas	22,000	19,415	(2,585)
NC fire tax	26,000	19,973	(6,027)
ABC profit distribution	91,500	91,500	-
Video program tax	130,000	123,979	(6,021)
Solid waste disposal tax	5,000	4,503	(497)
Controlled substances tax	1,000	4,144	3,144
	<u>746,500</u>	<u>709,687</u>	<u>(36,813)</u>
Restricted Intergovernmental:			
Powell Bill allocation	235,000	236,075	1,075
ABC revenue for law enforcement	5,000	18,418	13,418
Forfeiture revenue	-	2,208	2,208
Federal vest program	-	1,113	1,113
Community recreation grant	4,000	4,000	-
Senior center development grant	13,500	12,810	(690)
	<u>257,500</u>	<u>274,624</u>	<u>17,124</u>
Permits and Fees:			
Court costs, fees, etc.	1,500	914	(586)
Stormwater permits	1,500	-	(1,500)
Building permits (zoning)	126,500	164,371	37,871
	<u>129,500</u>	<u>165,285</u>	<u>35,785</u>
Sales and Services:			
Rents	23,650	36,545	12,895
Fire protection charges	820,000	861,560	41,560
Recreation admissions and concessions	134,915	132,163	(2,752)
Administrative support - Water Fund	127,090	127,090	-
	<u>1,105,655</u>	<u>1,157,358</u>	<u>51,703</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Miscellaneous			
Montreat dispatchers	17,800	17,800	-
Disaster recovery revenue	55,225	55,224	(1)
Miscellaneous	61,045	59,860	(1,185)
	<u>134,070</u>	<u>132,884</u>	<u>(1,186)</u>
Investment earnings	4,350	2,112	(2,238)
Total revenues	<u>7,379,511</u>	<u>7,624,024</u>	<u>244,513</u>
Expenditures:			
General government:			
Governing board:			
Salaries and employee benefits		44,759	
Other departmental expenses		113,874	
Total governing board	<u>160,140</u>	<u>158,633</u>	<u>1,507</u>
Administration:			
Salaries and employee benefits		428,214	
Operating expenses		198,981	
Professional fees		8,226	
Total administration	<u>640,250</u>	<u>635,421</u>	<u>4,829</u>
Public buildings:			
Operating expenses		375,224	
Capital outlay		6,180	
Total public buildings	<u>408,105</u>	<u>381,404</u>	<u>26,701</u>
Total general government	<u>1,208,495</u>	<u>1,175,458</u>	<u>33,037</u>
Public safety:			
Police department:			
Salaries and employee benefits		1,351,258	
Operating expenses		250,734	
Capital outlay		57,670	
Total police	<u>1,714,467</u>	<u>1,659,662</u>	<u>54,805</u>
Fire department:			
Salaries and employee benefits		1,160,997	
Operating expenses		172,421	
Total fire	<u>1,364,577</u>	<u>1,333,418</u>	<u>31,159</u>
Inspections:			
Salaries and employee benefits		201,039	
Operating expenses		97,275	
Total inspections	<u>315,900</u>	<u>298,314</u>	<u>17,586</u>
Total public safety	<u>3,394,944</u>	<u>3,291,394</u>	<u>103,550</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public works:			
Garage:			
Salaries and employee benefits		192,292	
Operating expenses		27,590	
Total garage	231,670	219,882	11,788
Street repair and construction:			
Salaries and employee benefits		270,350	
Other operating expenses		240,589	
Capital outlay		221,536	
Total streets	799,350	732,475	66,875
Total public works	1,031,020	952,357	78,663
Environmental protection:			
Operating expenses		2,736	
Contracted services		526,503	
Tipping fees		123,724	
Total environmental protection	678,310	652,963	25,347
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits		427,019	
Other operating expenses		305,476	
Total cultural and recreational	780,017	732,495	47,522
Debt service:			
Principal retirement		480,422	
Interest and fees		83,152	
Total debt service	563,343	563,574	(231)
Total expenditures	7,656,129	7,368,241	287,888
Revenues over (under) expenditures	(276,618)	255,783	532,401
Other financing sources (uses):			
Appropriated fund balance	646,618	-	(646,618)
Proceeds from sale of fixed assets	5,000	3,797	(1,203)
Contribution to golf fund	(45,000)	(45,000)	-
Transfer to golf fund	(290,000)	(290,000)	-
Transfer to capital reserve fund	(40,000)	(25,000)	15,000
Total other financing sources (uses)	276,618	(356,203)	(632,821)
Revenues and other sources over expenditures and other uses	\$ -	(100,420)	\$ (100,420)
Fund balance, beginning of year		3,990,087	
Fund balance, end of year		\$ 3,889,667	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND CAPITAL PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2014

	Actual through June 30, 2014			
	Project Authorization	Reported in prior years	Current Year	Total to Date
Revenues:				
State grants	\$ 255,621	\$ 42,399	\$ 213,222	\$ 255,621
Expenditures:				
Capital outlay:				
Safe routes to school project	255,621	38,541	217,080	255,621
Revenues and other financing sources over (under) expenditures and other uses	\$ -	\$ 3,858	(3,858)	\$ -
Fund balance, beginning of year			3,858	
Fund balance, end of year			\$ -	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

CAPITAL RESERVE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses):			
Transfer from general fund	\$ 25,000	\$ 25,000	\$ -
Total other financing sources (uses)	<u>\$ 25,000</u>	<u>25,000</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>250,000</u>	
Fund balance, end of year		<u>\$ 275,000</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

WATER FUND

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

For the year ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 1,166,500	\$ 1,132,180	\$ (34,320)
Other	148,937	147,348	(1,589)
Miscellaneous	1,500	1,420	(80)
Total operating revenues	1,316,937	1,280,948	(35,989)
Nonoperating revenues:			
Investment earnings	1,500	1,124	(376)
Total revenues	1,318,437	1,282,072	(36,365)
Expenditures:			
Operating expenditures:			
Water and sewer administration:			
Salaries and employee benefits		88,637	
Other departmental expenses		160,937	
Total water and sewer administration	260,360	249,574	10,786
Water system operations:			
Salaries and employee benefits		312,692	
Utilities		71,388	
Other departmental expenses		302,855	
Total water system operations	734,130	686,935	47,195
Total operating expenses	994,490	936,509	57,981
Debt service:			
Principal retirement		145,806	
Interest		60,260	
Total debt service	206,065	206,066	-
Capital outlay	177,500	53,590	123,910
Total expenditures	1,378,055	1,196,165	181,891
Revenues over (under) expenditures	(59,618)	85,907	145,525
Other financing sources:			
Appropriated fund balance	59,618	-	(59,618)
Total other financing sources (uses)	59,618	-	(59,618)
Revenues and other sources over expenditures	\$ -	\$ 85,907	\$ 85,907

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

WATER FUND

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Payment of debt principal		145,806	
Accrued interest		1,568	
Decrease in accrued vacation pay		4,304	
Capital outlay		53,590	
Depreciation		<u>(208,177)</u>	
Change in net position		<u><u>\$ 82,998</u></u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GOLF COURSE FUND

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

For the year ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Golf course revenues			
Memberships and initiation fees	\$ 60,000	\$ 78,789	\$ 18,789
Golf Cart Rentals	55,000	46,950	(8,050)
Green Fees	50,000	41,915	(8,085)
Other revenues	6,000	5,986	(14)
Total golf course revenues	171,000	173,640	2,640
Nonoperating revenues			
Reimbursement from Billy Casper Golf	61,434	73,988	12,554
Total revenues	232,434	247,628	15,194
Expenditures:			
Operating Expenditures:			
Golf course administration:			
Salaries and employee benefits		50,107	
Billy Casper		290,000	
Other departmental expenses		57,450	
Total golf course administration	462,000	397,557	64,443
Debt service:			
Principal retirement		57,301	
Interest		3,133	
Total debt service	60,434	60,434	-
Capital outlay	45,000	45,451	(451)
Total expenditures	567,434	503,442	63,992
Revenues over (under) expenditures	(335,000)	(255,814)	76,546
Other financing sources (uses):			
Proceeds from sale of golf carts	-	18,184	18,184
Contribution from general fund	45,000	45,000	-
Transfer from general fund	290,000	290,000	
Total other financing sources	335,000	353,184	18,184
Revenues and other sources over expenditures	\$ -	97,370	\$ 97,370
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Billy Casper June 30, 2014 receivable		(120,000)	
Long-term debt principal repayment		57,301	
Increase in accrued vacation pay		(4,790)	
Deferred annual golf membership revenue		(72,758)	
Accrued interest		(966)	
Capital outlay		45,451	
Depreciation		(76,126)	
Change in net position	\$	(74,518)	

OTHER SCHEDULES



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND
 Schedule of Ad Valorem Taxes Receivable
 For the year ended June 30, 2014

<u>Fiscal Year</u>	Uncollected Balance 6/30/2013	Additions	Collections And Credits	Uncollected Balance 6/30/2014
2013-2014	\$ -	\$ 3,633,862	3,609,677	\$ 24,185
2012-2013	40,499	-	31,084	9,415
2011-2012	9,549	-	2,977	6,572
2010-2011	10,686	-	1,629	9,057
2009-2010	2,676	-	1,149	1,527
2008-2009	1,677	-	500	1,177
2007-2008	781	-	484	297
2006-2007	1,151	-	599	552
2005-2006	1,101	-	424	677
2004-2005 and prior	1,736	-	658	1,078
	<u>\$ 69,856</u>	<u>\$ 3,633,862</u>	<u>\$ 3,649,181</u>	<u>\$ 54,537</u>
				Less: allowance for uncollectible accounts:
				General Fund
				<u>25,477</u>
				Ad valorem taxes receivable, net
				<u>\$ 29,060</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund
				\$ 3,809,276
				Reconciling items:
				NC DMV
				(159,184)
				Interest collected
				(12,989)
				Releases and other
				12,078
				<u>Total collections and credits</u>
				<u>\$ 3,649,181</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND
 Analysis of Current Tax Levy
 For the year ended June 30, 2014

	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<hr/>					
Original levy:					
Original levy	\$ 953,057,867	0.00375	\$ 3,573,967	\$ 3,446,048	\$ 127,919
Penalties			-	-	-
Total			<u>3,573,967</u>	<u>3,446,048</u>	<u>127,919</u>
Discoveries:					
Current year taxes and penalties	18,711,467		70,168	70,168	-
Releases	<u>(2,739,467)</u>		<u>(10,273)</u>	<u>(7,696)</u>	<u>(2,577)</u>
Total property valuation	<u>\$ 969,029,867</u>				
Net levy			3,633,862	3,508,520	125,342
Uncollected taxes at June 30, 2014			<u>24,185</u>	<u>18,296</u>	<u>5,889</u>
Current year's taxes collected			<u>\$ 3,609,677</u>	<u>\$ 3,490,224</u>	<u>\$ 119,453</u>
Current levy collection percentage			<u>99.33%</u>	<u>99.48%</u>	<u>95.30%</u>

STATISTICAL SECTION

Town of Black Mountain, North Carolina

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Town's overall financial health.

Financial Trends (Tables 1-4)

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

Revenue Capacity (Tables 5-9)

These schedules contain trend information to help the reader assess the factors affecting the Town's ability to generate its most significant revenue sources: property tax, sales tax, and utility franchise tax.

Debt Capacity (Tables 10-12)

These schedules contain trend information to help the reader in assessing the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 13-15)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time.

Operating Indicators (Tables 16-17)

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented the new reporting model (GASB 34) in the fiscal year ended June 30, 2005. Schedules presenting government-wide information include information beginning in that year.*

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 1
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	\$ 2,587,216	\$ 2,977,415	\$ 3,194,869	\$ 3,297,314	\$ 4,213,285	\$ 4,093,611	\$ 5,732,742	\$ 5,892,731	\$ 6,062,891	\$ 6,682,269
Restricted	297,644	379,346	185,809	186,472	186,051	183,074	847,017	1,213,033	1,139,419	1,162,810
Unrestricted	2,539,077	2,459,528	2,698,873	2,882,185	2,814,118	2,637,909	2,214,689	2,343,722	2,856,362	2,670,565
Total governmental activities	\$ 5,423,937	\$ 5,816,289	\$ 6,079,551	\$ 6,365,971	\$ 7,213,454	\$ 6,914,594	\$ 8,794,448	\$ 9,449,486	\$ 10,058,672	\$ 10,515,644
Business-type activities										
Invested in capital assets, net of related debt	\$ 4,197,519	\$ 4,111,747	\$ 4,216,055	\$ 4,219,178	\$ 4,153,447	\$ 4,087,875	\$ 4,142,539	\$ 3,661,647	\$ 3,684,913	\$ 3,702,761
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,035,989	1,064,163	1,122,003	1,122,989	1,298,631	1,365,039	1,758,245	1,587,725	1,585,762	1,576,394
Total business-type activities	\$ 5,233,508	\$ 5,175,910	\$ 5,338,058	\$ 5,342,167	\$ 5,452,078	\$ 5,452,914	\$ 5,900,784	\$ 5,249,372	\$ 5,270,675	\$ 5,279,155
Primary government										
Invested in capital assets, net of related debt	\$ 6,784,735	\$ 7,089,162	\$ 7,410,924	\$ 7,516,492	\$ 8,366,732	\$ 8,181,486	\$ 9,875,281	\$ 9,554,378	\$ 9,747,804	\$ 10,385,030
Restricted	297,644	379,346	185,809	186,472	186,051	183,074	847,017	1,213,033	1,139,419	1,162,810
Unrestricted	3,575,066	3,523,691	3,820,876	4,005,174	4,112,749	4,002,948	3,972,934	3,931,447	4,442,124	4,246,959
Total primary government	\$ 10,657,445	\$ 10,992,199	\$ 11,417,609	\$ 11,708,138	\$ 12,665,532	\$ 12,367,508	\$ 14,695,232	\$ 14,698,858	\$ 15,329,347	\$ 15,794,799

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 2
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	\$ 977,817	\$ 1,023,313	\$ 1,073,955	\$ 1,128,897	\$ 354,382	\$ 1,089,636	\$ 1,218,572	\$ 1,215,145	\$ 1,204,608	\$ 1,264,384
Public safety	2,613,368	2,657,991	3,007,189	2,972,953	2,898,041	2,961,701	3,024,007	2,912,307	3,200,090	3,347,118
Public works	592,096	611,901	626,305	694,372	700,046	757,932	309,097	728,318	747,995	878,050
Environmental protection	544,426	509,440	530,220	558,110	677,731	694,331	741,528	699,720	650,060	693,266
Cultural and recreation	555,255	669,286	670,489	780,688	765,041	793,141	964,477	677,420	698,246	772,137
Economic and physical development	-	-	-	48,390	1,198,279	846,303	103,567	-	-	-
Interest on long term debt	55,607	49,457	43,318	37,478	39,533	56,910	149,196	141,765	98,531	76,196
Total governmental activities expenses	5,338,569	5,521,388	5,951,476	6,220,888	6,633,053	7,199,954	6,510,444	6,374,675	6,599,530	7,031,151
Business-type activities:										
Water and Sewer	993,345	910,261	932,429	979,570	942,956	956,922	1,300,551	1,189,843	1,261,307	1,199,074
Golf	645,177	659,264	674,997	676,204	614,717	644,132	650,364	185,127	130,905	192,572
Total business-type activities	1,638,522	1,569,525	1,607,426	1,655,774	1,557,673	1,601,054	1,950,915	1,374,970	1,392,212	1,391,646
Total primary government expenses	\$ 6,977,091	\$ 7,090,913	\$ 7,558,902	\$ 7,876,662	\$ 8,190,726	\$ 8,801,008	\$ 8,461,359	\$ 7,749,645	\$ 7,991,742	\$ 8,422,797
Program Revenues										
Governmental activities:										
Charges for services	\$ 6,360	\$ -	\$ -	\$ -	\$ -	\$ 21,113	\$ 28,191	\$ -	\$ 127,090	\$ 127,090
General government	702,721	754,073	963,909	1,073,049	914,969	974,675	930,317	950,840	969,637	1,026,845
Public safety	66,365	72,342	107,739	136,387	139,063	144,548	130,792	169,502	148,880	168,708
Cultural and recreational	-	-	-	45,729	700,960	-	426	397	1,520	-
Economic and physical development	270,369	519,838	274,591	338,563	263,902	292,707	284,401	251,579	296,504	274,624
Operating grants and contributions	275,770	134,513	14,123	15,272	24,193	688,235	165,444	58,526	2,339	213,222
Capital grants and contributions	1,321,585	1,480,766	1,609,000	1,609,000	2,043,087	2,121,278	1,543,571	1,430,844	1,545,970	1,810,489
Total governmental activities program revenues	1,032,560	907,539	1,013,014	1,009,541	1,059,510	1,160,893	1,194,277	1,185,287	1,231,027	1,279,528
Business-type activities:										
Charge for services	543,052	573,724	603,963	620,648	577,976	594,000	423,475	129,673	-	100,882
Water	153,239	-	129,459	-	-	-	108,172	46,913	-	-
Golf	1,728,851	1,481,263	1,746,436	1,630,189	1,637,486	1,754,893	1,725,924	1,361,873	1,231,027	1,380,410
Total business-type activities:	3,050,436	2,962,029	3,106,798	3,239,189	3,680,573	3,876,171	3,269,495	2,792,717	2,776,997	3,190,899
Total primary government program revenues	\$ (4,016,984)	\$ (4,040,622)	\$ (4,591,114)	\$ (4,611,888)	\$ (4,589,966)	\$ (5,078,676)	\$ (4,966,873)	\$ (4,943,831)	\$ (5,053,560)	\$ (5,220,662)
Net (Expense) Revenue										
Governmental activities	90,329	(88,262)	139,010	(25,585)	79,813	153,839	(224,991)	(13,097)	(161,185)	(11,236)
Business-type activities	(3,926,655)	(4,128,884)	(4,452,104)	(4,637,473)	(4,510,153)	(4,924,837)	(5,191,864)	(4,956,928)	(5,214,745)	(5,231,898)
Total primary government expense	\$ 3,339,104	\$ 3,494,242	\$ 3,945,253	\$ 3,962,699	\$ 4,001,246	\$ 4,087,583	\$ 4,721,019	\$ 4,718,044	\$ 4,932,087	\$ 5,164,154
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	574,536	408,385	432,344	537,206	642,548	451,956	515,103	616,003	679,023	709,687
Grants and unrestricted contributions	58,947	111,284	175,536	159,434	66,464	10,957	6,677	2,799	3,339	2,112
Investment earnings	6,551	7,492	5,510	-	-	-	-	-	1,860	3,797
Gain on disposal of assets	-	-	-	-	-	-	-	-	-	-

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 2
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Miscellaneous	141,284	140,821	130,308	69,963	560,388	67,515	384,075	66,928	46,437	132,884
Transfers	174,375	178,000	165,425	169,005	166,805	161,805	(92,910)	184,846	-	(335,000)
Total government activities	\$ 4,294,797	\$ 4,340,224	\$ 4,854,376	\$ 4,898,307	\$ 5,437,451	\$ 4,779,816	\$ 5,533,964	\$ 5,588,620	\$ 5,662,746	\$ 5,677,634
Business-type activities:										
Pro shop	\$ 49,047	\$ 49,309	\$ 45,872	\$ 44,097	\$ 41,092	\$ 32,971	\$ 30,114	\$ 6,084	\$ -	\$ -
Investment earnings	1,374	2,463	2,759	5,775	1,170	146	702	1,122	1,432	1,124
Gain on disposal of assets	-	-	1,055	-	-	-	-	-	100,800	18,184
Grants and contributions, not restricted	-	-	-	-	-	-	-	-	-	-
Miscellaneous	15,216	156,892	138,877	148,827	154,641	(24,315)	130,251	22,919	80,256	75,408
Special Item - Billy Casper	-	-	-	-	-	-	-	-	-	(410,000)
Transfers	(174,375)	(178,000)	(165,425)	(169,005)	(166,805)	(161,805)	92,910	(184,846)	-	335,000
Total business-type activities	\$ (108,738)	\$ 30,664	\$ 23,138	\$ 29,694	\$ 30,098	\$ (153,003)	\$ 253,977	\$ (154,721)	\$ 182,488	\$ 19,716
Total primary government	4,186,059	4,370,888	4,877,514	4,928,001	5,467,549	4,626,813	5,787,941	5,433,899	5,845,234	5,697,350
Change in Net Position										
Governmental activities	\$ 277,813	\$ 299,602	\$ 263,262	\$ 286,419	\$ 847,485	\$ (298,860)	\$ 567,091	\$ 644,789	\$ 609,186	\$ 456,972
Business activities	(18,409)	(57,598)	162,148	4,109	109,911	836	28,986	(167,818)	21,303	8,480
Total primary government	\$ 259,404	\$ 242,004	\$ 425,410	\$ 290,528	\$ 957,396	\$ (298,024)	\$ 596,077	\$ 476,971	\$ 630,489	\$ 465,452

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 3
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 700,153	\$ 938,037	\$ 732,021	\$ 738,232	\$ 689,924	\$ 645,373	-	-	-	-
Unreserved	2,225,277	1,978,766	2,280,455	2,452,712	2,408,239	2,511,169	-	-	-	-
Total general fund	\$ 2,925,430	\$ 2,916,803	\$ 3,012,476	\$ 3,190,944	\$ 3,098,163	\$ 3,156,542	\$ -	\$ -	\$ -	\$ -
Other Governmental Funds										
Reserved	6,600	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	6,539	9,220	38,783	-	-	-	-
Total other governmental funds	\$ 6,600	\$ -	\$ -	\$ 6,539	\$ 9,220	\$ 38,783	\$ -	\$ -	\$ -	\$ -
Total combined governmental fund balances	\$ 2,932,030	\$ 2,916,803	\$ 3,012,476	\$ 3,197,483	\$ 3,107,383	\$ 3,195,325	\$ -	\$ -	\$ -	\$ -
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,124	\$ 19,195	\$ 33,089	\$ 62,074
Restricted	-	-	-	-	-	-	847,017	1,057,295	1,135,561	1,162,810
Committed	-	-	-	-	-	-	-	-	250,000	275,000
Assigned	-	-	-	-	-	-	409,855	-	307,110	200,381
Unassigned	-	-	-	-	-	-	1,954,740	2,557,173	2,514,327	2,464,402
Total general fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,218,736	\$ 3,633,663	\$ 4,240,087	\$ 4,164,667
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	18,062	155,738	3,858	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,062	\$ 155,738	\$ 3,858	\$ -
Total combined governmental fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,236,798	\$ 3,789,401	\$ 4,243,945	\$ 4,164,667

NOTE: GASB 54 established new fund balance classifications effective FY11. The upper section reports fund balance information prior to implementation of GASB 54.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Ad valorem taxes	\$2,315,051	\$2,379,592	\$2,758,317	\$2,823,545	\$2,905,947	\$3,025,260	\$3,481,575	\$3,484,258	\$3,614,786	\$ 3,809,276
Other taxes and licenses	1,023,707	1,109,592	1,181,539	1,156,120	1,053,311	993,420	1,082,404	1,260,265	1,326,647	1,372,798
Unrestricted intergovernmental revenues	574,536	408,944	43,344	537,206	642,548	611,806	671,593	616,003	679,023	709,687
Restricted intergovernmental revenues	531,971	628,750	285,714	353,835	288,095	943,356	421,049	303,518	298,843	487,846
Permits and fees	103,701	126,568	178,289	260,461	99,273	219,607	112,646	144,815	151,958	165,285
Sales and services	659,145	689,924	893,359	948,976	954,759	920,730	976,240	975,924	1,095,169	1,157,358
Investment earnings	66,435	129,026	175,536	159,434	66,464	10,957	6,677	2,799	3,339	2,112
Other revenues	167,115	165,536	157,290	115,692	1,395,052	88,249	366,508	66,928	46,437	132,884
Total Revenue	5,441,661	5,637,932	6,065,388	6,355,269	7,405,449	6,813,385	7,118,692	6,854,510	7,216,202	7,837,246
Expenditures										
Current										
General government	952,421	994,496	1,066,402	1,103,734	1,679,525	3,207,601	1,191,337	1,203,305	1,151,178	1,175,458
Public safety	2,443,788	2,531,354	2,843,964	2,867,256	2,918,865	2,813,207	3,125,399	2,844,461	3,309,705	3,291,394
Public works	653,080	879,331	757,667	740,382	730,382	705,132	735,720	711,560	776,707	952,357
Environmental protection	544,426	509,440	530,220	558,110	677,731	694,331	741,528	693,100	639,757	652,963
Cultural and recreational	556,832	780,448	741,829	822,232	752,259	778,895	877,559	621,039	634,726	732,495
Capital outlay	-	-	-	48,390	1,198,279	846,303	179,995	90,227	4,219	217,080
Debt Service										
Principal retirement	183,966	179,384	154,741	158,681	165,781	76,853	228,132	254,753	280,079	480,422
Interest and fees	55,607	49,456	43,318	37,478	39,533	56,910	149,196	141,765	117,147	83,152
Total expenditures	5,390,120	5,923,909	6,138,141	6,336,263	8,162,355	9,179,232	7,228,866	6,560,210	6,913,518	7,585,321
Excess of revenues over (under) expenditures	51,541	(285,977)	(72,753)	19,006	(756,906)	(2,365,847)	(110,174)	294,300	302,684	251,925
Other Financing Sources										
Sale of capital assets	-	-	-	-	-	-	-	-	1,860	3,797
Transfers in	174,375	178,000	184,000	197,340	187,090	182,090	172,090	199,846	150,000	-
Transfers out	-	-	(18,575)	(28,335)	(20,285)	(20,285)	(265,000)	(15,000)	(150,000)	(335,000)
Proceeds from debt	20,338	-	-	-	500,000	2,291,987	244,557	-	150,000	-
Total other financing sources	194,713	178,000	165,425	169,005	666,805	2,453,792	151,647	184,846	151,860	(331,203)
Net change in fund balances	246,254	(107,977)	92,672	188,011	(90,101)	87,945	41,473	479,146	454,544	(79,278)
Debt service as a percentage of non capital expenditures	4.44%	3.86%	3.23%	3.10%	2.52%	1.46%	5.22%	6.04%	6.13%	7.96%

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 5
Assessed Value of Taxable Property (excludes motor vehicle)
Last Ten Fiscal Years
 (in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service</u>	<u>Total Taxable Assessed Value</u>	<u>Total Town Direct Tax Rate</u>	<u>Sales Assessment Ratio (a)</u>	<u>Estimated Actual Taxable Value (b)</u>
2005	\$ 471,561	\$ 61,246	\$ 9,863	\$ 542,670	0.385	91.03%	\$ 493,993
2006	482,430	55,267	9,801	547,498	0.385	91.25%	499,592
2007	746,007	47,468	10,028	803,503	0.320	90.77%	729,340
2008	767,264	49,361	11,380	828,005	0.320	88.76%	734,937
2009	789,491	56,886	11,655	858,032	0.320	83.60%	717,315
2010	811,376	64,883	11,967	888,226	0.320	93.56%	831,024
2011	819,371	64,195	13,052	896,618	0.365	95.53%	856,539
2012	816,661	66,238	13,303	896,202	0.365	99.00%	887,240
2013	845,605	66,348	13,242	925,195	0.365	99.00%	915,943
2014	834,762	85,898	15,525	936,185	0.375	N/A	N/A

Source: Annual County report of Valuation and Property Tax Levies
 NC Department of Revenue

(a) Management of Cash and Taxes and Fund Balance Available, NC Department of State Treasurer

(b) The estimated actual value is calculated by multiplying the assessed value by the sales assessment ratio.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**Table 6
Governmental Funds Tax Revenue by Source
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Utility Franchise Tax</u>	<u>Total</u>
2005	\$ 2,315,051	\$ 962,198	281,544	\$ 3,558,793
2006	2,379,592	1,044,122	292,384	3,716,098
2007	2,758,317	1,118,559	322,821	4,199,697
2008	2,823,545	1,090,092	436,702	4,350,339
2009	2,905,947	992,634	508,363	4,406,944
2010	3,025,260	934,200	523,875	4,483,335
2011	3,481,575	1,010,047	561,441	5,053,063
2012	3,484,258	1,194,335	509,936	5,188,529
2013	3,614,786	1,245,694	560,888	5,421,368
2014	3,809,276	1,321,087	554,524	5,684,887

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 7
 Direct and Overlapping Tax Rates
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Town of Black Mountain</u>	<u>Buncombe County</u>	<u>Total Direct and Overlapping Rates</u>
	<u>Operating Millage</u>	<u>County-Wide Rate</u>	
2005	0.385	0.590	0.975
2006	0.385	0.590	0.975
2007	0.320	0.530	0.850
2008	0.320	0.525	0.845
2009	0.320	0.525	0.845
2010	0.320	0.525	0.845
2011	0.365	0.525	0.890
2012	0.365	0.525	0.890
2013	0.365	0.525	0.890
2014	0.375	0.569	0.944

Source: Buncombe County Tax Department.

Note: Overlapping tax rates are those of local and county governments that apply to property owners within the Town of Black Mountain.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 8
Principal Property Tax Payers
Fiscal Year Ended June 30, 2014 and June 30, 2005
 (in thousands)

Taxpayers	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Ingles Markets Inc.	\$ 147,050	1	15.97%	\$ 37,283	1	6.81%
Progress Energy Co.	10,583	2	1.15%	5,406	4	0.99%
Shopping Center Financing LLC	10,402	3	1.13%	3,920	6	0.72%
Kearfott Guidance Corp.	7,768	4	0.84%	4,930	5	0.90%
Bi Lo LLC	5,145	5	0.56%	3,814	7	0.70%
Tyson Furniture Co.	4,395	6	0.48%	3,027	8	0.55%
Divya Jiyoti Inc	3,196	7	0.35%	-	-	-
JRN Chicken Stores	2,839	8	0.31%	-	-	-
Tyco Valves and Controls LP	2,759	9	0.30%	-	-	-
CS Ragan LLC	2,636	10	0.29%	-	-	-
Highland Farms Inc.	-	-	-	12,396	2	2.26%
Cooper Bussman Inc.	-	-	-	6,606	3	1.21%
Bell South Telephone	-	-	-	2,909	9	0.53%
Triple A Property Management	-	-	-	2,607	10	0.48%
Total	\$ 196,773		21.37%	\$ 82,898		15.14%

Source: Buncombe County Tax Department

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 9
Property Tax Levies and Collections (Excluding Motor Vehicles)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	2,111,014	2,100,369	99.50%	9,437	2,109,806	99.94%
2006	2,151,596	2,139,665	99.45%	10,287	2,149,952	99.92%
2007	2,569,003	2,557,339	99.55%	10,387	2,567,726	99.95%
2008	2,647,529	2,628,697	99.29%	18,224	2,646,921	99.98%
2009	2,744,024	2,712,255	98.84%	30,406	2,742,661	99.95%
2010	2,855,593	2,822,332	98.84%	31,308	2,853,640	99.93%
2011	3,317,096	3,282,489	98.96%	27,090	3,309,579	99.77%
2012	3,284,603	3,261,128	99.29%	18,209	3,279,337	99.84%
2013	3,378,317	3,351,271	99.20%	10,735	3,362,006	99.52%
2014	3,508,520	3,490,224	99.48%	-	3,490,224	99.48%

Source: Buncombe County Tax Department

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 10
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Capital Lease Payable	Installment Purchase Contracts	Capital Lease Payable	Revolving Loan	Installment Purchase Contracts	Total					
						Government	Income				
2005	\$ 1,951	\$ 1,312,798	\$ -	\$ 632,405	\$ 285,173	\$ -	2,232,327	0.94%	283		
2006	16,058	1,136,876	-	632,405	184,648	-	1,969,987	0.77%	246		
2007	12,279	985,914	-	667,837	101,194	-	1,767,224	0.64%	216		
2008	8,153	831,359	-	929,203	305,842	-	2,074,557	0.73%	253		
2009	3,650	1,170,081	-	929,203	279,374	-	2,382,308	0.86%	279		
2010	-	3,196,878	-	1,121,188	251,829	-	4,569,895	1.72%	580		
2011	-	3,216,746	52,852	1,907,514	150,291	-	5,327,403	1.91%	665		
2012	-	2,961,992	27,236	2,086,856	117,459	-	5,193,543	1.79%	648		
2013	-	2,831,914	-	1,976,525	258,371	-	5,066,810	N/A	621		
2014	-	2,351,492	-	1,866,194	165,594	-	4,383,280	N/A	N/A		

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**Table 11
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014**

	<u>Outstanding Debt</u>	<u>Percentage Applicable to Town</u>	<u>Amount Applicable to Town</u>
Direct debt			
Town of Black Mountain	\$ 2,351,492	100%	\$ 2,351,492
Overlapping debt			
Buncombe County	434,150,000	3.39%	14,717,685
Total direct and overlapping debt	\$ 436,501,492		\$ 17,069,177

Note : Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of Buncombe County that is borne by the residents and businesses of Black Mountain. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overpaying government.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 12
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed value of property (excluding motor vehicle)	\$542,670	\$547,498	\$803,503	\$ 828,005	\$858,032	\$888,226	\$896,618	\$896,202	\$925,195	\$936,185
Debt limit, 8% of assessed value	43,414	43,800	64,280	66,240	68,643	71,058	71,729	71,696	74,016	74,895
Amount of debt applicable to limit										
Gross debt	2,232	1,970	1,767	2,075	2,382	4,570	5,327	5,194	5,067	4,383
Less: Debt related to business-like activities	918	817	769	1,235	1,209	1,373	2,111	2,232	2,235	2,032
Total net debt applicable to limit	1,314	1,153	998	840	1,173	3,197	3,216	2,962	2,832	2,351
Legal debt margin available	42,100	42,647	63,282	65,400	67,470	67,861	68,513	68,733	71,183	72,542
Total net debt applicable to the limit as a percentage of limit	3.03%	2.63%	1.55%	1.27%	1.71%	4.50%	4.48%	4.13%	3.83%	3.14%

Note: NC Statute GS159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 13
Principal Employers
Current Year and Three Years Prior

Employer	2014		2011	
	Number of employees	Rank	Number of employees	Rank
Ingles Market	1,412	1	1,203	1
Black Mountain Neuro-Medical	434	2	432	3
Kearfott Guidance and Navigation Corp.	347	3	450	2
Buncombe County Schools	185	4	223	5
NC State Alcohol and Drug Abuse Treatment Center	172	6	220	6
Highland Farms Retirement Community	166	5	250	4
Pentair Valve (Tyco)	132	7	155	7
Town of Black Mountain Government	76	8	76	8
Tyson Furniture	50	9	59	9
Blue Ridge Assembly	28	10	-	-
Grovestone Gravel and Stone	-	-	28	10

Note - Information not available for years prior to FY11.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 14
Principal Water Customers
Current Year
(in gallons)

<u>Customer</u>	<u>Consumption</u>	<u>Revenue from water consumption</u>
Ingles Market	5,851,900	\$ 32,834
Laurel Wood Park	3,230,400	30,018
Mountain Ridge Wellness Center	2,379,100	22,139
Super 8 Motel	1,920,100	10,982
Chesire Fitness	1,513,900	8,677
Carolina Success	1,433,200	8,212
Nana's Assisted Living	1,147,900	6,581
Camp Merri Mac	1,087,100	6,225
Shri Hari	1,072,700	6,154
Board of Education	1,022,200	5,859

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 15
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Per Capita		Personal Income (in thousands)	Unemployment Rate (c)
	Population (a)	Personal Income (b)		
2005	7,898	\$ 30,131	237,975	4.6%
2006	8,018	31,881	255,622	3.6%
2007	8,182	33,531	274,351	3.5%
2008	8,212	34,533	283,585	5.0%
2009	8,526	32,597	277,922	9.2%
2010	7,875	33,653	265,017	8.5%
2011	8,007	34,775	278,443	8.3%
2012	8,011	36,125	289,397	8.2%
2013	8,160	N/A	N/A	7.2%
2014	N/A	N/A	N/A	6.3%

(a) State Office of Budget and Management

(b) US Dept of Commerce, for Asheville Metropolitan Statistical Area

(c) Department of Labor statistics

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA/A

Table 16
Operating Indicators
Last Ten Fiscal Years

Department	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Finance										
Checks issued	N/A	N/A	6,775	6,461	7,611	7,849	4,545	2,034	1,987	2,145
Police										
Calls logged	N/A	N/A	20,334	26,411	21,745	23,043	20,426	21,968	20,828	23,014
Total arrests	N/A	N/A	438	725	517	425	353	389	437	435
Incident reports	N/A	N/A	485	439	361	366	354	404	290	294
Traffic accidents	N/A	N/A	226	270	291	232	230	218	187	189
Fire										
Fire stations	2	3	3	3	3	3	3	3	3	3
Total calls	1,396	1,281	1,346	1,354	1,195	1,255	1,628	1,875	1,848	1,887
Training hours	9,396	10,973	12,683	12,378	9,826	12,378	10,398	11,780	13,010	11,398
Public Services										
Sanitation tonnage	3,856	3,655	3,610	3,462	3,020	2,829	2,898	2,670	2,574	2,639
Recycling tonnage	425	468	506	576	624	694	536	641	637	650
Work orders	N/A	N/A	N/A	N/A	967	1,717	3,019	4,600	4,935	5,464
Planning										
Building permits	423	415	452	559	418	420	497	404	514	500
Business licenses	73	117	167	170	116	173	160	128	125	139
Inspections performed	1,857	1,723	2,015	2,417	1,773	1,522	1,681	1,686	1,744	2,150
Recreation services										
Athletic programs	N/A	N/A	N/A	19	20	18	16	18	16	13
Senior programs	N/A	N/A	N/A	17	22	26	23	25	30	34
Pool attendance	N/A	N/A	N/A	5,756	5,865	11,891	20,673	20,467	16,005	13,414

Sources - Various Town departments.

Note - Data not available for all years (noted by N/A).

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 17
 Full Time Government Employees By Function/Department (budgeted)
 Last Seven Fiscal Years

Department	2008	2009	2010	2011	2012	2013	2014
Administration	6	6	6	6	5	5	5
Planning Services	5	5	5	5	4	4	4
Fire	18	18	18	18	18	19	19
Police	21.0	21.0	21.0	22.0	22.0	22.0	22.0
Recreation Services	7	7	7	7	5.5	5.5	5.5
Public Services	7	7.5	7.5	7.5	7.0	7.0	8.0
Water	12	11.5	11.5	11.5	9.0	9.5	9.0
Golf	7.5	7.5	7.5	7.5	7.5	-	3.0
TOTAL	84	84	84	85	78	72	76

Source - Human Resources Department

Note - FTE information not available prior to FY08

Note - The Town retained management responsibilities for the golf course in May of FY14.

COMPLIANCE SECTION





**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

To the Honorable Mayor
and Members of the Board of Aldermen
Town of Black Mountain
Black Mountain, North Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Black Mountain, North Carolina, as of and for the year ended June 30, 2014, which collectively comprise the Town of Black Mountain, North Carolina's basic financial statements, and have issued our report thereon dated November 26, 2014. The financial statements of the Black Mountain ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Black Mountain, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Black Mountain, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Black Mountain, North Carolina's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Black Mountain, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 26, 2014

Town of Black Mountain, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2013

Finding: 2013- 1

Status:

The Town has implemented controls to monitor compliance with the approved budget for all funds and budget amendments were adopted as needed prior to incurring obligations that would exceed the budget. The Town was in compliance with G.S. 159-8(a) for the year ended June 30, 2014.