

Town of Black Mountain, North Carolina
Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2016



Town of Black Mountain, North Carolina

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016**



**Board of Aldermen
(As of June 30, 2016)**

C. Michael Sobol, Mayor
Ryan Stone, Vice Mayor
Don Collins
Larry B. Harris
Carlos Showers
Maggie Tuttle

Town Manager
Matt Settlemyer

Prepared under the direction of:
Finance Officer
Dean Luebbe

CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
GFOA Certificate of Achievement in Financial Reporting		I
Letter of Transmittal		II – VI
Organization Chart		VII
Board of Aldermen and Directors		VIII
Financial Section		
Independent Auditors' Report		1 – 3
Management's Discussion and Analysis		4 – 12
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	13
Statement of Activities	2	14
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	15 – 16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	6	19
Statement of Fund Net Position – Proprietary Funds	7	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	8	21
Statement of Cash Flows – Proprietary Funds	9	22
Statement of Fiduciary Net Position	10	23
Notes to Financial Statements		24 – 46

CONTENTS (continued)

	<u>Page</u>
Required Supplemental Financial Data:	
Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	47
Local Government Employees' Retirement System – Town's Proportionate Share of Net Pension Liability (Asset)	48
Local Government Employees' Retirement System – Schedule of Town's Contributions	49
Firefighters' and Rescue Squad Workers' Pension – Town's Proportionate Share of Net Pension Liability	50
Combining and Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	51 – 53
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Reserve Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Settings Capital Project Fund	55
Combining Balance Sheet – Non-major Governmental Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Comprehensive Bike Plan Capital Project Fund	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Watershed Restoration Capital Project Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Riverside Greenway Capital Project Fund	60
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water Fund	61 – 62
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Golf Course Fund	63
Statement of Changes in Assets and Liabilities – Metropolitan Sewerage District Agency Fund	64
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable – General Fund	65

CONTENTS (continued)

	<u>Page</u>
Analysis of Current Tax Levy – General Fund	66
Statistical Section	<u>Table</u>
Net Position by Component, Last Ten Fiscal Years	1 67
Changes in Net Position, Last Ten Fiscal Years	2 68 – 69
Fund Balances of Governmental Funds	3 70
Changes in Fund Balances of Governmental Funds	4 71
Assessed Value of Taxable Property	5 72
Governmental Funds Tax Revenue by Source	6 73
Property Tax Rates – Direct and Overlapping Tax Rates	7 74
Principal Property Tax Payers	8 75
Property Tax Levies and Collections	9 76
Ratios of Outstanding Debt by Type	10 77
Direct and Overlapping Governmental Activities Debt	11 78
Legal Debt Margin	12 79
Principal Employers	13 80
Principal Water Customers	14 81
Demographic and Economic Statistics	15 82
Operating Indicators	16 83
Full-Time Government Employees by Function/Department	17 84
Compliance Section	
Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	85 – 86
Schedule of Findings and Responses	87
Summary Schedule of Prior Year Audit Findings	88

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, 2015

Executive Director/CEO

Town of Black Mountain

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



October 14, 2016

To the Mayor, Board of Aldermen,
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, 2016. 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, 2016.

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, 2016, 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 unmodified opinion that the Town of Black Mountain's financial statements for the fiscal year

ended June 30, 2016 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 estimated population of 8,384, but can swell to over 25,000 during the summer weekends due to the many conference centers in the Town, and the overall tourism draw of the area.

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 3,400 customers, which includes Town residents, and customers from outlying areas. The Town produces 75% of its water from twelve wells, most of which are located one mile southeast of the Town in the Black Mountain watershed. The remaining 25% is purchased from the City of Asheville. The Town also contracts with Waste Pro 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. Black Mountain's financial position remains strong and should remain strong in the foreseeable future based on the robust local economy and the desirability of Buncombe County as a destination for business and families.

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. Asheville consistently rates highly among the most desirable places to live in the entire country.

Buncombe County's unemployment rate of 4.1%, as of June 2016, compares very favorably with the overall State of North Carolina rate of 4.9%. 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. In September of 2016, Governor McCrory announced that a life science company, Avadim Technologies, will be expanding in Black Mountain, adding over 500 jobs. Other major employers include the Buncombe County Board of Education and the Black Mountain Neuro-Medical Treatment Center.

Building permit revenue has nearly doubled in the last three years, and this growth bodes well for the Town's future. The Settings, an upscale community, located on the south side of town on Highway 9, is scheduled to complete major infrastructure improvements in FY17. Roberts Farms, a 250 home development located near the Town's golf course, broke ground in May of 2015, and saw significant development in the last fiscal year. Both events are expected to have a positive impact on overall property values.

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 and Major Initiatives

At June 30, 2016, the Town has designated a total of \$475,000 into its Capital Reserve Funds. The Town intends to make annual contributions to these funds 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 a custom fire truck, and the replacement of an aging pump station on Old Toll Road. The weighted average interest rate for all Town debt currently stands at 2.64%.

The Town of Black Mountain prepares a five-year Capital Improvement Plan (CIP) to function as a planning tool for capital improvements and major capital purchases. The CIP represents a multi-year forecast of the capital needs but only the current year schedule is adopted annually by the Board of Aldermen and becomes part of the operating budget. The CIP not only identifies capital projects, but also the financing required for the projects and their impact on the operating budget. Capital projects can differ from annual operating expenses in that they involve large dollar amounts, often require special financing, occur at irregular intervals, and involve development of assets expected to last several years. Because priorities can change, projects included in future planning years, are not guaranteed for funding.

The Town has recently undertaken three multi-year projects that are intended to improve the Town for future generations. The first is the Riverwalk Greenway Phase II, which is scheduled to be a five year project and is 80% grant funded. The project will connect the Flat Creek Greenway with the Oaks Trail at Veterans Park and provide an alternative to automobiles for residents and guests. The other two projects are related to the Swannanoa River, and its removal from the 303(d) list of impaired waters. The first of these projects is the Watershed Restoration project, which is also heavily grant funded. The purpose behind this project is to improve upon the Town's stormwater system, as runoff from stormwater is contributing to sediment problems in the river. A focus group was held in April of 2015, and twenty projects were rated as to cost, effectiveness, and desirability. The Town is planning on completing two or three of these each year, depending on funding. The second of these projects involves the Tomahawk Branch Stream Restoration. The Tomahawk Branch flows into the Swannanoa

River, and particularly, as it flows through the Town golf course it is in need of streambank stabilization, to prevent erosion and silt runoff. This project is also heavily grant funded.

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. In January of 2016, the Board of Aldermen amended the fund balance policy, designating the minimum unassigned General Fund balance to be maintained at 30% of General Fund expenditures. The Town's current unassigned fund balance is 39% of General Fund expenditures. 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, 2015. This was the fifth 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 Aldermen 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,

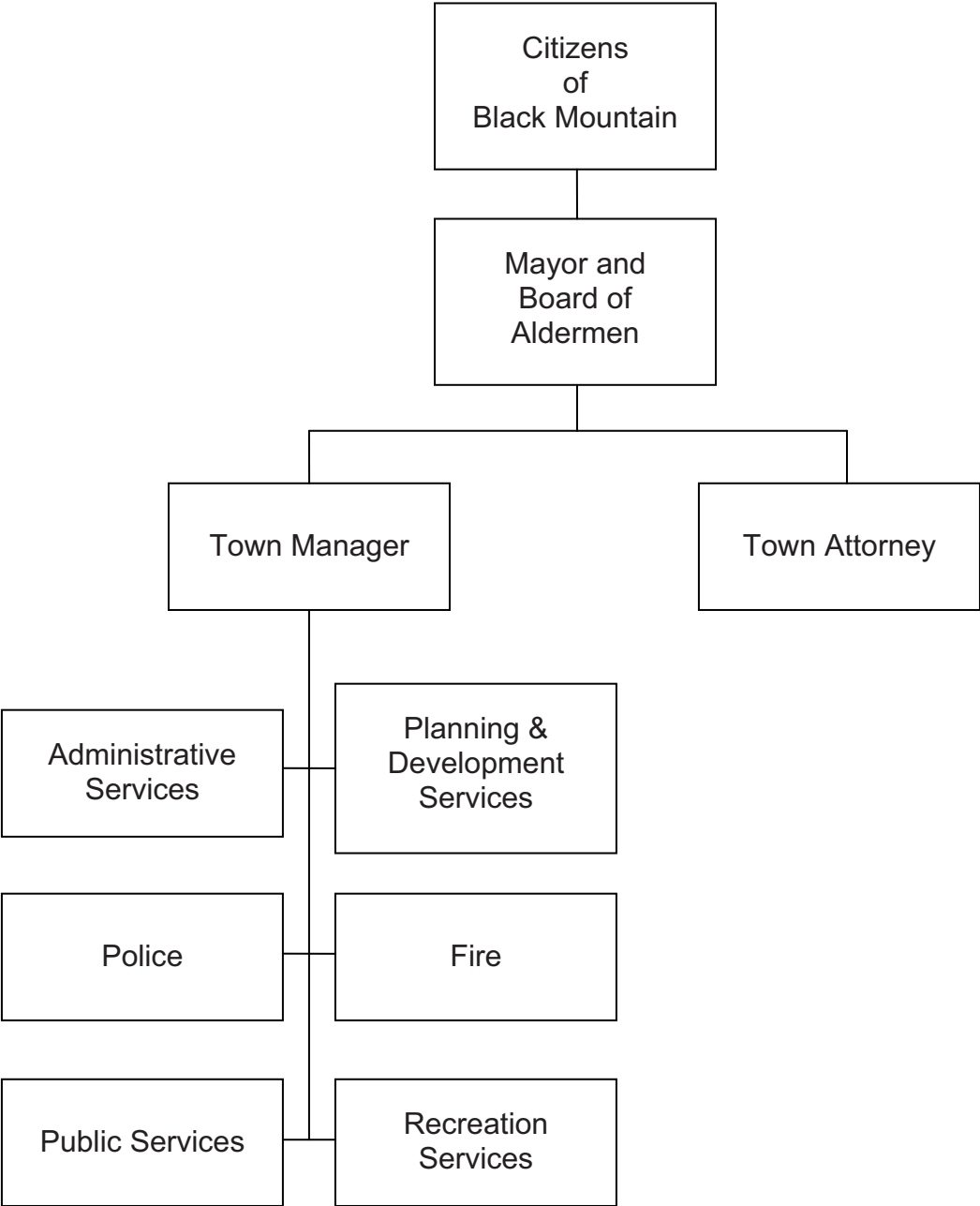


Matt Settlemeyer
Town Manager



Dean M. Luebbe, CPA
Assistant Town Manager / Finance Director

TOWN OF BLACK MOUNTAIN ORGANIZATIONAL CHART



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

THE TOWN GOVERNING BODY AND OFFICIALS

JUNE 30, 2016

MEMBERS OF THE GOVERNING BODY

MAYOR

C. Michael Sobol

BOARD OF ALDERMEN

Ryan Stone
(Vice Mayor)

Don Collins

Larry B. Harris

Carlos Showers

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



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, 2016, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the 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 respective 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, 2016, 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 on pages 4-12, the Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress on page 47, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 48 and 49, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 50 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, North Carolina. The introductory section, combining and 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 combining and 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 combining and 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 October 14, 2016 on our consideration of the Town of Black Mountain, North Carolina'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

October 14, 2016

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, 2016. 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

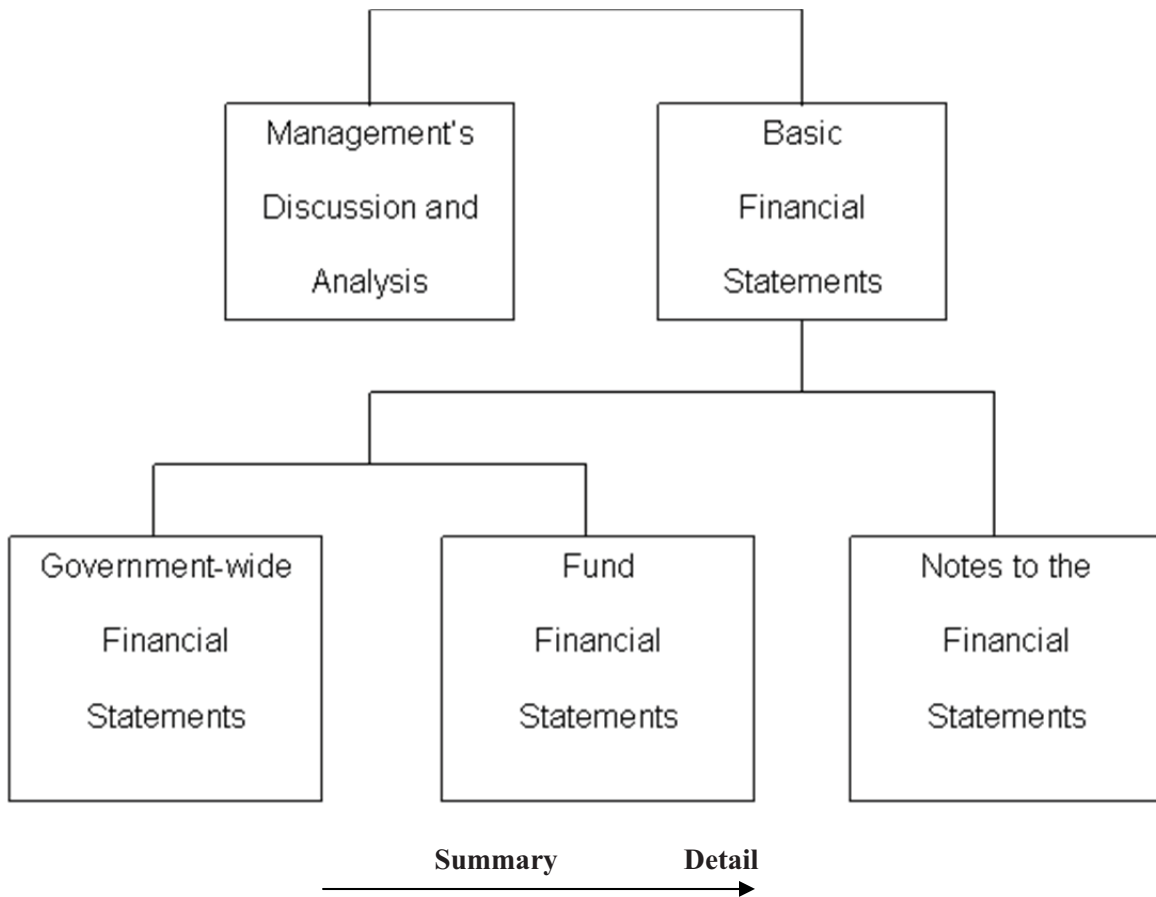
- The assets and deferred outflows of the Town of Black Mountain exceeded its liabilities and deferred inflows at the close of the fiscal year by \$19,647,626 (*net position*). Of this amount, \$5,103,318 may be used to meet the government's ongoing obligations to citizens and creditors (*unrestricted net position*).
- The government's total net position increased by \$171,090. The Settings Capital Project Fund expended \$902,997 of the \$1,533,505 received as surety bond settlement in FY15. If not for this one time expenditure, total net position would have increased by over \$1,070,000. Major revenues (property, sales and franchise taxes) remain strong and the Town continues to search for cost saving measures in all areas of the government.
- As of the close of the current fiscal year, the Town of Black Mountain's governmental funds reported combined ending fund balances of \$5,256,222, an decrease of \$797,471 in comparison with the prior year. Approximately 29% of this total amount, or \$1,523,125, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,022,324 or 39% of total general fund expenditures for the fiscal year. This compares with \$2,709,003 or 36% at the end of fiscal year 2015, and increase of \$313,321.
- The Town of Black Mountain continued to be focused on reducing long term debt. During the fiscal year, total long-term debt, excluding compensated absences and pension, was reduced from \$3,805,493 to \$3,321,543.

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 10) 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 statement.

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 North Carolina 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 position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position 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 Beverage 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 1) 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 position 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 one kind of proprietary fund. *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 system operations 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 position 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 an agency 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 24 – 46 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 pages 47-50 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 Position**

Figure 2

	Governmental Activities		Business-type Activities		Total	
		(Restated)		(Restated)		(Restated)
	2016	2015	2016	2015	2016	2015
Other assets						
& deferred outflows	\$ 6,228,407	\$ 6,772,612	\$ 2,270,032	\$ 2,065,365	\$ 8,498,439	\$ 8,837,977
Capital assets	<u>9,871,635</u>	<u>9,451,273</u>	<u>6,487,256</u>	<u>6,717,820</u>	<u>16,358,891</u>	<u>16,169,093</u>
Total assets						
& deferred outflows	<u>16,100,042</u>	<u>16,223,885</u>	<u>8,757,288</u>	<u>8,783,185</u>	<u>24,857,330</u>	<u>25,007,070</u>
Long-term liabilities	1,953,314	2,280,371	1,585,224	1,887,137	3,538,538	4,167,508
Other liabilities						
& deferred inflows	<u>1,229,809</u>	<u>967,264</u>	<u>441,357</u>	<u>395,762</u>	<u>1,671,166</u>	<u>1,363,026</u>
Total liabilities						
& deferred inflows	<u>3,183,123</u>	<u>3,247,635</u>	<u>2,026,581</u>	<u>2,282,899</u>	<u>5,209,704</u>	<u>5,530,534</u>
Net position:						
Net investment in capital						
assets	8,195,625	7,480,903	4,841,723	4,882,698	13,037,348	12,363,601
Restricted	1,506,960	2,608,574	-	-	1,506,960	2,608,574
Unrestricted	<u>3,214,334</u>	<u>2,886,773</u>	<u>1,888,984</u>	<u>1,617,588</u>	<u>5,103,318</u>	<u>4,504,361</u>
Total net position	<u>\$12,916,919</u>	<u>\$12,976,250</u>	<u>\$ 6,730,707</u>	<u>\$ 6,500,286</u>	<u>\$ 19,647,626</u>	<u>\$ 19,476,536</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Black Mountain exceeded liabilities and deferred inflows by \$19,647,626 as of June 30, 2016. The Town's net position *increased* by \$171,090 for the fiscal year ended June 30, 2016. However, the largest portion of net position (66.3%) 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 position, 1,506,960 (7.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,103,318 (26.0%) is unrestricted and may be used to meet the Town's ongoing obligation to citizens and creditors.

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

- The Town continues to maintain a high property tax collection percentage. The Town's collection percentage, excluding motor vehicle taxes, for fiscal year 2016, was 99.83%, which is higher than the statewide average of 98.87%.
- Local option sales taxes increased by \$144,107 from the prior year. Buncombe County continues to be the economic driver of Western North Carolina.
- Building permit revenue increased from \$174,752 in FY15 to \$288,667 in FY16. Black Mountain continues to be a very desirable location for business and residents.
- Over the last three years, the Town has been focused on reducing debt and overall debt payments budgeted in FY17 are \$368,604, a decrease of \$460,000 from the FY14 budget. The overall weighted average interest rate of debt for the Town currently stands at 2.64%.

Town of Black Mountain Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,415,053	\$ 1,384,326	\$ 1,894,503	\$ 1,822,315	\$ 3,309,556	\$ 3,206,641
Operating grants and contributions	311,013	324,682	-	-	311,013	324,682
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	3,824,924	3,781,205	-	-	3,824,924	3,781,205
Other taxes	1,589,942	1,466,892	-	-	1,589,942	1,466,892
Grants and contributions	836,255	1,118,485	-	1,197,500	836,255	2,315,985
Surety bond settlement	-	1,533,505	-	-	-	1,533,505
Other	208,819	132,910	(1,502)	4,716	207,317	137,626
Total revenues	<u>8,186,006</u>	<u>9,742,005</u>	<u>1,893,001</u>	<u>3,024,531</u>	<u>10,079,007</u>	<u>12,766,536</u>
Expenses:						
General government	1,187,536	1,268,752	-	-	1,187,536	1,268,752
Public safety	3,362,444	3,170,756	-	-	3,362,444	3,170,756
Public works	900,103	898,225	-	-	900,103	898,225
Environmental protection	670,546	675,672	-	-	670,546	675,672
Culture and recreation	856,205	745,206	-	-	856,205	745,206
Economic & physical dev	969,884	83,243	-	-	969,884	83,243
Interest on long-term debt	52,601	69,614	-	-	52,601	69,614
Water	-	-	1,322,647	1,218,696	1,322,647	1,218,696
Golf course	-	-	585,951	598,508	585,951	598,508
Total expenses	<u>7,999,319</u>	<u>6,911,468</u>	<u>1,908,598</u>	<u>1,817,204</u>	<u>9,907,917</u>	<u>8,728,672</u>
Increase (decrease) in net position before transfers	186,687	2,830,537	(15,597)	1,207,327	171,090	4,037,864
Transfers	(246,018)	(82,591)	246,018	82,591	-	-
Change in net position	<u>(59,331)</u>	<u>2,747,946</u>	<u>230,421</u>	<u>1,289,918</u>	<u>171,090</u>	<u>4,037,864</u>
Net position, beginning	<u>12,976,250</u>	<u>10,228,304</u>	<u>6,500,286</u>	<u>5,210,368</u>	<u>19,476,536</u>	<u>15,438,672</u>
Net position, ending	<u>\$12,916,919</u>	<u>\$12,976,250</u>	<u>\$ 6,730,707</u>	<u>\$ 6,500,286</u>	<u>\$ 19,647,626</u>	<u>\$ 19,476,536</u>

Governmental activities. Governmental activities decreased the Town's net position by \$59,331. Key elements of this change are as follows:

- The Town of Black Mountain expended \$902,997 from the Settings Capital Project Fund. The Town had received \$1,533,505 as surety bond proceeds in FY15. The remaining balance will be expended in FY17, and will complete needed infrastructure in an upscale neighborhood.
- Local option sales tax revenue increased by \$144,107 in FY16.

Business-type activities: Business-type activities increased the Town of Black Mountain's net position by \$230,421, accounting for 100% of the growth in net position for the Town. Key elements of this increase are as follows:

- The Water Fund reported operating income of \$76,603 in FY16. The Town continues to look for cost efficiencies in delivering water to its customers.
- The Golf Fund reported an operating loss of \$42,290 in FY16. The Golf Fund received a \$246,018 transfer from the General Fund to cover an interfund payable. The golf course is trending in a positive direction, and the Town is hopeful that in the future it will not require General Fund financial assistance.

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 unassigned fund balance in the general fund was \$3,022,324, while total fund balance reached \$4,664,437. 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 unassigned fund balance of 38.8% of general fund expenditures, while total fund balance represents 60.0% of that same amount.

At June 30, 2016, the governmental funds of the Town of Black Mountain reported a combined fund balance of \$5,256,222, a 13.2% decrease from last year. As noted earlier, this decrease is primarily due to bond monies expended in FY16 from The Settings Capital Project Fund.

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 difference between the budgeted and actual amounts is attributed in part to the following:

- Utilities sales tax revenue exceeded budgeted amounts by \$89,179.
- Building permit revenue exceeded budgeted amounts by \$97,667, as the Black Mountain area continued to be a desirable location for businesses and families.
- Local option sales taxes exceeded budgeted amounts by \$43,072.
- Many departments contributed to actual expenses being less than budgeted expenditures by continuing wise spending practices. The largest budget savings were in the Police and Recreation Departments.

Actual total operating revenues for the General Fund exceeded budgeted amounts by \$329,381. Actual expenditures were \$287,160 less than budgeted amounts.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$1,987,773. Operating revenues exceeded operating expenses by \$76,603. Unrestricted net position of the Golf Fund at the end of the fiscal year amounted to a deficit of \$98,789. The Golf Fund reported an operating loss of \$42,290 for the fiscal year ending June 30, 2016. The Golf Fund continues to be an area of major focus for Town management. 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, 2016, totals \$16,358,891 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and water facilities and infrastructure.

Major capital asset transactions during the year include the following:

- The Town purchased \$846,755 of capital assets during the fiscal year. Included in these purchases were four vehicles (\$156,303), and building improvements to the Carver Center (\$98,120). The Town also expended \$435,969 on infrastructure improvements, including sidewalk improvements, street paving projects, and the dredging project at Lake Tomahawk.

Town of Black Mountain's Capital Assets (Net of depreciation)

Figure 4

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$3,485,062	\$ 3,485,062	\$ 481,775	\$ 481,775	\$ 3,966,837	\$ 3,966,837
Buildings	3,566,432	3,568,173	305,327	315,192	3,871,759	3,883,365
Land improvements	2,165,524	1,884,973	2,568,859	2,661,962	4,734,383	4,546,935
Furniture and fixtures	39,958	19,303	4,195	4,904	44,153	24,207
Equipment	108,950	76,735	40,146	51,801	149,096	128,536
Water infrastructure	-	-	2,894,324	3,005,547	2,894,324	3,005,547
Vehicles and motorized equipment	466,934	417,027	160,045	177,306	626,979	594,333
Construction in progress	<u>38,775</u>	<u>-</u>	<u>32,585</u>	<u>19,333</u>	<u>71,360</u>	<u>19,333</u>
Total	<u>\$ 9,871,635</u>	<u>\$ 9,451,273</u>	<u>\$ 6,487,256</u>	<u>\$ 6,717,820</u>	<u>\$ 16,358,891</u>	<u>\$ 16,169,093</u>

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, 2016, the Town of Black Mountain had long term obligations of \$3,321,543. The Town's long term obligations include installment purchases and Federal 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 \$3,805,493 in FY15 to \$3,321,543 at the end of FY16. Payments made on debt principal during FY 16 totaled \$483,950.

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 \$77,000,000.

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 4.1% is below the statewide level of 4.9%.
- The property tax rate remains unchanged at 37.5 cents per \$100 of valuation.
- No new debt issuance in current budget year.
- The Town anticipates that the completion of the Settings infrastructure, and the Roberts Farms development will have a positive effect on property valuation. In September of 2016, Governor McCrory announced that Avadim Technologies will be expanding in Black Mountain. This is estimated to add over 500 jobs to the area, and represents the largest job expansion ever in Buncombe County. Avadim officials estimate the opening to be early in 2018.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Government Activities

Property taxes are expected to grow by 1% from FY16 budgeted levels, and are budgeted to account for 44.6% of General Fund revenues. Sales tax revenues are expected to grow by 6% from FY16 budgeted levels, and account for 18.6% of General Fund revenues. As in prior years, the Town's budget development was guided by the following principles: (1) preserving current Town assets; (2) investing in the Town's future; and (3) minimizing rate impacts on citizens and customers.

Original budgeted expenditures in the General Fund were expected to increase 3.12% to \$8,354,118 over the FY16 original budget. The Town appropriated \$257,078 of fund balance to balance the General Fund's FY17 budget. Similar to most local governments, salaries and benefits (54.3%) make up the largest portion of budgeted expenditures.

Business Activities

Original budgeted expenditures in the Water Fund were expected to decrease 2.19% to \$1,455,943 as compared to the FY16 original budget. The Town appropriated \$108,943 of fund balance to balance the Water Fund in the FY17 budget. The Golf Fund budget increased 1.63% from FY16 levels.

- Town of Black Mountain water rates were raised by 2% to cover the increased costs of operations.
- The Town increased rates at the golf course on all of the major revenue sources (green fees, cart fees, membership). The Golf Fund has shown steady revenue growth in the last twenty four months, and the Town is confident the course will soon be self sufficient.

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Black Mountain ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,019,189	\$ 1,869,053	\$ 5,888,242	\$ 404,850
Taxes receivable, net	6,590	-	6,590	-
Accrued interest receivable	977	-	977	-
Accounts receivable, net	17,200	197,216	214,416	-
Due from other governments	764,999	-	764,999	-
Inventories	5,065	66,581	71,646	305,755
Prepaid items	35,873	-	35,873	4,743
Restricted:				
Cash and cash equivalents	1,177,030	104,383	1,281,413	-
Total current assets	6,026,923	2,237,233	8,264,156	715,348
Non-current assets:				
Capital assets:				
Land and construction in progress	3,523,837	514,360	4,038,197	66,737
Other capital assets, net	6,347,798	5,972,896	12,320,694	61,954
Total capital assets	9,871,635	6,487,256	16,358,891	128,691
Total assets	15,898,558	8,724,489	24,623,047	844,039
DEFERRED OUTFLOWS OF RESOURCES	201,484	32,799	234,283	-
LIABILITIES				
Current liabilities:				
Accounts payable	440,388	87,191	527,579	-
Other liabilities	282,733	56,756	339,489	191,468
Accrued interest payable	31,791	3,261	35,052	-
Customer deposits	-	104,383	104,383	-
Current portion of long-term liabilities	317,518	166,627	484,145	-
Total current liabilities	1,072,430	418,218	1,490,648	191,468
Long-term liabilities:				
Due in more than one year	1,953,314	1,585,224	3,538,538	-
Total liabilities	3,025,744	2,003,442	5,029,186	191,468
DEFERRED INFLOWS OF RESOURCES	157,379	23,139	180,518	-
NET POSITION				
Net investment in capital assets	8,195,625	4,841,723	13,037,348	128,691
Restricted for:				
Stabilization by State statute	784,674	-	784,674	-
Streets	105,699	-	105,699	-
Public safety	54,802	-	54,802	65,476
Capital projects	561,785	-	561,785	275,000
Unrestricted	3,214,334	1,888,984	5,103,318	183,404
Total net position	\$ 12,916,919	\$ 6,730,707	\$ 19,647,626	\$ 652,571

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Exhibit 2

Statement of Activities
For the year ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Town of Black Mountain ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 1,187,536	\$ 3,633	\$ -	\$ -	\$ (1,183,903)	\$ -	\$ (1,183,903)	\$ -
Public safety	3,362,444	1,211,299	18,421	-	(2,132,724)	-	(2,132,724)	-
Public works	900,103	-	239,977	-	(660,126)	-	(660,126)	-
Environmental protection	670,546	1,492	-	-	(669,054)	-	(669,054)	-
Cultural and recreational	856,205	198,629	16,350	-	(641,226)	-	(641,226)	-
Economic and physical development	969,884	-	36,265	-	(933,619)	-	(933,619)	-
Interest on long-term debt	52,601	-	-	-	(52,601)	-	(52,601)	-
Total governmental activities	7,999,319	1,415,053	311,013	-	(6,273,253)	-	(6,273,253)	-
Business-type activities:								
Water	1,322,647	1,350,939	-	-	-	28,292	28,292	-
Golf Course	585,951	543,564	-	-	-	(42,387)	(42,387)	-
Total business-type activities	1,908,598	1,894,503	-	-	-	(14,095)	(14,095)	-
Total primary government	\$ 9,907,917	\$ 3,309,556	\$ 311,013	\$ -	(6,273,253)	(14,095)	(6,287,348)	-
Component unit:								
Town of Black Mountain ABC Board	\$ 2,089,092	\$ 2,207,256	\$ -	\$ -	-	-	-	118,164
Total component unit	\$ 2,089,092	\$ 2,207,256	\$ -	\$ -	-	-	-	118,164
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,824,924	-	3,824,924	-
Sales taxes					1,554,072	-	1,554,072	-
Other taxes					35,870	-	35,870	-
Grants and contributions not restricted to specific programs					836,255	-	836,255	-
Unrestricted investment earnings					13,402	4,614	18,016	550
Gain (loss) on sale of capital assets					41,600	(8,907)	32,693	-
Miscellaneous					153,817	2,791	156,608	-
Total general revenues					6,459,940	(1,502)	6,458,438	550
Transfers					(246,018)	246,018	-	-
Total general revenues and transfers					6,213,922	244,516	6,458,438	550
Changes in net position					(59,331)	230,421	171,090	118,714
Net position, beginning, as originally reported					12,841,040	6,500,286	19,341,326	533,857
Restatement (Note 4)					135,210	-	135,210	-
Net position, beginning, as restated					12,976,250	6,500,286	19,476,536	533,857
Net position, end of year					\$ 12,916,919	\$ 6,730,707	\$ 19,647,626	\$ 652,571

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2016

	<u>Major</u>		<u>Non-major</u>	
	<u>General Fund</u>	<u>The Settings Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,989,189	\$ -	\$ 30,000	\$ 4,019,189
Restricted cash and cash equivalents	269,951	907,079	-	1,177,030
Taxes receivable, net	6,590	-	-	6,590
Accounts receivable, net	17,200	-	-	17,200
Due from other governments	762,524	-	2,475	764,999
Due from other funds	2,475	-	(2,475)	-
Inventories	5,065	-	-	5,065
Prepaid items	11,100	-	-	11,100
Total assets	<u>\$ 5,064,094</u>	<u>\$ 907,079</u>	<u>\$ 30,000</u>	<u>\$ 6,001,173</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 95,094	\$ 345,294	\$ -	\$ 440,388
Salaries and payroll taxes payable	173,283	-	-	173,283
Developer deposits	109,450	-	-	109,450
Total liabilities	<u>377,827</u>	<u>345,294</u>	<u>-</u>	<u>723,121</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>21,830</u>	<u>-</u>	<u>-</u>	<u>21,830</u>
FUND BALANCES				
Nonspendable:				
Inventories	5,065	-	-	5,065
Prepaid items	11,100	-	-	11,100
Restricted for:				
Stabilization by State statute	782,199	-	2,475	784,674
Streets	105,699	-	-	105,699
Public safety	54,802	-	-	54,802
Capital projects	-	561,785	-	561,785
Committed for capital projects	275,000	-	30,000	305,000
Assigned for:				
Subsequent year's expenditures	257,078	-	-	257,078
Public safety	151,170	-	-	151,170
Unassigned	3,022,324	-	(2,475)	3,019,849
Total fund balances	<u>4,664,437</u>	<u>561,785</u>	<u>30,000</u>	<u>5,256,222</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,064,094</u>	<u>\$ 907,079</u>	<u>\$ 30,000</u>	<u>\$ 6,001,173</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2016

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

Total fund balance - governmental funds	\$ 5,256,222
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,871,635
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.	25,750
Deferred outflows of resources related to pensions are not reported in the funds.	201,484
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	6,590
Deferred inflows of resources related to pensions are not reported in the funds.	(142,139)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment obligations	\$ (1,676,010)
Compensated absences	(345,952)
Net pension liability	(248,870)
Accrued interest payable	(31,791)
	<u>(2,302,623)</u>
Net position of governmental activities	<u>\$ 12,916,919</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, 2016

	<u>Major</u>		<u>Non-major</u>	
	<u>General Fund</u>	<u>The Settings Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Ad valorem taxes	\$ 3,830,394	\$ -	\$ -	\$ 3,830,394
Other taxes and licenses	1,589,942	-	-	1,589,942
Unrestricted intergovernmental	836,255	-	-	836,255
Restricted intergovernmental	274,748	-	36,265	311,013
Permits and fees	294,689	-	-	294,689
Sales and services	1,120,364	-	-	1,120,364
Miscellaneous	153,817	-	-	153,817
Investment earnings	10,765	2,637	-	13,402
Total revenues	<u>8,110,974</u>	<u>2,637</u>	<u>36,265</u>	<u>8,149,876</u>
EXPENDITURES				
Current:				
General government	1,203,593	-	-	1,203,593
Public safety	3,373,520	-	-	3,373,520
Public works	1,066,048	-	-	1,066,048
Environmental protection	659,476	-	-	659,476
Cultural and recreational	1,117,776	-	-	1,117,776
Capital outlay	-	902,997	66,887	969,884
Debt service:				
Principal	294,361	-	-	294,361
Interest	58,271	-	-	58,271
Total expenditures	<u>7,773,045</u>	<u>902,997</u>	<u>66,887</u>	<u>8,742,929</u>
Revenues over (under) expenditures	<u>337,929</u>	<u>(900,360)</u>	<u>(30,622)</u>	<u>(593,053)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	41,600	-	-	41,600
Transfers from the general fund	-	-	29,980	29,980
Transfers to the golf fund	(246,018)	-	-	(246,018)
Transfers to the capital project funds	(29,980)	-	-	(29,980)
Total other financing sources (uses)	<u>(234,398)</u>	<u>-</u>	<u>29,980</u>	<u>(204,418)</u>
Net change in fund balances	<u>103,531</u>	<u>(900,360)</u>	<u>(642)</u>	<u>(797,471)</u>
Fund balances, beginning, as originally stated	4,425,696	1,462,145	30,642	5,918,483
Restatement (Note 4)	135,210	-	-	135,210
Fund balances, beginning, as restated	<u>4,560,906</u>	<u>1,462,145</u>	<u>30,642</u>	<u>6,053,693</u>
Fund balances, end of year	<u>\$ 4,664,437</u>	<u>\$ 561,785</u>	<u>\$ 30,000</u>	<u>\$ 5,256,222</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, 2016

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

Net changes in fund balances - total governmental funds		\$ (797,471)
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$ 818,310	
Depreciation expense for governmental assets	<u>(397,948)</u>	420,362
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		189,018
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(5,470)
<p>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.</p>		
Principal payments on long-term debt	294,361	
Decrease in accrued interest payable	<u>5,670</u>	300,031
<p>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:</p>		
Compensated absences used (accrued)	(35,953)	
Pension benefit (expense)	(128,871)	
Net pension obligation (prepayment)	<u>(977)</u>	(165,801)
Total changes in net position of governmental activities		<u>\$ (59,331)</u>

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

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, 2016

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 3,798,600	\$ 3,798,600	\$ 3,830,394	\$ 31,794
Other taxes and licenses	1,546,000	1,546,000	1,589,942	43,942
Unrestricted intergovernmental	780,500	780,500	836,255	55,755
Restricted intergovernmental	269,000	273,950	274,748	798
Permits and fees	201,000	201,000	294,689	93,689
Sales and services	1,057,150	1,057,150	1,120,364	63,214
Investment earnings	2,200	2,200	10,765	8,565
Miscellaneous	25,500	122,193	153,817	31,624
Total revenues	<u>7,679,950</u>	<u>7,781,593</u>	<u>8,110,974</u>	<u>329,381</u>
Expenditures:				
Current:				
General government	1,237,191	1,220,919	1,203,593	17,326
Public safety	3,477,208	3,501,999	3,373,520	128,479
Public works	1,122,771	1,128,921	1,066,048	62,873
Environmental protection	696,110	676,110	659,476	16,634
Cultural and recreation	952,881	1,178,806	1,117,776	61,030
Debt service:				
Principal retirement	294,615	294,615	294,361	254
Interest and other charges	58,835	58,835	58,271	564
Total expenditures	<u>7,839,611</u>	<u>8,060,205</u>	<u>7,773,045</u>	<u>287,160</u>
Revenues over (under) expenditures	<u>(159,661)</u>	<u>(278,612)</u>	<u>337,929</u>	<u>616,541</u>
Other financing sources (uses):				
Appropriated fund balance	256,661	536,630	-	(536,630)
Proceeds from sale of capital assets	8,000	8,000	41,600	33,600
Transfer to capital project fund	(30,000)	(30,000)	(29,980)	20
Transfer (to) from capital reserve fund	(75,000)	10,000	10,000	-
Transfer to golf fund	-	(246,018)	(246,018)	-
Total other financing sources (uses)	<u>159,661</u>	<u>278,612</u>	<u>(224,398)</u>	<u>(503,010)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>113,531</u>	<u>\$ 113,531</u>
Fund balance, beginning of year, as originally stated			4,140,696	
Restatement (Note 4)			<u>135,210</u>	
Fund balance, beginning of year, as restated			<u>4,275,906</u>	
Fund balance, end of year			4,389,437	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Net transfer to general fund			(10,000)	
Fund balance, beginning of year (Capital Reserve Fund)			<u>285,000</u>	
Fund balance, end of year (Exhibit 4)			<u><u>\$ 4,664,437</u></u>	

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

PROPRIETARY FUNDS
Statement of Fund Net Position
June 30, 2016

	Major Enterprise Funds		
	Water Fund	Golf Course Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,868,053	\$ 1,000	\$ 1,869,053
Accounts receivable:			
Accounts receivable - billed, net	123,307	-	123,307
Accounts receivable - unbilled, net	73,909	-	73,909
Inventories	59,244	7,337	66,581
Restricted cash and cash equivalents	104,383	-	104,383
Total current assets	<u>2,228,896</u>	<u>8,337</u>	<u>2,237,233</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	208,230	306,130	514,360
Other capital assets, net of depreciation	5,505,044	467,852	5,972,896
Capital assets, net	<u>5,713,274</u>	<u>773,982</u>	<u>6,487,256</u>
Total assets	<u>7,942,170</u>	<u>782,319</u>	<u>8,724,489</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>23,429</u>	<u>9,370</u>	<u>32,799</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	68,272	18,919	87,191
Deferred annual golf memberships	-	56,756	56,756
Accrued interest payable	3,261	-	3,261
Customer deposits	104,383	-	104,383
Compensated absences, current	30,798	8,102	38,900
Revolving loans payable, current	58,144	-	58,144
Installment purchase, current	69,583	-	69,583
Total current liabilities	<u>334,441</u>	<u>83,777</u>	<u>418,218</u>
Noncurrent liabilities:			
Net pension liability	28,938	11,576	40,514
Compensated absences	12,372	14,532	26,904
Revolving loans payable	804,594	-	804,594
Installment purchase	713,212	-	713,212
Total noncurrent liabilities	<u>1,559,116</u>	<u>26,108</u>	<u>1,585,224</u>
Total liabilities	<u>1,893,557</u>	<u>109,885</u>	<u>2,003,442</u>
DEFERRED INFLOWS OF RESOURCES	<u>16,528</u>	<u>6,611</u>	<u>23,139</u>
NET POSITION			
Net investment in capital assets	4,067,741	773,982	4,841,723
Unrestricted (deficit)	1,987,773	(98,789)	1,888,984
Total net position	<u>\$ 6,055,514</u>	<u>\$ 675,193</u>	<u>\$ 6,730,707</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, 2016

	Major Enterprise Funds		
	Water Fund	Golf Course Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,198,809	\$ -	\$ 1,198,809
Golf course revenue	-	543,564	543,564
Other	152,130	-	152,130
Miscellaneous	2,791	-	2,791
Total operating revenues	<u>1,353,730</u>	<u>543,564</u>	<u>1,897,294</u>
OPERATING EXPENSES			
Administration	257,197	517,487	774,684
Water system operations	788,569	-	788,569
Depreciation	231,361	68,367	299,728
Total operating expenses	<u>1,277,127</u>	<u>585,854</u>	<u>1,862,981</u>
Operating income (loss)	<u>76,603</u>	<u>(42,290)</u>	<u>34,313</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	4,602	12	4,614
Interest on long-term debt	(45,520)	(97)	(45,617)
Loss on disposal of capital assets	(8,907)	-	(8,907)
Total nonoperating revenue (expenses)	<u>(49,825)</u>	<u>(85)</u>	<u>(49,910)</u>
Income (loss) before transfers	26,778	(42,375)	(15,597)
Transfer from general fund	-	246,018	246,018
Change in net position	<u>26,778</u>	<u>203,643</u>	<u>230,421</u>
Net position, beginning of year	<u>6,028,736</u>	<u>471,550</u>	<u>6,500,286</u>
Net position, end of year	<u>\$ 6,055,514</u>	<u>\$ 675,193</u>	<u>\$ 6,730,707</u>

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

PROPRIETARY FUNDS
Statement of Cash Flows
For the year ended June 30, 2016

	Major Enterprise Funds		
	Water Fund	Golf Course Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,539,494	\$ 528,257	\$ 2,067,751
Cash paid for goods and services	(800,821)	(272,515)	(1,073,336)
Cash paid to or on behalf of employees for services	(440,686)	(239,527)	(680,213)
Net cash provided by operating activities	<u>297,987</u>	<u>16,215</u>	<u>314,202</u>
Cash flows from noncapital and related financing activities:			
Transfers from other funds	-	246,018	246,018
Decrease in due to other funds	-	(201,810)	(201,810)
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>44,208</u>	<u>44,208</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(80,470)	-	(80,470)
Proceeds on sale of capital assets	2,400	-	2,400
Principal payment on long-term debt	(130,218)	(59,371)	(189,589)
Interest on long-term debt	(51,267)	(1,064)	(52,331)
Net cash used by capital and related financing activities	<u>(259,555)</u>	<u>(60,435)</u>	<u>(319,990)</u>
Cash flows from investing activities:			
Interest earned	4,601	12	4,613
Net cash provided by investing activities	<u>4,601</u>	<u>12</u>	<u>4,613</u>
Net increase in cash and cash equivalents	43,033	-	43,033
Cash and cash equivalents, beginning of year	1,929,403	1,000	1,930,403
Cash and cash equivalents, end of year	<u>\$ 1,972,436</u>	<u>\$ 1,000</u>	<u>\$ 1,973,436</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 76,603	\$ (42,290)	\$ 34,313
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	231,361	68,367	299,728
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	165,388	-	165,388
(Increase) decrease in inventory	22,181	1,656	23,837
(Increase) decrease in prepaid items	10,525	896	11,421
(Increase) decrease in net pension asset	33,940	13,576	47,516
(Increase) decrease in deferred outflows of resources - pensions	(246)	(98)	(344)
Increase (decrease) in net pension liability	28,938	11,575	40,513
Increase (decrease) in deferred inflows of resources - pensions	(69,626)	(27,851)	(97,477)
Increase (decrease) in accounts payable and accrued liabilities	(225,368)	(4,183)	(229,551)
Increase (decrease) in deferred annual golf memberships	-	(15,307)	(15,307)
Increase (decrease) in compensated absences	3,915	9,874	13,789
Increase (decrease) in customer deposits	20,376	-	20,376
Total adjustments	<u>221,384</u>	<u>58,505</u>	<u>279,889</u>
Net cash provided by operating activities	<u>\$ 297,987</u>	<u>\$ 16,215</u>	<u>\$ 314,202</u>

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

FIDUCIARY FUND
 Statement of Fiduciary Net Position
 June 30, 2016

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 86,605
Accounts receivable	160,683
Total assets	\$ 247,288
LIABILITIES	
Due to Metropolitan Sewerage District	\$ 247,288

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2016

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 non-major 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.

Settings Capital Project Fund – This fund is used to account for surety bond settlement proceeds received and payments made to construct infrastructure in the Settings Development and administrative costs. When complete, assets will not be owned by 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 types:

Agency Fund – Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Metropolitan Sewerage District (MSD) Agency Fund, which accounts for sewage treatment services that are billed and collected by the Town on behalf of MSD.

Non-major Funds – The Town maintains three legally adopted capital project funds: the Comprehensive Bike Plan Capital Project Fund, the Watershed Restoration Capital Project Fund, and the Riverside Greenway Capital Project Fund.

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. Non-exchange 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 non-operating 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 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 non-operating 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates 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 the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Black Mountain because the tax is levied by Buncombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for a specific purpose, are reported as general revenues rather than program revenues. 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 Comprehensive Bike Plan Capital Project Fund, the Settings Capital Project Fund, the Watershed Restoration Capital Project Fund, and the Riverside Greenway 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 5% of each fund; however, any revisions that alter the total expenditures of any fund or that change departmental appropriations by more than 5% of each fund 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 Equity1. 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. Also, the Town and ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities 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 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 and developer 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.

Town of Black Mountain Restricted Cash

Governmental Activities

General Fund

Streets	\$ 105,699
Public safety	54,802
Developer deposits	109,450

Settings Capital Project Fund

Unexpended surety bond settlement proceeds	<u>907,079</u>
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Total governmental activities	<u>1,177,030</u>
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Business-type Activities

Water Fund

Customer deposits	<u>104,383</u>
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Total Restricted Cash	<u>\$ 1,281,413</u>
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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, 2015. 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 inventories of the Town's Golf Fund and the ABC Board consists of materials and supplies held for subsequent resale. The cost of these inventories is expensed when consumed 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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 one item that meets this criterion: contributions made to the pension plan in the 2016 fiscal year. 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 several significant items that meet the criterion for this category –prepaid business licenses, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

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 portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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 BalancesNet 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 public safety – portion of fund balance that represents forfeiture funds restricted for public safety.

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

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 Aldermen (highest level of decision-making authority). The Board of Aldermen can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 Aldermen 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. The Board of Aldermen approves the appropriation.

Public safety – portion of fund balance that is intended to be used for future benefits payments related to the law enforcement officers special separation allowance.

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 policy 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 unassigned fund balance is at least equal to or greater than 30% of actual general fund expenditures as reported in the most recent audited financial statement. Any portion of the general fund balance in excess of 30% of actual 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.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this

purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Black Mountain's employer contributions are recognized when and due and the Town of Black Mountain has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from the FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 and ABC Board, 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, 2016, the Town's deposits had a carrying amount of \$892,433 and a bank balance of \$910,278. Of the bank balance, \$353,277 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 \$403,350 and the bank balance was \$422,107. Of the bank balance, \$250,000 was covered by federal depository insurance.

The Town and the ABC Store also had cash on hand at June 30, 2016 of \$3,300 and \$1,500, respectively.

2. Investments

At June 30, 2016, the Town of Black Mountain had \$6,360,527 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, 2016, 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 and fiduciary fund are as follows:

Reported value of deposits	\$ 892,433
Petty cash	3,300
Fair value of investments	<u>6,360,527</u>
	<u>\$ 7,256,260</u>
Cash and cash equivalents (Statement of Net Position)	\$ 5,888,242
Cash and cash equivalents, restricted (Statement of Net Position)	1,281,413
Cash and cash equivalents (Fiduciary Fund)	<u>86,605</u>
	<u>\$ 7,256,260</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, 2016 are net of the following allowances for doubtful accounts:

	<u>June 30, 2016</u>
General Fund:	
Allowance for uncollectible property taxes	\$ 8,360
Water Fund:	
Allowance for uncollectible water receivables	<u>50,291</u>
Total allowance for uncollectible accounts	<u>\$ 58,651</u>

5. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,485,062	\$ -	\$ -	\$ 3,485,062
Construction in process	<u>-</u>	<u>38,775</u>	<u>-</u>	<u>38,775</u>
Total capital assets not being depreciated	<u>3,485,062</u>	<u>38,775</u>	<u>-</u>	<u>3,523,837</u>
Capital assets being depreciated:				
Buildings	5,189,814	107,620	-	5,297,434
Land improvements	2,838,316	435,970	-	3,274,286
Furniture and fixtures	228,662	25,829	-	254,491
Equipment	881,823	82,012	47,414	916,421
Automobiles	<u>2,833,094</u>	<u>128,104</u>	<u>58,369</u>	<u>2,902,829</u>
Total capital assets being depreciated	<u>11,971,709</u>	<u>779,535</u>	<u>105,783</u>	<u>12,645,461</u>

Less accumulated depreciation for:

Buildings	1,621,641	109,361	-	1,731,002
Land improvements	953,343	155,419	-	1,108,762
Furniture and fixtures	209,359	5,174	-	214,533
Equipment	805,088	48,797	47,414	807,471
Automobiles	2,416,067	78,197	58,369	2,435,895
Total accumulated depreciation	<u>6,005,498</u>	<u>397,948</u>	<u>105,783</u>	<u>6,297,663</u>
Total capital assets being depreciated, net	<u>5,966,211</u>			<u>6,347,798</u>
Governmental activities capital assets, net	<u>\$ 9,451,273</u>			<u>\$ 9,871,635</u>

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

General government	\$ 55,443
Public safety	93,090
Transportation	130,483
Environmental protection	11,070
Economic development	14,957
Cultural and recreational	<u>92,905</u>
Total depreciation expense	<u>\$ 397,948</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
Construction in process	<u>19,333</u>	<u>13,252</u>	<u>-</u>	<u>32,585</u>
Total capital assets not being depreciated	<u>194,978</u>	<u>13,252</u>	<u>-</u>	<u>208,230</u>
Capital assets being depreciated:				
Land improvements	3,440,407	-	-	3,440,407
Reservoir and treatment systems	4,779,292	30,504	73,867	4,735,929
Buildings	12,060	-	-	12,060
Sewer lines	1,119,781	-	-	1,119,781
Equipment	226,220	8,516	-	234,736
Automobiles	<u>196,986</u>	<u>28,198</u>	<u>15,510</u>	<u>209,674</u>
Total capital assets being depreciated	<u>9,774,746</u>	<u>67,218</u>	<u>89,377</u>	<u>9,752,587</u>
Less accumulated depreciation for:				
Land improvements	828,899	86,334	-	915,233
Reservoir and treatment systems	2,744,331	93,095	62,561	2,774,865
Buildings	2,711	241	-	2,952
Sewer lines	149,195	37,326	-	186,521
Equipment	191,837	8,306	-	200,143
Automobiles	<u>177,280</u>	<u>6,059</u>	<u>15,510</u>	<u>167,829</u>
Total accumulated depreciation	<u>4,094,253</u>	<u>231,361</u>	<u>78,071</u>	<u>4,247,543</u>
Total capital assets being depreciated, net	<u>5,680,493</u>			<u>5,505,044</u>
Water fund capital assets, net	<u>5,875,471</u>			<u>5,713,274</u>

*Golf Fund***Capital assets not being depreciated:**

Land	306,130	-	-	306,130
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Capital assets being depreciated:

Land improvements	834,766	-	-	834,766
Buildings	484,523	-	-	484,523
Furniture and fixtures	18,172	-	-	18,172
Equipment	287,127	-	132,753	154,374
Golf carts	275,800	-	-	275,800
Automobiles	20,127	-	-	20,127
Total capital assets being depreciated	<u>1,920,515</u>	<u>-</u>	<u>132,753</u>	<u>1,787,762</u>

Less accumulated depreciation for:

Land improvements	784,312	6,769	-	791,081
Buildings	178,680	9,624	-	188,304
Furniture and fixtures	13,268	709	-	13,977
Equipment	269,709	11,865	132,753	148,821
Golf carts	118,200	39,400	-	157,600
Automobiles	20,127	-	-	20,127
Total accumulated depreciation	<u>1,384,296</u>	<u>68,367</u>	<u>132,753</u>	<u>1,319,910</u>
Total capital assets being depreciated, net	<u>536,219</u>			<u>467,852</u>
Golf fund capital assets, net	<u>842,349</u>			<u>773,982</u>
Business-type activities capital assets, net	<u>\$ 6,717,820</u>			<u>\$ 6,487,256</u>

Discretely presented component unit:

Activity for the ABC Board for the year ended June 30, 2016, 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	<u>66,737</u>	<u>-</u>	<u>-</u>	<u>66,737</u>
Capital assets being depreciated:				
Buildings and improvements	190,995	-	-	190,995
Equipment	51,516	3,171	-	54,687
Total capital assets being depreciated	<u>242,511</u>	<u>3,171</u>	<u>-</u>	<u>245,682</u>
Less accumulated depreciation for:				
Buildings and improvements	137,771	6,456	-	144,227
Equipment	36,265	3,236	-	39,501
Total accumulated depreciation	<u>174,036</u>	<u>9,692</u>	<u>-</u>	<u>183,728</u>
Total capital assets being depreciated, net	<u>68,475</u>			<u>61,954</u>
ABC Board capital assets, net	<u>\$ 135,212</u>			<u>\$ 128,691</u>

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

Plan Description. The Town of Black Mountain is a participating employers in 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 membership is comprised of general

employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Black Mountain employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Black Mountain's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from The Town of Black Mountain were \$219,788 for the year ended June 30, 2016. Contributions to the pension plan from the Black Mountain ABC Board were \$8,527 for the year ended June 30, 2016.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Town reported a liability of \$289,384 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial

valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.06448%, which was an increase of 0.00694% from its proportion measured as of June 30, 2014. The Black Mountain ABC Board did not record its proportionate share of the net pension asset at June 30, 2016 because management determined these amounts to be immaterial.

For the year ended June 30, 2016, the Town recognized pension expense of \$149,850. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 68,021
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	82,386
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,496	14,870
Town contributions subsequent to the measurement date	219,788	-
Total	<u>\$ 232,284</u>	<u>\$ 165,277</u>

\$219,788 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (97,173)
2018	(97,173)
2019	(97,018)
2020	140,583
2021	-
Thereafter	-
	<u>\$ (150,781)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	<u>6.0%</u>	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate – The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's Proportionate share of the net Pension liability (asset)	\$ 2,017,901	\$ 289,384	\$ (1,166,857)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance1. *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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>19</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 – The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return and (b) projected salary increases ranging from 3.50% to 7.35% 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, 2015 was 15 years.

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

Annual required contributions	\$ 47,231
Interest on net pension obligation	(1,287)
Adjustment to annual required contribution	<u>2,263</u>
Annual pension cost	48,207
Contributions made	<u>47,231</u>
(Increase) decrease in net pension asset	976
Net pension asset, beginning of fiscal year	<u>(25,749)</u>
Net pension asset, end of fiscal year	<u><u>\$ (24,773)</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>
2014	\$ 37,036	97.66%	\$ (26,669)
2015	44,435	97.93%	(25,749)
2016	48,207	97.98%	(24,773)

5. *Funded Status and Funding Progress*

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$622,334. The covered payroll (annual payroll of active employees covered by the plan) was \$870,676, and the ratio of the UAAL to the covered payroll was 71.48 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, 2016 were \$297,621, which consisted of \$159,715 from the Town and \$137,906 from the law enforcement officers and general employees.

d. Firefighter'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 Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Worker' 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.

Benefits Provided - FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions - Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed \$13,900,000 to the plan. The Town's proportionate share of the State's contribution is \$6,123.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2016, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$16,016. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the Town recognized pension expense of \$6,123 and revenue of \$6,123 for support provided by the State. At June 30, 2016, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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, 2016, 2015, and 2014, the Town paid all required contributions to the Plan for postemployment healthcare benefits of \$181,360, \$174,283, and \$161,170, respectively. These contributions represented 5.60%, 5.49%, and 5.40% 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

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

Contributions to pension plan in current FY	\$	219,788
Pension deferrals		14,495
Total	\$	<u>234,283</u>

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

Pension deferrals	\$	158,688
Taxes receivable – net (General Fund)		6,590
Other (General Fund)		15,240
Total	\$	<u>180,518</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 four operating leases for equipment which contain cancellation provisions and are subject to annual appropriations. For the reporting period, rent expenditures were \$104,625. 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 including 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. \$ 290,010

\$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. 1,386,000

Total \$ 1,676,010

Serviced by the Water Fund:

\$782,795 bank note due in annual installments of \$89,858, including interest of 2.59% through June 2026, for the refinance of a federal revolving loan originally issued for the replacement of water lines. \$ 782,795

Future minimum payments of the installment purchase notes as of June 30, 2016, including interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 159,791	\$ 54,278	\$ 69,583	\$ 20,274
2018	160,806	47,503	71,385	18,472
2019	161,851	41,856	73,234	16,623
2020	162,928	36,194	75,131	14,727
2021	164,037	31,071	77,077	12,781
2022-2026	740,597	82,352	416,385	32,904
2027-2031	<u>126,000</u>	<u>3,868</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,676,010</u>	<u>\$ 297,122</u>	<u>\$ 782,795</u>	<u>\$ 115,781</u>

b. Revolving Loans

Serviced by the Water Fund:

\$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.	\$ 730,759
\$188,543 federal revolving loan payable due in annual installments of \$9,927, with 0% interest, for storm water project at Lake Tomahawk.	<u>131,979</u>
Total	<u>\$ 862,738</u>

Future minimum payments of the revolving loans as of June 30, 2016, including interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2017	\$ 58,144	\$ 16,223
2018	58,144	15,141
2019	58,144	14,060
2020	58,144	12,978
2021	58,144	11,897
2022-2026	290,722	43,301
2027-2031	<u>281,296</u>	<u>16,223</u>
Total	<u>\$ 862,738</u>	<u>\$ 129,823</u>

At June 30, 2016, the Town of Black Mountain had a legal debt margin of approximately \$77,000,000.

c. Changes in Long-Term Liabilities

	Balance July 1, 2015	Increase	Decrease	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 1,970,371	\$ -	\$ 294,361	\$ 1,676,010	\$ 159,791
Compensated absences	310,000	193,679	157,727	345,952	157,727
Net pension liability (LGERS)	<u>-</u>	<u>248,870</u>	<u>-</u>	<u>248,870</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 2,280,371</u>	<u>\$ 442,549</u>	<u>\$ 452,088</u>	<u>\$ 2,270,832</u>	<u>\$ 317,518</u>
Business-type activities:					
Installment purchases	\$ 79,259	\$ 782,795	\$ 79,259	\$ 782,795	\$ 69,583
Revolving loans	1,755,863	-	893,125	862,738	58,144
Compensated absences	52,015	52,689	38,900	65,804	38,900
Net pension liability (LGERS)	<u>-</u>	<u>40,514</u>	<u>-</u>	<u>40,514</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,887,137</u>	<u>\$ 875,998</u>	<u>\$ 1,011,284</u>	<u>\$ 1,751,851</u>	<u>\$ 166,627</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, 2016, consist of the following:**

From the Comprehensive Bike Plan Capital Project Fund to cover negative cash balances	<u>\$ 2,475</u>
---------------------------------------------------------------------------------------	-----------------

Transfers to/(from) the General Fund at June 30, 2016, consist of the following:

From the Comprehensive Bike Plan Capital Project Fund to return the unused portion of matching funds.	\$ 20
To the Golf Fund to forgive the remaining interfund balances.	(246,018)
To the Watershed Restoration Capital Project Fund to fund the matching portion of grant funds received	<u>(30,000)</u>
Total	<u>\$ (275,998)</u>

D. 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	\$ 4,664,437
Less:	
Inventories	5,065
Prepaid items	11,100
Stabilization by State statute	782,199
Streets – Powell Bill	105,699
Public safety	54,802
Capital reserve fund	275,000
Appropriated fund balance in FY 2016 budget	257,078
Funds assigned for law enforcement officer special separation allowance	151,170
Working capital / fund balance policy	<u>2,331,914</u>
Remaining fund balance	<u>\$ 690,410</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% of actual 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 – Change in Accounting Principles/Restatement

In accordance with Governmental Accounting Standards Board (GASB) Statement 73, the Town reclassified the Law Enforcement Officers' Special Separation Allowance trust fund to the General Fund. As a result, net position for the governmental activities increased by \$135,210.

During the year, the Town began accounting for amounts billed and collected on behalf of the Metropolitan Sewerage District in an agency fund. Previously, these amounts were accounted for in the Water Fund. There was no effect on beginning net position of the Water Fund as a result of this change.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

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	\$ -	\$ 325,880	\$ 325,880	0%	\$ 691,081	47.2%
12/31/08	-	310,239	310,239	0%	725,516	42.8%
12/31/09	-	397,102	397,102	0%	730,745	54.3%
12/31/10	-	352,703	352,703	0%	729,638	48.3%
12/31/11	-	419,213	419,213	0%	718,677	58.3%
12/31/12	-	460,237	460,237	0%	730,888	63.0%
12/31/13	-	482,740	482,740	0%	719,524	67.1%
12/31/14	-	498,259	498,259	0%	781,852	63.7%
12/31/15	-	622,334	622,334	0%	870,676	71.5%

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS *

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportionate share of the net pension liability (asset) (%)	0.06448%	0.05754%	0.05840%
Town's proportion of the net pension liability (asset) (\$)	\$ 289,384	\$ (339,399)	\$ 703,944
Town's covered-employee payroll	3,231,703	3,130,403	2,985,663
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.95%	(10.84%)	23.58%
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF TOWN'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 219,788	\$ 217,328	\$ 212,607
Contribution in relation to the contractually required contribution	<u>219,788</u>	<u>217,328</u>	<u>212,607</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,231,703	\$ 3,130,403	\$ 2,985,663
Contributions as a percentage of covered- employee payroll	6.80%	6.94%	7.12%

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS ***

Firefighters' and Rescue Squad Workers' Pension

	2016	2015
Town's proportionate share of the net pension liability (asset) (%)	0.00000%	0.00000%
Town's proportion of the net pension liability (asset) (\$)	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	16,016	12,331
Total	\$ 16,016	\$ 12,331
Town's covered-employee payroll	\$ 863,949	\$ 824,962
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.85%	1.49%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	93.42%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

COMBINING AND 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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Current year taxes	\$ 3,580,300	\$ 3,604,582	\$ 24,282
Prior year taxes	25,000	11,781	(13,219)
DMV taxes	181,300	204,165	22,865
Penalties and interest	12,000	9,866	(2,134)
	<u>3,798,600</u>	<u>3,830,394</u>	<u>31,794</u>
Other Taxes and Licenses:			
Automobile licenses	34,000	34,240	240
Rental taxes	1,000	1,630	630
Local option sales taxes	1,511,000	1,554,072	43,072
	<u>1,546,000</u>	<u>1,589,942</u>	<u>43,942</u>
Unrestricted Intergovernmental:			
Utilities sales tax	385,000	474,179	89,179
Beer and wine tax	36,000	36,366	366
Telecommunications tax	80,000	69,395	(10,605)
Piped natural gas sales tax	30,000	15,562	(14,438)
NC fire tax	20,000	19,603	(397)
ABC profit distribution	94,000	91,500	(2,500)
Video franchise fees	128,500	120,074	(8,426)
Solid waste disposal tax	4,500	5,239	739
Controlled substances tax	2,500	4,337	1,837
	<u>780,500</u>	<u>836,255</u>	<u>55,755</u>
Restricted Intergovernmental:			
Powell Bill allocation	245,000	239,977	(5,023)
ABC revenue for law enforcement	12,000	18,421	6,421
Community recreation grant	4,950	4,950	-
Senior center development grant	12,000	11,400	(600)
	<u>273,950</u>	<u>274,748</u>	<u>798</u>
Permits and Fees:			
Court costs, fees, etc.	1,000	897	(103)
Stormwater permits	1,000	1,492	492
Business registration fees	8,000	3,633	(4,367)
Building permits (zoning)	191,000	288,667	97,667
	<u>201,000</u>	<u>294,689</u>	<u>93,689</u>
Sales and Services:			
Rents	32,800	31,513	(1,287)
Montreat dispatchers	19,000	19,000	-
Fire protection charges	857,000	902,735	45,735
Recreation admissions and concessions	148,350	167,116	18,766
	<u>1,057,150</u>	<u>1,120,364</u>	<u>63,214</u>
Miscellaneous	122,193	153,817	31,624
Investment earnings	2,200	10,765	8,565
Total revenues	<u>7,781,593</u>	<u>8,110,974</u>	<u>329,381</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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing board:			
Salaries and employee benefits		44,727	
Other departmental expenses		112,627	
Total governing board	164,390	157,354	7,036
Administration:			
Salaries and employee benefits		381,567	
Operating expenses		165,722	
Professional fees		28,980	
Total administration	581,336	576,269	5,067
Public buildings:			
Operating expenses		406,593	
Capital outlay		63,377	
Total public buildings	475,193	469,970	5,223
Total general government	1,220,919	1,203,593	17,326
Public safety:			
Police department:			
Salaries and employee benefits		1,383,555	
Operating expenses		225,119	
Capital outlay		62,885	
Total police	1,742,621	1,671,559	71,062
Fire department:			
Salaries and employee benefits		1,175,117	
Operating expenses		160,890	
Capital outlay		31,966	
Total fire	1,421,656	1,367,973	53,683
Inspections:			
Salaries and employee benefits		273,072	
Operating expenses		60,916	
Total inspections	337,722	333,988	3,734
Total public safety	3,501,999	3,373,520	128,479
Public works:			
Garage:			
Salaries and employee benefits		199,716	
Operating expenses		29,448	
Total garage	234,950	229,164	5,786
Street repair and construction:			
Salaries and employee benefits		299,760	
Other operating expenses		268,139	
Capital outlay		268,985	
Total streets	893,971	836,884	57,087
Total public works	1,128,921	1,066,048	62,873

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Operating expenses		3,779	
Contracted services		526,517	
Tipping fees		129,180	
Total environmental protection	676,110	659,476	16,634
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits		429,159	
Other operating expenses		331,180	
Capital outlay		357,437	
Total cultural and recreational	1,178,806	1,117,776	61,030
Debt service:			
Principal retirement		294,361	
Interest and fees		58,271	
Total debt service	353,450	352,632	818
Total expenditures	8,060,205	7,773,045	287,160
Revenues over (under) expenditures	(278,612)	337,929	616,541
Other financing sources (uses):			
Appropriated fund balance	536,630	-	(536,630)
Proceeds from sale of capital assets	8,000	41,600	33,600
Transfer to golf fund	(246,018)	(246,018)	-
Transfer to capital project fund	(30,000)	(29,980)	20
Transfer to capital reserve fund	10,000	10,000	-
Total other financing sources (uses)	278,612	(224,398)	(503,010)
Revenues and other sources over expenditures and other uses	\$ -	113,531	\$ 113,531
Fund balance, beginning of year, as originally stated		4,140,696	
Restatement (Note 4)		135,210	
Fund balance, beginning of year, as restated		4,275,906	
Fund balance, end of year		\$ 4,389,437	

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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses):			
Transfer from general fund	\$ 150,000	\$ 150,000	\$ -
Transfer to general fund	(160,000)	(160,000)	-
Total other financing sources (uses)	<u>\$ (10,000)</u>	<u>(10,000)</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>285,000</u>	
Fund balance, end of year		<u><u>\$ 275,000</u></u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SETTINGS CAPITAL PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2016

	<u>Actual through June 30, 2016</u>				Variance Positive (Negative)
	Project Authorization	Reported in prior years	<u>Current Year</u>	Total to Date	
Revenues:					
Surety bond settlement	\$ 1,497,159	\$ 1,533,505	\$ -	\$ 1,533,505	\$ 36,346
Investment earnings	-	94	2,637	2,731	2,731
Total revenues	<u>1,497,159</u>	<u>1,533,599</u>	<u>2,637</u>	<u>1,536,236</u>	<u>39,077</u>
Expenditures:					
Construction	1,303,249	-	785,166	785,166	518,083
Professional services	193,910	71,454	117,831	189,285	4,625
Total expenditures	<u>1,497,159</u>	<u>71,454</u>	<u>902,997</u>	<u>974,451</u>	<u>522,708</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,462,145</u>	(900,360)	<u>\$ 561,785</u>	<u>\$ 561,785</u>
Fund balance, beginning of year			<u>1,462,145</u>		
Fund balance, end of year			<u>\$ 561,785</u>		

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2016

	Comprehensive Bike Plan Capital Project Fund	Watershed Restoration Capital Project Fund	Riverside Greenway Capital Project Fund	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	30,000	\$ 30,000
Due from other governments	2,475	-	-	2,475
Total assets	<u>\$ 2,475</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 32,475</u>
LIABILITIES				
Due to other funds	\$ 2,475	\$ -	\$ -	\$ 2,475
Total liabilities	<u>2,475</u>	<u>-</u>	<u>-</u>	<u>2,475</u>
FUND BALANCES				
Restricted for:				
Stabilization by State statute	2,475	-	-	2,475
Capital projects	(2,475)	-	-	(2,475)
Committed for capital projects	-	-	30,000	30,000
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total liabilities and fund balances	<u>\$ 2,475</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 32,475</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

NON-MAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2016

	Comprehensive Bike Plan Capital Project Fund	Watershed Restoration Capital Project Fund	Riverside Greenway Capital Project Fund	Total Non-major Governmental Funds
REVENUES				
Restricted intergovernmental	\$ 22,490	\$ 13,775	\$ -	\$ 36,265
Total revenues	<u>22,490</u>	<u>13,775</u>	<u>-</u>	<u>36,265</u>
EXPENDITURES				
Capital outlay	28,112	38,775	-	66,887
Total expenditures	<u>28,112</u>	<u>38,775</u>	<u>-</u>	<u>66,887</u>
Revenues over (under) expenditures	<u>(5,622)</u>	<u>(25,000)</u>	<u>-</u>	<u>(30,622)</u>
Other financing sources (uses)				
Transfers (to)/from the general fund	<u>(20)</u>	<u>-</u>	<u>30,000</u>	<u>29,980</u>
Net change in fund balances	(5,642)	(25,000)	30,000	(642)
Fund balances, beginning of year	<u>5,642</u>	<u>25,000</u>	<u>-</u>	<u>30,642</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,000</u></u>	<u><u>\$ 30,000</u></u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE BIKE PLAN CAPITAL PROJECT FUND
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 From inception and for the year ended June 30, 2016

	Actual through June 30, 2016				Variance Positive (Negative)
	Project Authorization	Reported in prior years	Current Year	Total to Date	
Revenues:					
State grants	\$ 32,000	\$ 9,431	\$ 22,490	\$ 31,921	\$ (79)
Expenditures:					
Professional services	40,000	11,789	28,112	39,901	99
Revenues under expenditures	(8,000)	(2,358)	(5,622)	(7,980)	20
Other financing sources:					
Transfer (to)/from general fund	8,000	8,000	(20)	7,980	(20)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 5,642	(5,642)	\$ -	\$ -
Fund balance, beginning of year			5,642		
Fund balance, end of year			\$ -		

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

WATERSHED RESTORATION CAPITAL PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2016

	Actual through June 30, 2016				
	<u>Project Authorization</u>	<u>Reported in prior years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Local grants	<u>\$ 38,775</u>	<u>\$ 25,000</u>	<u>\$ 13,775</u>	<u>\$ 38,775</u>	<u>\$ -</u>
Expenditures:					
Professional services	<u>38,775</u>	<u>-</u>	<u>38,775</u>	<u>38,775</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 25,000</u>	<u>(25,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>25,000</u>		
Fund balance, end of year			<u>\$ -</u>		

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

RIVERSIDE GREENWAY CAPITAL PROJECT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From inception and for the year ended June 30, 2016

	<u>Actual through June 30, 2016</u>				Variance Positive (Negative)
	<u>Project Authorization</u>	<u>Reported in prior years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:					
Transfer from general fund	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ 30,000</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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services	\$ 1,184,000	\$ 1,198,809	\$ 14,809
Other	152,301	152,130	(171)
Miscellaneous	2,000	2,791	791
Total operating revenues	1,338,301	1,353,730	15,429
Nonoperating revenues:			
Investment earnings	1,000	4,602	3,602
Total revenues	1,339,301	1,358,332	19,031
Expenditures:			
Operating expenditures:			
Water and sewer administration:			
Salaries and employee benefits		90,580	
Other departmental expenses		167,233	
Total water and sewer administration	258,190	257,813	377
Water system operations:			
Salaries and employee benefits		350,106	
Utilities		88,819	
Other departmental expenses		352,107	
Total water system operations	776,741	791,032	(14,291)
Total operating expenses	1,034,931	1,048,845	(13,914)
Debt service:			
Principal retirement		130,218	
Interest		51,267	
Total debt service	182,341	181,485	856
Capital outlay	180,500	80,470	100,030
Total expenditures	1,397,772	1,310,800	86,972
Revenues over (under) expenditures	(58,471)	47,532	106,003
Other financing sources (uses):			
Appropriated fund balance	58,471	-	(58,471)
Proceeds from installment obligations issued	-	782,795	782,795
Payoff of refinanced water bonds	-	(782,795)	(782,795)
Proceeds from sale of capital asset	-	2,400	2,400
Total other financing sources (uses)	58,471	2,400	(56,071)
Revenues and other sources over expenditures and other uses	\$ -	\$ 49,932	\$ 49,932

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

WATER FUND

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Proceeds from installment obligations issued		\$ (782,795)	
Payoff of refinanced water bonds		782,795	
Payment of debt principal		130,218	
Accrued interest		5,747	
Increase in accrued vacation pay		(3,915)	
Decrease in net pension asset		(33,940)	
Increase in net pension liability		(28,938)	
Increase in deferred outflows of resources - pensions		1,696	
Decrease in deferred inflows of resources - pensions		68,176	
Capital outlay		80,470	
Depreciation		(231,361)	
Write-off remaining book value of disposed capital assets		(11,307)	
Change in net position		\$ 26,778	

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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Memberships and initiation fees	\$ 116,149	\$ 85,830	\$ (30,319)
Golf cart rentals	253,613	212,377	(41,236)
Green fees	235,000	195,806	(39,194)
Other revenues	33,000	34,244	1,244
Total operating revenues	637,762	528,257	(109,505)
Non-operating revenues:			
Investment earnings	-	12	12
Total revenues	637,762	528,269	(109,493)
Expenditures:			
Operating Expenditures:			
Golf course administration:			
Salaries and employee benefits		184,871	
Other departmental expenses		270,884	
Total golf course administration	579,827	455,755	124,072
Debt service:			
Principal retirement		59,371	
Interest		97	
Total debt service	60,435	59,468	967
Total expenditures	640,262	515,223	125,039
Revenues over (under) expenditures	(2,500)	13,046	15,546
Other financing sources (uses):			
Contingency	(246,018)	-	246,018
Proceeds from sale of capital assets	2,500	-	(2,500)
Transfer from general fund	246,018	246,018	-
Total other financing sources	2,500	246,018	243,518
Revenues and other sources over expenditures	\$ -	259,064	\$ 259,064
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		59,371	
Increase in accrued vacation pay		(64,529)	
Decrease in net pension asset		(13,575)	
Increase in net pension liability		(11,576)	
Increase in deferred outflows of resources - pensions		677	
Decrease in deferred inflows of resources - pensions		27,271	
Decrease in deferred membership revenue		15,307	
Depreciation		(68,367)	
Change in net position		\$ 203,643	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Metropolitan Sewerage District Agency Fund
 Statement of Changes in Assets and Liabilities
 For the year ended June 30, 2016

	(As restated) Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2016</u>
Assets:				
Cash and cash equivalents	\$ 53,119	\$ 1,019,690	\$ 986,204	\$ 86,605
Accounts receivable	152,493	1,118,006	1,109,816	160,683
Total assets	<u>\$ 205,612</u>	<u>\$ 2,137,696</u>	<u>\$ 2,096,020</u>	<u>\$ 247,288</u>
Liabilities:				
Due to Metropolitan Sewerage District	<u>\$ 205,612</u>	<u>\$ 2,137,696</u>	<u>\$ 2,096,020</u>	<u>\$ 247,288</u>

OTHER SCHEDULES

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND
 Schedule of Ad Valorem Taxes Receivable
 For the year ended June 30, 2016

Fiscal Year	Uncollected Balance 6/30/2015	Additions	Collections And Credits	Uncollected Balance 6/30/2016
2015-2016	\$ -	\$ 3,815,438	\$ 3,809,302	\$ 6,136
2014-2015	9,380	-	7,867	1,513
2013-2014	2,451	-	1,515	936
2012-2013	883	-	226	657
2011-2012	581	-	480	101
2010-2011	3,869	-	567	3,302
2009-2010	1,229	-	573	656
2008-2009	422	-	198	224
2007-2008	208	-	45	163
2006-2007 and prior	1,423	-	161	1,262
	\$ 20,446	\$ 3,815,438	\$ 3,820,934	14,950
Less: allowance for uncollectible accounts:				
General Fund				8,360
Ad valorem taxes receivable, net				\$ 6,590
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,830,394
Reconciling items:				
Interest collected				(9,866)
Releases, write-offs, and other				406
Total collections and credits				\$ 3,820,934

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND
 Analysis of Current Tax Levy
 For the year ended June 30, 2016

	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Original levy	\$ 1,017,878,400	0.00375	\$ 3,817,044	\$ 3,612,879	\$ 204,165
Penalties			-	-	-
Total			<u>3,817,044</u>	<u>3,612,879</u>	<u>204,165</u>
Discoveries:					
Current year taxes and penalties	2,281,067		8,554	8,554	-
Abatements	<u>(2,709,333)</u>		<u>(10,160)</u>	<u>(10,160)</u>	-
Total property valuation	<u><u>\$ 1,017,450,134</u></u>				
Net levy			3,815,438	3,611,273	204,165
Uncollected taxes at June 30, 2016			<u>6,136</u>	<u>6,136</u>	-
Current year's taxes collected			<u><u>\$ 3,809,302</u></u>	<u><u>\$ 3,605,137</u></u>	<u><u>\$ 204,165</u></u>
Current levy collection percentage			<u><u>99.84%</u></u>	<u><u>99.83%</u></u>	<u><u>100.00%</u></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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 3,194,869	\$ 3,297,314	\$ 4,213,285	\$ 4,093,611	\$ 5,732,742	\$ 5,892,731	\$ 6,062,891	\$ 6,682,269	\$ 7,480,903	\$ 8,195,626
Restricted	185,809	186,472	186,051	183,074	847,017	1,213,033	1,139,419	1,184,479	2,608,574	1,506,959
Unrestricted	<u>2,698,873</u>	<u>2,882,185</u>	<u>2,814,118</u>	<u>2,637,909</u>	<u>2,214,689</u>	<u>2,343,722</u>	<u>2,856,362</u>	<u>2,648,896</u>	<u>2,751,563</u>	<u>3,214,334</u>
Total governmental activities	<u>\$ 6,079,551</u>	<u>\$ 6,365,971</u>	<u>\$ 7,213,454</u>	<u>\$ 6,914,594</u>	<u>\$ 8,794,448</u>	<u>\$ 9,449,486</u>	<u>\$ 10,058,672</u>	<u>\$ 10,515,644</u>	<u>\$ 12,841,040</u>	<u>\$ 12,916,919</u>
Business-type activities										
Net investment in capital assets	\$ 4,216,055	\$ 4,219,178	\$ 4,153,447	\$ 4,087,875	\$ 4,142,539	\$ 3,661,647	\$ 3,684,913	\$ 3,702,761	\$ 4,882,698	\$ 4,841,723
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>1,122,003</u>	<u>1,122,989</u>	<u>1,298,631</u>	<u>1,365,039</u>	<u>1,758,245</u>	<u>1,587,725</u>	<u>1,585,762</u>	<u>1,576,394</u>	<u>1,617,588</u>	<u>1,888,984</u>
Total business-type activities	<u>\$ 5,338,058</u>	<u>\$ 5,342,167</u>	<u>\$ 5,452,078</u>	<u>\$ 5,452,914</u>	<u>\$ 5,900,784</u>	<u>\$ 5,249,372</u>	<u>\$ 5,270,675</u>	<u>\$ 5,279,155</u>	<u>\$ 6,500,286</u>	<u>\$ 6,730,707</u>
Primary government										
Net investment in capital assets	\$ 7,410,924	\$ 7,516,492	\$ 8,366,732	\$ 8,181,486	\$ 9,875,281	\$ 9,554,378	\$ 9,747,804	\$ 10,385,030	\$ 12,363,601	\$ 13,037,349
Restricted	185,809	186,472	186,051	183,074	847,017	1,213,033	1,139,419	1,184,479	2,608,574	1,506,959
Unrestricted	<u>3,820,876</u>	<u>4,005,174</u>	<u>4,112,749</u>	<u>4,002,948</u>	<u>3,972,934</u>	<u>3,931,447</u>	<u>4,442,124</u>	<u>4,225,290</u>	<u>4,369,151</u>	<u>5,103,318</u>
Total primary government	<u>\$ 11,417,609</u>	<u>\$ 11,708,138</u>	<u>\$ 12,665,532</u>	<u>\$ 12,367,508</u>	<u>\$ 14,695,232</u>	<u>\$ 14,698,858</u>	<u>\$ 15,329,347</u>	<u>\$ 15,794,799</u>	<u>\$ 19,341,326</u>	<u>\$ 19,647,626</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental activities:										
General government	\$ 1,073,955	\$ 1,128,897	\$ 354,382	\$ 1,089,636	\$ 1,218,572	\$ 1,215,145	\$ 1,204,608	\$ 1,264,384	\$ 1,268,752	\$ 1,187,536
Public safety	3,007,189	2,972,953	2,898,041	2,961,701	3,024,007	2,912,307	3,200,090	3,347,118	3,170,756	3,362,444
Public works	626,305	694,372	700,046	757,932	309,097	728,318	747,995	878,050	898,225	900,103
Environmental protection	530,220	558,110	677,731	694,331	741,528	699,720	650,060	693,266	675,672	670,546
Cultural and recreation	670,489	780,688	765,041	793,141	964,477	677,420	698,246	772,137	745,206	856,205
Economic and physical development	-	48,390	1,198,279	846,303	103,567	-	-	-	83,243	969,884
Interest on long term debt	43,318	37,478	39,533	56,910	149,196	141,765	98,531	76,196	69,614	52,601
Total governmental activities expenses	<u>5,951,476</u>	<u>6,220,888</u>	<u>6,633,053</u>	<u>7,199,954</u>	<u>6,510,444</u>	<u>6,374,675</u>	<u>6,599,530</u>	<u>7,031,151</u>	<u>6,911,468</u>	<u>7,999,319</u>
Business-type activities:										
Water and Sewer	932,429	979,570	942,956	956,922	1,300,551	1,189,843	1,261,307	1,199,074	1,218,696	1,322,647
Golf	674,997	676,204	614,717	644,132	650,364	185,127	130,905	192,572	598,508	585,951
Total business-type activities	<u>1,607,426</u>	<u>1,655,774</u>	<u>1,557,673</u>	<u>1,601,054</u>	<u>1,950,915</u>	<u>1,374,970</u>	<u>1,392,212</u>	<u>1,391,646</u>	<u>1,817,204</u>	<u>1,908,598</u>
Total primary government expenses	<u>\$ 7,558,902</u>	<u>\$ 7,876,662</u>	<u>\$ 8,190,726</u>	<u>\$ 8,801,008</u>	<u>\$ 8,461,359</u>	<u>\$ 7,749,645</u>	<u>\$ 7,991,742</u>	<u>\$ 8,422,797</u>	<u>\$ 8,728,672</u>	<u>\$ 9,907,917</u>
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ -	\$ -	\$ -	\$ 21,113	\$ 28,191	\$ -	\$ 127,090	\$ 127,090	\$ 157,090	\$ 3,633
Public safety	963,909	1,073,049	914,969	974,675	930,317	950,840	969,637	1,026,845	1,040,675	1,211,299
Environmental Protection	-	-	-	-	-	-	-	-	7,956	1,492
Cultural and recreational	107,739	136,387	139,063	144,548	130,792	169,502	148,880	168,708	178,605	198,629
Economic and physical development	-	45,729	700,960	-	4,426	397	1,520	-	-	-
Operating grants and contributions	274,591	338,563	263,902	292,707	284,401	251,579	296,504	274,624	324,682	311,013
Capital grants and contributions	14,123	15,272	24,193	688,235	165,444	58,526	2,339	213,222	-	-
Total governmental activities program revenues	<u>1,360,362</u>	<u>1,609,000</u>	<u>2,043,087</u>	<u>2,121,278</u>	<u>1,543,571</u>	<u>1,430,844</u>	<u>1,545,970</u>	<u>1,810,489</u>	<u>1,709,008</u>	<u>1,726,066</u>
Business-type activities:										
Charge for services										
Water	1,013,014	1,009,541	1,059,510	1,160,893	1,194,277	1,185,287	1,231,027	1,279,528	1,321,461	1,350,939
Golf	603,963	620,648	577,976	594,000	423,475	129,673	-	100,882	500,854	543,564
Capital grants and contributions	129,459	-	-	-	108,172	46,913	-	-	-	-
Total business-type activities	<u>1,746,436</u>	<u>1,630,189</u>	<u>1,637,486</u>	<u>1,754,893</u>	<u>1,725,924</u>	<u>1,361,873</u>	<u>1,231,027</u>	<u>1,380,410</u>	<u>1,822,315</u>	<u>1,894,503</u>
Total primary government program revenues	<u>3,106,798</u>	<u>3,239,189</u>	<u>3,680,573</u>	<u>3,876,171</u>	<u>3,269,495</u>	<u>2,792,717</u>	<u>2,776,997</u>	<u>3,190,899</u>	<u>3,531,323</u>	<u>3,620,569</u>
Net (Expense) Revenue										
Governmental activities	(4,591,114)	(4,611,888)	(4,589,966)	(5,078,676)	(4,966,873)	(4,943,831)	(5,053,560)	(5,220,662)	(5,202,460)	(6,273,253)
Business-type activities	<u>139,010</u>	<u>(25,585)</u>	<u>79,813</u>	<u>153,839</u>	<u>(224,991)</u>	<u>(13,097)</u>	<u>(161,185)</u>	<u>(11,236)</u>	<u>5,111</u>	<u>(14,095)</u>
Total primary government expense	<u>\$ (4,452,104)</u>	<u>\$ (4,637,473)</u>	<u>\$ (4,510,153)</u>	<u>\$ (4,924,837)</u>	<u>\$ (5,191,864)</u>	<u>\$ (4,956,928)</u>	<u>\$ (5,214,745)</u>	<u>\$ (5,231,898)</u>	<u>\$ (5,197,349)</u>	<u>\$ (6,287,348)</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 3,945,253	\$ 3,962,699	\$ 4,001,246	\$ 4,087,583	\$ 4,721,019	\$ 4,718,044	\$ 4,932,087	\$ 5,164,154	\$ 5,248,097	\$ 5,414,866
Grants and unrestricted contributions	432,344	537,206	642,548	451,956	515,103	616,003	679,023	709,687	1,118,485	836,255
Investment earnings	175,536	159,434	66,464	10,957	6,677	2,799	3,339	2,112	2,302	13,402
Gain on disposal of assets	5,510	-	-	-	-	-	1,860	3,797	4,825	41,600
Surety bond settlement	-	-	-	-	-	-	-	-	1,533,505	-
Miscellaneous	130,308	69,963	560,388	67,515	384,075	66,928	46,437	132,884	125,783	153,817
Transfers	165,425	169,005	166,805	161,805	(92,910)	184,846	-	(335,000)	(82,591)	(246,018)
Total government activities	<u>4,854,376</u>	<u>4,898,307</u>	<u>5,437,451</u>	<u>4,779,816</u>	<u>5,533,964</u>	<u>5,588,620</u>	<u>5,662,746</u>	<u>5,677,634</u>	<u>7,950,406</u>	<u>6,213,922</u>
Business-type activities:										
Pro shop	45,872	44,097	41,092	32,971	30,114	6,084	-	-	-	-
Investment earnings	2,759	5,775	1,170	146	702	1,122	1,432	1,124	741	4,614
Gain (loss) on disposal of assets	1,055	-	-	-	-	-	100,800	18,184	-	(8,907)
Grants and contributions, not restricted	-	-	-	-	-	-	-	-	1,197,500	-
Miscellaneous	138,877	148,827	154,641	(24,315)	130,251	22,919	80,256	75,408	3,975	2,791
Special Item - Billy Casper	-	-	-	-	-	-	-	(410,000)	-	-
Transfers	(165,425)	(169,005)	(166,805)	(161,805)	92,910	(184,846)	-	335,000	82,591	246,018
Total business-type activities	<u>23,138</u>	<u>29,694</u>	<u>30,098</u>	<u>(153,003)</u>	<u>253,977</u>	<u>(154,721)</u>	<u>182,488</u>	<u>19,716</u>	<u>1,284,807</u>	<u>244,516</u>
Total primary government	<u>\$ 4,877,514</u>	<u>\$ 4,928,001</u>	<u>\$ 5,467,549</u>	<u>\$ 4,626,813</u>	<u>\$ 5,787,941</u>	<u>\$ 5,433,899</u>	<u>\$ 5,845,234</u>	<u>\$ 5,697,350</u>	<u>\$ 9,235,213</u>	<u>\$ 6,458,438</u>
Change in Net Position										
Governmental activities	\$ 263,262	\$ 286,419	\$ 847,485	\$ (298,860)	\$ 567,091	\$ 644,789	\$ 609,186	\$ 456,972	\$ 2,747,946	\$ (59,331)
Business activities	162,148	4,109	109,911	836	28,986	(167,818)	21,303	8,480	1,289,918	230,421
Total primary government	<u>\$ 425,410</u>	<u>\$ 290,528</u>	<u>\$ 957,396</u>	<u>\$ (298,024)</u>	<u>\$ 596,077</u>	<u>\$ 476,971</u>	<u>\$ 630,489</u>	<u>\$ 465,452</u>	<u>\$ 4,037,864</u>	<u>\$ 171,090</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 732,021	\$ 738,232	\$ 689,924	\$ 645,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,280,455</u>	<u>2,452,712</u>	<u>2,408,239</u>	<u>2,511,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>3,012,476</u>	<u>3,190,944</u>	<u>3,098,163</u>	<u>3,156,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	<u>-</u>	<u>6,539</u>	<u>9,220</u>	<u>38,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other governmental funds	<u>-</u>	<u>6,539</u>	<u>9,220</u>	<u>38,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total combined governmental fund balances	<u>\$ 3,012,476</u>	<u>\$ 3,197,483</u>	<u>\$ 3,107,383</u>	<u>\$ 3,195,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 7,124	\$ 19,195	\$ 33,089	\$ 62,074	\$ 59,245	\$ 16,165
Restricted	-	-	-	-	847,017	1,057,295	1,135,561	1,184,478	1,115,787	942,700
Committed	-	-	-	-	-	-	250,000	275,000	285,000	275,000
Assigned	-	-	-	-	409,855	-	307,110	200,381	256,661	408,248
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,954,740</u>	<u>2,557,173</u>	<u>2,514,327</u>	<u>2,442,734</u>	<u>2,709,003</u>	<u>3,022,324</u>
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,218,736</u>	<u>\$ 3,633,663</u>	<u>\$ 4,240,087</u>	<u>\$ 4,164,667</u>	<u>\$ 4,425,696</u>	<u>\$ 4,664,437</u>
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	18,062	155,738	3,858	-	1,492,787	564,260
Committed	-	-	-	-	-	-	-	-	-	30,000
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,475)</u>
Total other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,062</u>	<u>\$ 155,738</u>	<u>\$ 3,858</u>	<u>\$ -</u>	<u>\$ 1,492,787</u>	<u>\$ 591,785</u>
Total combined governmental fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,236,798</u>	<u>\$ 3,789,401</u>	<u>\$ 4,243,945</u>	<u>\$ 4,164,667</u>	<u>\$ 5,918,483</u>	<u>\$ 5,256,222</u>

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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Ad valorem taxes	\$2,758,317	\$2,823,545	\$2,905,947	\$3,025,260	\$3,481,575	\$3,484,258	\$3,614,786	\$ 3,809,276	\$ 3,799,959	\$ 3,830,394
Other taxes and licenses	1,181,539	1,156,120	1,053,311	993,420	1,082,404	1,260,265	1,326,647	1,372,798	1,466,892	1,589,942
Unrestricted intergovernmental revenues	435,344	537,206	642,548	611,806	671,593	616,003	679,023	709,687	846,418	836,255
Restricted intergovernmental revenues	285,714	353,835	288,095	943,356	421,049	303,518	298,843	487,846	324,682	311,013
Permits and fees	178,289	260,461	99,273	219,607	112,646	144,815	151,958	165,285	183,689	294,689
Sales and services	893,359	948,976	954,759	920,730	976,240	975,924	1,095,169	1,157,358	1,200,637	1,120,364
Investment earnings	175,536	159,434	66,464	10,957	6,677	2,799	3,339	2,112	2,302	13,402
Other revenues	157,290	115,692	1,395,052	88,249	366,508	66,928	46,437	132,884	1,659,288	153,817
Total Revenue	<u>6,065,388</u>	<u>6,355,269</u>	<u>7,405,449</u>	<u>6,813,385</u>	<u>7,118,692</u>	<u>6,854,510</u>	<u>7,216,202</u>	<u>7,837,246</u>	<u>9,483,867</u>	<u>8,149,876</u>
Expenditures										
Current										
General government	1,066,402	1,103,734	1,679,525	3,207,601	1,191,337	1,203,305	1,151,178	1,175,458	1,249,134	1,203,593
Public safety	2,843,964	2,867,256	2,918,865	2,813,207	3,125,399	2,844,461	3,309,705	3,291,394	3,268,182	3,373,520
Public works	757,667	740,382	730,382	705,132	735,720	711,560	776,707	952,357	1,067,353	1,066,048
Environmental protection	530,220	558,110	677,731	694,331	741,528	693,100	639,757	652,963	665,301	659,476
Cultural and recreational	741,829	822,232	752,259	778,895	877,559	621,039	634,726	732,495	868,160	1,117,776
Capital outlay	-	48,390	1,198,279	846,303	179,995	90,227	4,219	217,080	83,243	969,884
Debt Service										
Principal retirement	154,741	158,681	165,781	76,853	228,132	254,753	280,079	480,422	381,121	294,361
Interest and fees	43,318	37,478	39,533	56,910	149,196	141,765	117,147	83,152	69,791	58,271
Total expenditures	<u>6,138,141</u>	<u>6,336,263</u>	<u>8,162,355</u>	<u>9,179,232</u>	<u>7,228,866</u>	<u>6,560,210</u>	<u>6,913,518</u>	<u>7,585,321</u>	<u>7,652,285</u>	<u>8,742,929</u>
Excess of revenues over (under) expenditures	<u>(72,753)</u>	<u>19,006</u>	<u>(756,906)</u>	<u>(2,365,847)</u>	<u>(110,174)</u>	<u>294,300</u>	<u>302,684</u>	<u>251,925</u>	<u>1,831,582</u>	<u>(593,053)</u>
Other Financing Sources (uses)										
Sale of capital assets	-	-	-	-	-	-	1,860	3,797	4,825	41,600
Transfers in	184,000	197,340	187,090	182,090	172,090	199,846	150,000	-	-	29,980
Transfers out	(18,575)	(28,335)	(20,285)	(20,285)	(265,000)	(15,000)	(150,000)	(335,000)	(82,591)	(275,998)
Proceeds from debt	-	-	500,000	2,291,987	244,557	-	150,000	-	-	-
Total other financing sources (uses)	<u>165,425</u>	<u>169,005</u>	<u>666,805</u>	<u>2,453,792</u>	<u>151,647</u>	<u>184,846</u>	<u>151,860</u>	<u>(331,203)</u>	<u>(77,766)</u>	<u>(204,418)</u>
Net change in fund balances	<u>\$ 92,672</u>	<u>\$ 188,011</u>	<u>\$ (90,101)</u>	<u>\$ 87,945</u>	<u>\$ 41,473</u>	<u>\$ 479,146</u>	<u>\$ 454,544</u>	<u>\$ (79,278)</u>	<u>\$ 1,753,816</u>	<u>\$ (797,471)</u>
Debt service as a percentage of non capital expenditures	3.23%	3.10%	2.52%	1.46%	5.22%	6.04%	6.13%	7.96%	6.34%	4.43%

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>
2007	\$ 746,007	\$ 47,468	\$ 10,028	\$ 803,503	\$ 0	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	96.91%	907,257
2015	866,710	98,957	13,380	979,047	0.375	95.17%	931,759
2016	872,158	97,493	15,040	984,691	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>Local Option Sales Tax</u>	<u>Utilities Sales Tax</u>	<u>Total</u>
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
2015	3,799,959	1,409,965	726,906	5,936,830
2016	3,830,394	1,554,072	679,210	6,063,676

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>	
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
2015	0.375	0.604	0.979
2016	0.375	0.604	0.979

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, 2016 and June 30, 2010
(in thousands)**

Taxpayers	2016			2010		
	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.	\$ 162,363	1	16.49%	\$ 60,292	1	6.79%
Shopping Center Financing LLC	10,403	2	1.06%	10,791	3	1.21%
Kearfott Guidance Corp.	8,289	3	0.84%	8,537	5	0.96%
Duke Energy Progress, Inc.	8,177	4	0.83%	8,340	6	0.94%
Tyson Furniture Co, Inc.	4,459	5	0.45%	4,210	8	0.47%
Bi Lo LLC	4,318	6	0.44%	4,305	7	0.48%
Pentair Valves and Controls, Inc	2,540	7	0.26%	-	-	-
Riverside Business Park, LLC	3,022	8	0.31%	-	-	-
Blue Ridge Apartments	2,948	9	0.30%	-	-	-
Divya Jiyoti Inc	2,842	10	0.29%	3,172	10	0.36%
Valley Fitness	2,625		0.27%	3,956	9	0.45%
Settings of Black Mountain, LLC	-	-	-	10,064	4	1.13%
Highland Farms, Inc.	-	-	-	16,077	2	1.81%
Total	\$ 211,986		21.53%	\$ 129,744		14.61%

Source: Buncombe County Tax Department

Data not available for years prior to 2010

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
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%	12,682	3,502,906	99.84%
2015	3,580,144	3,570,764	99.74%	8,281	3,579,045	99.97%
2016	3,611,273	3,605,137	99.83%	-	3,605,137	99.83%

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			
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	1.76%	580
2011	-	3,216,746	52,852	1,907,514	150,291	5,327,403	1.95%	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	1.68%	621
2014	-	2,351,492	-	1,866,194	165,594	4,383,280	1.42%	530
2015	-	1,970,371	-	1,755,863	79,008	3,805,242	1.24%	454
2016	-	1,676,010	-	862,738	782,795	3,321,543	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, 2016**

	<u>Outstanding Debt</u>	<u>Percentage Applicable to Town</u>	<u>Amount Applicable to Town</u>
Direct debt			
Town of Black Mountain	\$ 1,676,010	100%	\$ 1,676,010
Overlapping debt			
Buncombe County	\$ 430,810,496	3.37%	\$ 14,518,314
Total direct and overlapping debt	\$ 432,486,506		\$ 16,194,324

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 overlapping government.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed value of property (excluding motor vehicle)	\$803,503	\$ 828,005	\$858,032	\$888,226	\$896,618	\$896,202	\$925,195	\$936,185	\$979,047	\$984,691
Debt limit, 8% of assessed value	64,280	66,240	68,643	71,058	71,729	71,696	74,016	74,895	78,324	78,775
Amount of debt applicable to limit										
Gross debt	1,767	2,075	2,382	4,570	5,327	5,194	5,067	4,383	3,805	3,322
Less: Debt related to business-like activities	769	1,235	1,209	1,373	2,111	2,232	2,235	2,032	1,835	1,646
Total net debt applicable to limit	998	840	1,173	3,197	3,216	2,962	2,832	2,351	1,970	1,676
Legal debt margin available	63,282	65,399	67,470	67,861	68,512	68,733	71,183	72,543	76,352	77,098
Total net debt applicable to the limit as a percentage of limit	1.55%	1.27%	1.71%	4.50%	4.48%	4.13%	3.83%	3.14%	2.52%	2.13%

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 Five Years Prior**

<u>Employer</u>	<u>2016</u>		<u>2011</u>	
	<u>Number of employees</u>	<u>Rank</u>	<u>Number of employees</u>	<u>Rank</u>
Ingles Market	1,428	1	1,203	1
Black Mountain Neuro-Medical	463	2	432	3
Kearfott Guidance and Navigation Corp.	300	3	450	2
Buncombe County Schools	230	4	223	5
NC State Alcohol and Drug Abuse Treatment Center	175	6	220	6
Highland Farms Retirement Community	154	5	250	4
Pentair Valve (Tyco)	111	7	155	7
Town of Black Mountain Government	75	8	76	8
Tyson Furniture	48	9	59	9
Blue Ridge Assembly	35	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	5,250,200	\$ 31,224
Mountain Ridge Wellness Center	3,196,700	30,972
Super 8 Motel	2,516,600	14,991
Creekview Professional Center	2,348,200	22,789
Shri Hari	1,709,300	10,192
Cheshire Fitness	1,392,600	8,312
Camp Merri Mac	1,267,700	7,573
Monte Vista	1,062,200	6,351
Nana's Assisted Living	1,001,000	5,984
RJC, LLC	954,200	5,712

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**Table 15
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Population (a)	Per Capita Personal Income (b)	Personal Income (in thousands)	Unemployment Rate (c)
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	32,928	259,308	8.5%
2011	8,007	34,122	273,215	8.3%
2012	8,011	36,125	289,397	8.2%
2013	8,160	37,029	302,157	7.2%
2014	8,267	37,329	308,599	5.4%
2015	8,384	36,470	305,764	4.7%
2016	N/A	N/A	N/A	4.1%

(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

**Table 16
Operating Indicators
Last Ten Fiscal Years**

Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Finance										
Checks issued	6,775	6,461	7,611	7,849	4,545	2,034	1,987	2,145	2,229	2,156
Police										
Calls logged	20,334	26,411	21,745	23,043	20,426	21,968	20,828	23,014	21,062	24,565
Total arrests	438	725	517	425	353	389	437	435	339	498
Incident reports	485	439	361	366	354	404	290	294	233	280
Traffic accidents	226	270	291	232	230	218	187	189	198	232
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Total calls	1,346	1,354	1,195	1,255	1,628	1,875	1,848	1,887	2,065	2,198
Training hours	12,683	12,378	9,826	12,378	10,398	11,780	13,010	11,398	8,383	14,886
Public Services										
Sanitation tonnage	3,610	3,462	3,020	2,829	2,898	2,670	2,574	2,639	2,635	2,758
Recycling tonnage	506	576	624	694	536	641	637	650	602	613
Work orders	N/A	N/A	967	1,717	3,019	4,600	4,935	5,464	4,812	5,152
Planning										
Building permits	452	559	418	420	497	404	514	500	525	654
Inspections performed	2,015	2,417	1,773	1,522	1,681	1,686	1,744	2,150	2,383	3,020
Recreation services										
Athletic programs	N/A	19	20	18	16	18	16	13	11	9
Senior programs	N/A	17	22	26	23	25	30	34	35	33
Pool attendance	N/A	5,756	5,865	11,891	20,673	20,467	16,005	13,414	14,135	17,005

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 Nine Fiscal Years**

Department	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	6	6	6	6	5	5	5	5	5
Planning Services	5	5	5	5	4	4	4	4	4
Fire	18	18	18	18	18	19	19	19	19
Police	21	21	21	22	22	22	22	22	22
Recreation Services	7	7	7	7	5	5	5	5	5
Public Services	7	8	8	8	7	7	9	9	9
Water	12	12	12	12	9	10	9	9	9
Golf	8	8	8	8	8	-	3	3	3
TOTAL	84	84	84	85	78	72	76	76	76

Source - Human Resources Department

Note - FTE information not available prior to FY 2008

Note - The Town retained management responsibilities for the golf course in May of FY 2014.

COMPLIANCE SECTION



**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, each major fund, and aggregate remaining fund information of the Town of Black Mountain, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Black Mountain's basic financial statements, and have issued our report thereon dated October 14, 2016. 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'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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'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
October 14, 2016

Town of Black Mountain, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2016

No prior year audit findings noted.