

**Town of Black Mountain, North Carolina**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ending June 30, 2018**



**Town of Black Mountain, North Carolina**

**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2018**



**Board of Aldermen  
(As of June 30, 2018)**

Don Collins, Mayor  
Maggie Tuttle, Vice Mayor  
Larry B. Harris  
Tim Raines  
Carlos Showers  
Ryan Stone

Interim Town Manager  
Ron Moore

Prepared under the direction of:  
Finance Officer  
Dean Luebbe

## CONTENTS

|  | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| <b>Introductory Section</b>  |                |             |
| GFOA Certificate of Achievement in Financial Reporting   |                | I           |
| Letter of Transmittal  |                | II – VII    |
| Organization Chart   |                | VIII        |
| Board of Aldermen and Directors  |                | IX          |
| <b>Financial Section</b>   |                |             |
| 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 – 51     |

## CONTENTS (continued)

|  | <u>Page</u> |
|--|-------------|
| Required Supplemental Financial Data:  |             |
| Law Enforcement Officers' Special Separation Allowance –<br>Schedule of Changes in Total Pension Liability and Schedule of Total<br>Pension Liability as a Percentage of Covered Payroll | 52          |
| Local Government Employees' Retirement System –<br>Town's Proportionate Share of Net Pension Liability (Asset)   | 53          |
| Local Government Employees' Retirement System –<br>Schedule of Town's Contributions  | 54          |
| Retiree Health Benefit Fund –<br>Town's Proportionate Share of Net OPEB Liability  | 55          |
| Retiree Health Benefit Fund –<br>Schedule of Town's Contributions  | 56          |
| Combining and Individual Fund Statements and Schedules:  |             |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance –<br>Budget and Actual – General Fund  | 57 – 59     |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance –<br>Budget and Actual – Capital Reserve Fund  | 60          |
| Combining Balance Sheet – Non-major Governmental Funds   | 61          |
| Combining Statement of Revenues, Expenditures, and Changes in Fund<br>Balances – Non-major Governmental Funds  | 62          |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance –<br>Budget and Actual – Watershed Restoration Capital Project Fund  | 63          |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance –<br>Budget and Actual – Riverside Greenway Capital Project Fund   | 64          |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance –<br>Budget and Actual – Tomahawk Stream Capital Project Fund  | 65          |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance –<br>Budget and Actual – Veteran's Park Improvements Capital Project Fund  | 66          |
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) –<br>Water Fund   | 67 – 68     |
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) –<br>Golf Course Fund   | 69          |
| Statement of Changes in Assets and Liabilities – Metropolitan Sewerage<br>District Agency Fund   | 70          |

## CONTENTS (continued)

|   |                     | <u>Page</u> |
|---|---------------------|-------------|
| Other Schedules:  |                     |             |
| Schedule of Ad Valorem Taxes Receivable – General Fund  |                     | 71          |
| Analysis of Current Tax Levy – General Fund   |                     | 72          |
| <b>Statistical Section</b>  | <b><u>Table</u></b> |             |
| Net Position by Component, Last Ten Fiscal Years  | 1                   | 73          |
| Changes in Net Position, Last Ten Fiscal Years  | 2                   | 74 – 75     |
| Fund Balances of Governmental Funds   | 3                   | 76          |
| Changes in Fund Balances of Governmental Funds  | 4                   | 77          |
| Assessed Value of Taxable Property  | 5                   | 78          |
| Governmental Funds Tax Revenue by Source  | 6                   | 79          |
| Property Tax Rates – Direct and Overlapping Tax Rates   | 7                   | 80          |
| Principal Property Tax Payers   | 8                   | 81          |
| Property Tax Levies and Collections   | 9                   | 82          |
| Ratios of Outstanding Debt by Type  | 10                  | 83          |
| Direct and Overlapping Governmental Activities Debt   | 11                  | 84          |
| Legal Debt Margin   | 12                  | 85          |
| Principal Employers   | 13                  | 86          |
| Principal Water Customers   | 14                  | 87          |
| Demographic and Economic Statistics   | 15                  | 88          |
| Operating Indicators  | 16                  | 89          |
| Full-Time Government Employees by Function/Department   | 17                  | 90          |
| <b>Compliance Section</b>   |                     |             |
| Report on Internal Control Over Financial Reporting And On Compliance And<br>Other Matters Based On An Audit Of Financial Statements Performed In<br>Accordance With <i>Government Auditing Standards</i> |                     | 91 – 92     |
| Schedule of Findings and Responses  |                     | 93          |
| Summary Schedule of Prior Year Audit Findings   |                     | 94          |

## **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, 2017**

*Christopher P. Morill*

Executive Director/CEO

## Town of Black Mountain

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



October 3, 2018

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, 2018. 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, 2018.

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, 2018, 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, 2018 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 8,125, 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 3,600 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 USA 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 adopt a balanced budget by July 1<sup>st</sup> 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 30<sup>th</sup> 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 healthy 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 3.4%, as of June 2018, compares very favorably with the overall State of North Carolina rate of 4.2%. 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 2017, 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 has seen an increase in new home construction. Roberts Farms, a 250 home development located near the Town's golf course, broke ground in May of 2015, and continues to see significant development. 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, 2018, the Town has designated a total of \$375,000 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 building improvements for the Fire Department and water system improvements. The weighted average interest rate for all Town debt currently stands at 2.82%.

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 2017, 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 30.5% of General Fund expenditures. This is a decrease from 35% from FY17, in large part because of early debt payoff related to the Lakeview pool, and the down payment of \$250,000 from the General Fund related to the purchase of the new building at 304 Black Mountain Avenue. 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, 2017. This was the sixth 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.

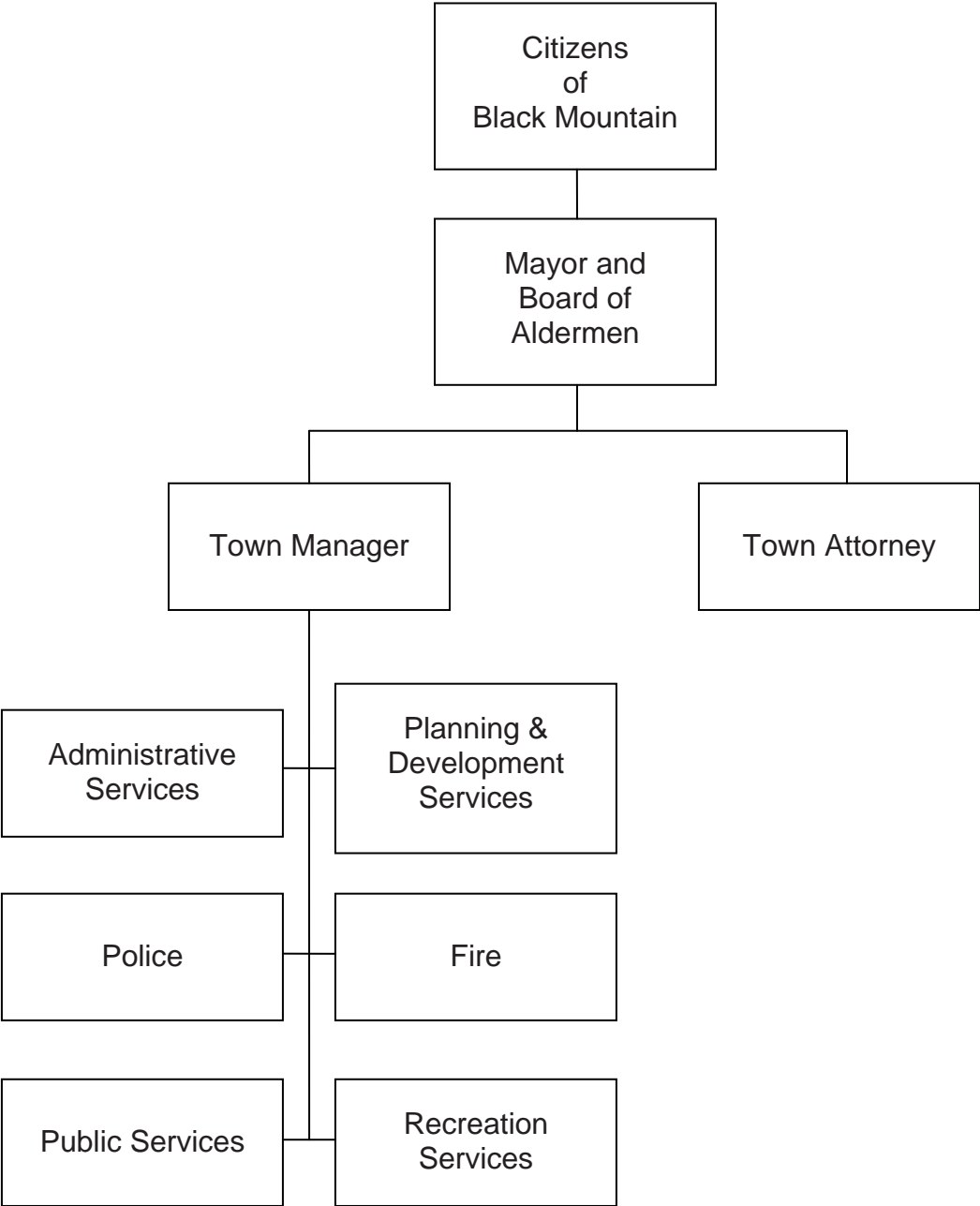
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Finance Department. The cooperation of each Town department is appreciated, as we work together in conducting the Town's financial operations. We also express our appreciation to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

A handwritten signature in black ink, appearing to read "Dean Luebbe". The signature is written in a cursive, flowing style.

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, 2018**

**MEMBERS OF THE GOVERNING BODY**

**MAYOR**

Don Collins

**BOARD OF ALDERMEN**

Maggie Tuttle  
(Vice Mayor)

Larry B. Harris

Tim Raines

Carlos Showers

Ryan Stone

**OFFICIALS**

Ron Moore

Interim Town Manager

Dean Luebbe

Assistant Town Manager  
Finance Director

Shawn Freeman

Police Chief

Steve Jones

Fire Chief

Jamey Matthews

Director of Public Services

Josh Henderson

Director of Recreation Services

Jessica Trotman

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, 2018, 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, 2018, and the respective changes in financial position and cash flows, where appropriate, 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 schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll page 52, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 53 and 54, respectively, and the Retiree Health Benefit Fund's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 55 and 56, respectively, 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 3, 2018 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 3, 2018

## 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, 2018. 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

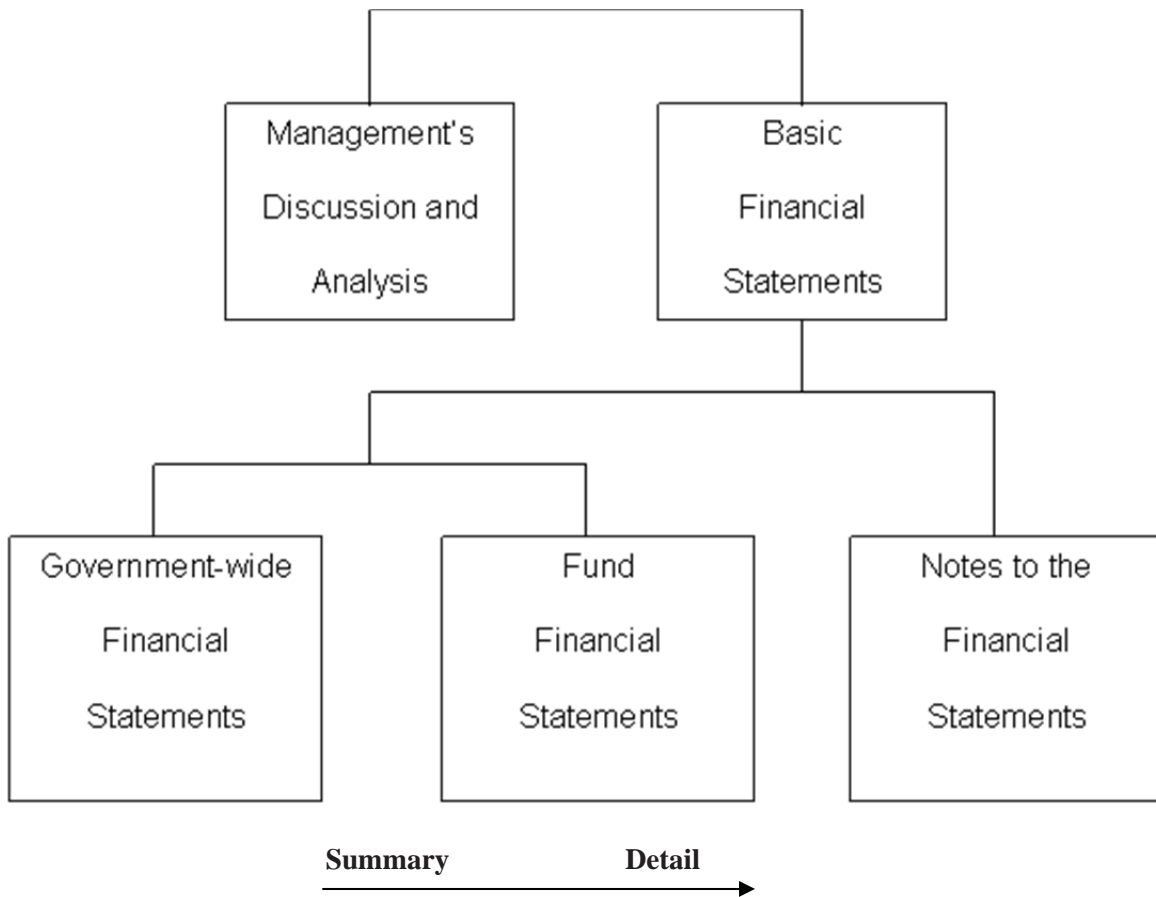
- The assets and deferred outflows of the Town of Black Mountain exceeded its liabilities and deferred inflows at the close of the fiscal year by \$11,331,096 (*net position*).
- The government's total net position increased by \$427,628. Major revenues (property, sales and utility sales taxes) remain 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 \$4,424,992, a decrease of \$194,168 in comparison with the prior year. Approximately 27% of this total amount, or \$1,192,011, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,812,979 or 30.5% of total general fund expenditures for the fiscal year. This compares with \$2,826,373 or 35% at the end of fiscal year 2017, a decrease of \$13,394.
- The Town of Black Mountain's total debt increased by \$988,252 during the current fiscal year. The key factor in this increase was the installment financing of \$1,500,000 associated with the purchase of a new building.

### 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 – 51 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 and retiree health benefits to its employees. Required supplementary information can be found on pages 52 – 56 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         |                    | Total Percentage Change |
|---|-------------------------|--------------------|--------------------------|--------------------|---------------|--------------------|-------------------------|
|   | 2018                    | (Restated)<br>2017 | 2018                     | (Restated)<br>2017 | 2018          | (Restated)<br>2017 |                         |
| Current and other assets                            | \$ 4,769,069            | \$ 4,941,047       | \$ 1,787,426             | \$ 2,053,819       | \$ 6,556,495  | \$ 6,994,866       | -6%                     |
| Capital assets                                      | 12,070,943              | 10,784,317         | 7,673,970                | 6,726,813          | 19,744,913    | 17,511,130         | 13%                     |
| Deferred outflows of resources                      | 1,765,860               | 971,251            | 250,374                  | 153,337            | 2,016,234     | 1,124,588          | 79%                     |
| Total assets and deferred outflows of resources     | 18,605,872              | 16,696,615         | 9,711,770                | 8,933,969          | 28,317,642    | 25,630,584         | 10%                     |
| Long-term liabilities                               | 9,996,611               | 10,802,549         | 3,103,242                | 2,717,867          | 13,099,853    | 13,520,416         | -3%                     |
| Other liabilities                                   | 692,325                 | 655,799            | 438,334                  | 439,290            | 1,130,659     | 1,095,089          | 3%                      |
| Deferred inflows of resources                       | 2,400,972               | 98,137             | 355,062                  | 13,474             | 2,756,034     | 111,611            | 2369%                   |
| Total liabilities and deferred inflows of resources | 13,089,908              | 11,556,485         | 3,896,638                | 3,170,631          | 16,986,546    | 14,727,116         | 15%                     |
| Net position:                                       |                         |                    |                          |                    |               |                    |                         |
| Net investment in capital assets                    | 10,186,943              | 9,268,098          | 5,535,695                | 5,209,008          | 15,722,638    | 14,477,106         | 9%                      |
| Restricted  | 1,114,109               | 1,013,087          | -                        | -                  | 1,114,109     | 1,013,087          | 10%                     |
| Unrestricted  | (5,785,088)             | (5,141,055)        | 279,437                  | 554,330            | (5,505,651)   | (4,586,725)        | 20%                     |
| Total net position                                  | \$ 5,515,964            | \$ 5,140,130       | \$ 5,815,132             | \$ 5,763,338       | \$ 11,331,096 | \$ 10,903,468      | 4%                      |



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 \$11,331,096 as of June 30, 2018. The Town's net position *increased* by \$427,628 for the fiscal year ended June 30, 2018. However, the largest portion of net position (139%) 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, 1,104,513 (9.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(5,005,651) is unrestricted.

Several particular aspects of the Town's financial operations 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 2018, was 99.83%, which is higher than the statewide average of 99.03%.
- Local option sales taxes increased by \$46,398 from the prior year. Buncombe County continues to be the economic driver of Western North Carolina.
- Building permit revenue decreased from \$335,037 in FY17 to \$278,591 in FY18. This decrease represents the first time since FY12 that building permit revenue has declined, as this revenue has increased an average of 17% per year since FY12. Black Mountain continues to be a very desirable location for business and residents.
- The most significant reason for the Town's negative unrestricted net position is the implementation of GASB 75 during fiscal year 2018. This resulted in the Town recording their share of the actuarially determined liability for the State Health Plan's Retiree Health Benefit Fund. The Town recorded a total OPEB liability of \$7,606,034 without any corresponding asset.



## Town of Black Mountain Changes in Net Position

Figure 3

|  | Governmental Activities |                     | Business-Type Activities |                     | Total                |                      |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|  | 2018                    | 2017                | 2018                     | 2017                | 2018                 | 2017                 |
| <b>Revenues:</b>   |                         |                     |                          |                     |                      |                      |
| <i>Program revenues:</i>                                     |                         |                     |                          |                     |                      |                      |
| Charges for services   | \$ 1,537,516            | \$ 1,513,857        | \$ 1,893,823             | \$ 1,970,730        | \$ 3,431,339         | \$ 3,484,587         |
| Operating grants and contributions                           | 312,075                 | 274,683             | -                        | -                   | 312,075              | 274,683              |
| Capital grants and contributions                             | 23,787                  | 169,132             | -                        | -                   | 23,787               | 169,132              |
| <i>General revenues:</i>                                     |                         |                     |                          |                     |                      |                      |
| Property taxes   | 3,943,014               | 3,856,987           | -                        | -                   | 3,943,014            | 3,856,987            |
| Other taxes  | 1,654,609               | 1,607,707           | -                        | -                   | 1,654,609            | 1,607,707            |
| Grants and contributions not restricted to specific programs | 803,413                 | 799,505             | -                        | -                   | 803,413              | 799,505              |
| Unrestricted investment earnings                             | 52,392                  | 24,425              | 22,847                   | 12,334              | 75,239               | 36,759               |
| Miscellaneous  | 129,340                 | 89,420              | 2,488                    | 1,167               | 131,828              | 90,587               |
| Gain (loss) on sale of property                              | 6,000                   | -                   | 2,952                    | -                   | 8,952                | -                    |
| <i>Total revenues</i>  | <u>8,462,146</u>        | <u>8,335,716</u>    | <u>1,922,110</u>         | <u>1,984,231</u>    | <u>10,384,256</u>    | <u>10,319,947</u>    |
| <b>Expenses:</b>   |                         |                     |                          |                     |                      |                      |
| General government   | 1,184,619               | 1,198,062           | -                        | -                   | 1,184,619            | 1,198,062            |
| Public safety  | 4,073,375               | 3,547,258           | -                        | -                   | 4,073,375            | 3,547,258            |
| Public works   | 1,125,163               | 943,152             | -                        | -                   | 1,125,163            | 943,152              |
| Environmental protection                                     | 761,484                 | 737,418             | -                        | -                   | 761,484              | 737,418              |
| Culture and recreation                                       | 770,493                 | 856,816             | -                        | -                   | 770,493              | 856,816              |
| Economic and physical development                            | 1,786                   | 562,254             | -                        | -                   | 1,786                | 562,254              |
| Water  | -                       | -                   | 1,364,891                | 1,293,069           | 1,364,891            | 1,293,069            |
| Golf course  | -                       | -                   | 635,955                  | 598,817             | 635,955              | 598,817              |
| Interest on long-term debt                                   | 38,862                  | 47,856              | -                        | -                   | 38,862               | 47,856               |
| <i>Total expenses</i>  | <u>7,955,782</u>        | <u>7,892,816</u>    | <u>2,000,846</u>         | <u>1,891,886</u>    | <u>9,956,628</u>     | <u>9,784,702</u>     |
| Increase in net position before transfers                    | 506,364                 | 442,900             | (78,736)                 | 92,345              | 427,628              | 535,245              |
| Transfers  | (130,530)               | (71,997)            | 130,530                  | 71,997              | -                    | -                    |
| Increase in net position                                     | 375,834                 | 370,903             | 51,794                   | 164,342             | 427,628              | 535,245              |
| Net position, beginning, restated                            | 5,140,130               | 4,769,227           | 5,763,338                | 5,598,996           | 10,903,468           | 10,368,223           |
| Net position, end of year                                    | <u>\$ 5,515,964</u>     | <u>\$ 5,140,130</u> | <u>\$ 5,815,132</u>      | <u>\$ 5,763,338</u> | <u>\$ 11,331,096</u> | <u>\$ 10,903,468</u> |

**Governmental activities.** Governmental activities increased the Town's net position by \$375,834. Key elements of this change are as follows:

- Property taxes increased by \$86,027 from FY17 amounts.
- Investment earnings increased by \$27,967 from FY17 amounts.

**Business-type activities:** Business-type activities increased the Town of Black Mountain's net position by \$51,794. Key elements of this decrease are as follows:

- The Water Fund reported operating income of \$96,962 in FY18. The Town continues to look for cost efficiencies in delivering water to its customers.
- The Golf Fund reported an operating loss of \$159,385 in FY18. The Golf Fund received a \$130,530 transfer from the General Fund to cover cash shortfalls within the fund. 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 \$2,812,979, while total fund balance was \$4,202,350. 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 30.5% of general fund expenditures, while total fund balance represents 46% of that same amount.

At June 30, 2018, the governmental funds of the Town of Black Mountain reported a combined fund balance of \$4,424,992, a 4.2% decrease from last year. As noted earlier, this decrease is primarily due to two separate debt related issues.

**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:

- Sales and services revenue exceeded budgeted amounts by \$102,028.
- Ad Valorem tax revenues exceeded budgeted amounts by \$63,513.
- Local option sales taxes were \$51,434 less than budgeted amounts.
- Investment earnings exceeded budgeted amounts by \$26,492.
- Many departments contributed to actual expenses being less than budgeted expenditures by continuing wise spending practices. The largest budget savings were in the Streets and Fire Departments.

Actual total operating revenues for the General Fund exceeded budgeted amounts by \$53,938. Actual expenditures were \$467,474 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 \$772,148. Revenues exceeded expenses by \$80,649. Unrestricted net position of the Golf Fund at the end of the fiscal year amounted to a deficit of \$492,711. The Golf Fund reported a loss before transfers of \$159,385 for the fiscal year ending June 30, 2018. 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, 2018, totals \$19,744,913 (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 placed \$3,515,431 of capital assets into service during the fiscal year. Included in these purchases were the land and building at 304 Black Mountain Avenue (\$2,002,200), one firetruck (\$544,096), five vehicles (\$157,707), and assorted improvements to Town buildings and infrastructure (\$619,314).

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

Figure 4

|                                  | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                                  | 2018                    | 2017                 | 2018                     | 2017                | 2018                 | 2017                 |
| Land                             | \$ 3,950,062            | \$ 3,485,062         | \$ 946,775               | \$ 481,775          | \$ 4,896,837         | \$ 3,966,837         |
| Buildings                        | 4,226,037               | 3,635,579            | 817,995                  | 295,521             | 5,044,032            | 3,931,100            |
| Land improvements                | 2,380,484               | 2,236,777            | 2,527,067                | 2,504,070           | 4,907,551            | 4,740,847            |
| Furniture and fixtures           | 26,172                  | 33,065               | 2,777                    | 3,486               | 28,949               | 36,551               |
| Equipment                        | 170,296                 | 111,457              | 356,738                  | 325,897             | 527,034              | 437,354              |
| Water infrastructure             | -                       | -                    | 2,884,042                | 2,974,531           | 2,884,042            | 2,974,531            |
| Vehicles and motorized equipment | 912,765                 | 453,032              | 138,576                  | 141,533             | 1,051,341            | 594,565              |
| Construction in progress         | 405,127                 | 829,345              | -                        | -                   | 405,127              | 829,345              |
| <b>Total capital assets</b>      | <b>\$ 12,070,943</b>    | <b>\$ 10,784,317</b> | <b>\$ 7,673,970</b>      | <b>\$ 6,726,813</b> | <b>\$ 19,744,913</b> | <b>\$ 17,511,130</b> |

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, 2018, the Town of Black Mountain had total federal revolving loan debt of \$746,450 and \$3,275,826 of installment debt. The revolving loan debt is backed by the full faith and credit of the Town. The installment debt is backed by security interest in the property for which it was issued. The Town of Black Mountain’s total debt increased from \$3,034,024 in FY17 to \$4,022,276 at the end of FY18. Payments made on debt principal during FY 18 totaled \$511,748.

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 \$88,000,000.

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 3.4% is below the statewide level of 4.2%.
- The Town tax rate was unchanged at 33.25 cents per \$100 of valuation.
- \$1,500,000 of new debt was issued for the purchase of the building at 304 Black Mountain Avenue. This debt has a 15 year term, an interest rate of 3.49%, and is split evenly between the General Fund and the Water Fund. \$152,750 will be due in FY19, and this amount will decline approximately \$4,000 per 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 late 2019.

### **Budget Highlights for the Fiscal Year Ending June 30, 2019**

#### **Governmental Activities**

Property taxes are expected to grow by 2.5% from FY18 budgeted levels, and are budgeted to account for 44.7% of General Fund revenues. Sales tax revenues are budgeted to be 1% less than FY18 budgeted levels, and account for 19% 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 0.33% to \$8,889,200 over the FY18 original budget. The Town appropriated \$73,360 of fund balance to balance the General Fund in FY19 budget. The bulk of this increase involves personnel, as two new full time positions have been added in public safety, and all employees are eligible for a 3% cost of living adjustment. Similar to most local governments, salaries and benefits (56%) make up the largest portion of expenditures.

#### **Business-type Activities**

Original budgeted expenditures in the Water Fund were expected to increase 5.65% to \$1,719,329 as compared to the FY18 original budget. All of this increase is related to the Water Fund's portion of the debt at the building at 304 Black Mountain Avenue. The Town appropriated \$242,329 of fund balance to balance the Water Fund in the FY19 budget. The Golf Fund budget decreased 5.64% from FY18 levels.

- Town of Black Mountain water rates were raised by 2% to cover the increased costs of operations.
- The Town made slight adjustment to the rate structure at the golf course, initiating a \$5 walking fee and increasing membership fees.

#### **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, Assistant Town Manager and 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, 2018

|   | Primary Government      |                          |               | Component Unit           |
|---|-------------------------|--------------------------|---------------|--------------------------|
|   | Governmental Activities | Business-type Activities | Total         | Black Mountain ABC Board |
| <b>ASSETS</b>                             |                         |                          |               |                          |
| Current assets:                           |                         |                          |               |                          |
| Cash and cash equivalents                 | \$ 3,410,054            | \$ 1,392,591             | \$ 4,802,645  | \$ 331,212               |
| Taxes receivable, net                     | 6,407                   | -                        | 6,407         | -                        |
| Accrued interest receivable               | 809                     | -                        | 809           | -                        |
| Accounts receivable, net                  | 9,596                   | 187,766                  | 197,362       | -                        |
| Due from other governments                | 780,101                 | -                        | 780,101       | -                        |
| Inventories                               | 7,275                   | 64,279                   | 71,554        | 227,632                  |
| Prepaid items                             | 70,627                  | -                        | 70,627        | 7,315                    |
| Restricted:                               |                         |                          |               |                          |
| Cash and cash equivalents                 | 484,200                 | 142,790                  | 626,990       | -                        |
| Total current assets                      | 4,769,069               | 1,787,426                | 6,556,495     | 566,159                  |
| Non-current assets:                       |                         |                          |               |                          |
| Capital assets:                           |                         |                          |               |                          |
| Land and construction in progress         | 4,355,189               | 946,775                  | 5,301,964     | 605,785                  |
| Other capital assets, net                 | 7,715,754               | 6,727,195                | 14,442,949    | 42,984                   |
| Total capital assets                      | 12,070,943              | 7,673,970                | 19,744,913    | 648,769                  |
| Total assets                              | 16,840,012              | 9,461,396                | 26,301,408    | 1,214,928                |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                         |                          |               |                          |
| Pension deferrals                         | 709,931                 | 91,816                   | 801,747       | 36,250                   |
| OPEB deferrals                            | 1,055,929               | 158,558                  | 1,214,487     | -                        |
| Total deferred outflows of resources      | 1,765,860               | 250,374                  | 2,016,234     | 36,250                   |
| <b>LIABILITIES</b>                        |                         |                          |               |                          |
| Current liabilities:                      |                         |                          |               |                          |
| Accounts payable                          | 116,688                 | 29,837                   | 146,525       | -                        |
| Other liabilities                         | 34,200                  | 39,096                   | 73,296        | 300,730                  |
| Accrued interest payable                  | 24,659                  | 11,484                   | 36,143        | -                        |
| Liabilities payable from restricted cash: |                         |                          |               |                          |
| Developer or customer deposits            | 158,440                 | 142,790                  | 301,230       | -                        |
| Current portion of long-term liabilities  | 358,338                 | 215,127                  | 573,465       | -                        |
| Total current liabilities                 | 692,325                 | 438,334                  | 1,130,659     | 300,730                  |
| Long-term liabilities:                    |                         |                          |               |                          |
| Net pension liability - LGERS             | 842,255                 | 126,474                  | 968,729       | 40,179                   |
| Total pension liability - LEOWSA          | 680,380                 | -                        | 680,380       | -                        |
| Net OPEB liability                        | 6,613,016               | 993,018                  | 7,606,034     | -                        |
| Due in more than one year                 | 1,860,960               | 1,983,750                | 3,844,710     | -                        |
| Total liabilities                         | 10,688,936              | 3,541,576                | 14,230,512    | 340,909                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                         |                          |               |                          |
| Prepaid taxes                             | 27,533                  | -                        | 27,533        | -                        |
| Pension deferrals                         | 75,621                  | 10,019                   | 85,640        | 1,137                    |
| OPEB deferrals                            | 2,297,818               | 345,043                  | 2,642,861     | -                        |
| Total deferred inflows of resources       | 2,400,972               | 355,062                  | 2,756,034     | 1,137                    |
| <b>NET POSITION</b>                       |                         |                          |               |                          |
| Net investment in capital assets          | 10,186,943              | 5,535,695                | 15,722,638    | 648,769                  |
| Restricted for:                           |                         |                          |               |                          |
| Stabilization by State statute            | 789,697                 | -                        | 789,697       | -                        |
| Streets                                   | 89,022                  | -                        | 89,022        | -                        |
| Public safety                             | 19,665                  | -                        | 19,665        | 70,078                   |
| Capital projects                          | 215,725                 | -                        | 215,725       | 20,000                   |
| Unrestricted                              | (5,785,088)             | 279,437                  | (5,505,651)   | 170,285                  |
| Total net position                        | \$ 5,515,964            | \$ 5,815,132             | \$ 11,331,096 | \$ 909,132               |

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, 2018

| 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                                |                          | Total          | Component Unit                   |
|  |                  |                      |                                    |                                  | Governmental Activities                           | Business-type Activities |                | Town of Black Mountain ABC Board |
| <b>Primary government:</b>                                   |                  |                      |                                    |                                  |   |                          |                |                                  |
| Governmental Activities:                                     |                  |                      |                                    |                                  |   |                          |                |                                  |
| General government   | \$ 1,184,619     | \$ -                 | \$ -                               | \$ -                             | \$ (1,184,619)                                    | \$ -                     | \$ (1,184,619) | \$ -                             |
| Public safety  | 4,073,375        | 1,271,710            | 57,218                             | -                                | (2,744,447)                                       | -                        | (2,744,447)    | -                                |
| Public works   | 1,125,163        | -                    | 243,918                            | -                                | (881,245)   | -                        | (881,245)      | -                                |
| Environmental protection                                     | 761,484          | -                    | -                                  | -                                | (761,484)   | -                        | (761,484)      | -                                |
| Cultural and recreational                                    | 770,493          | 265,806              | 10,939                             | -                                | (493,748)   | -                        | (493,748)      | -                                |
| Economic and physical development                            | 1,786            | -                    | -                                  | 23,787                           | 22,001  | -                        | 22,001         | -                                |
| Interest on long-term debt                                   | 38,862           | -                    | -                                  | -                                | (38,862)  | -                        | (38,862)       | -                                |
| Total governmental activities                                | 7,955,782        | 1,537,516            | 312,075                            | 23,787                           | (6,082,404)                                       | -                        | (6,082,404)    | -                                |
| Business-type activities:                                    |                  |                      |                                    |                                  |   |                          |                |                                  |
| Water  | 1,364,891        | 1,417,253            | -                                  | -                                | -   | 52,362                   | 52,362         | -                                |
| Golf Course  | 635,955          | 476,570              | -                                  | -                                | -   | (159,385)                | (159,385)      | -                                |
| Total business-type activities                               | 2,000,846        | 1,893,823            | -                                  | -                                | -   | (107,023)                | (107,023)      | -                                |
| Total primary government                                     | \$ 9,956,628     | \$ 3,431,339         | \$ 312,075                         | \$ 23,787                        | (6,082,404)                                       | (107,023)                | (6,189,427)    | -                                |
| Component unit:  |                  |                      |                                    |                                  |   |                          |                |                                  |
| Town of Black Mountain ABC Board                             | \$ 2,239,129     | \$ 2,365,482         | \$ -                               | \$ -                             | -   | -                        | -              | 126,353                          |
| Total component unit   | \$ 2,239,129     | \$ 2,365,482         | \$ -                               | \$ -                             | -   | -                        | -              | 126,353                          |
| <b>General revenues:</b>                                     |                  |                      |                                    |                                  |   |                          |                |                                  |
| Taxes:   |                  |                      |                                    |                                  |   |                          |                |                                  |
| Property taxes, levied for general purpose                   |                  |                      |                                    |                                  | 3,943,014   | -                        | 3,943,014      | -                                |
| Sales taxes  |                  |                      |                                    |                                  | 1,609,566   | -                        | 1,609,566      | -                                |
| Other taxes  |                  |                      |                                    |                                  | 45,043  | -                        | 45,043         | -                                |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |                                  | 803,413   | -                        | 803,413        | -                                |
| Unrestricted investment earnings                             |                  |                      |                                    |                                  | 52,392  | 22,847                   | 75,239         | 747                              |
| Gain on sale of capital assets                               |                  |                      |                                    |                                  | 6,000   | 2,952                    | 8,952          | -                                |
| Miscellaneous  |                  |                      |                                    |                                  | 129,340   | 2,488                    | 131,828        | -                                |
| Total general revenues                                       |                  |                      |                                    |                                  | 6,588,768   | 28,287                   | 6,617,055      | 747                              |
| Transfers  |                  |                      |                                    |                                  | (130,530)   | 130,530                  | -              | -                                |
| Total general revenues and transfers                         |                  |                      |                                    |                                  | 6,458,238   | 158,817                  | 6,617,055      | 747                              |
| Changes in net position                                      |                  |                      |                                    |                                  | 375,834   | 51,794                   | 427,628        | 127,100                          |
| Net position, beginning, as originally reported              |                  |                      |                                    |                                  | 12,676,772  | 6,895,049                | 19,571,821     | 782,032                          |
| Restatement (Note 4)   |                  |                      |                                    |                                  | (7,536,642)                                       | (1,131,711)              | (8,668,353)    | -                                |
| Net position, beginning, as restated                         |                  |                      |                                    |                                  | 5,140,130   | 5,763,338                | 10,903,468     | 782,032                          |
| Net position, end of year                                    |                  |                      |                                    |                                  | \$ 5,515,964                                      | \$ 5,815,132             | \$ 11,331,096  | \$ 909,132                       |

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

## GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2018

|  | Major        |                          | Non-major                |                          |
|--|--------------|--------------------------|--------------------------|--------------------------|
|  | General Fund | Other Governmental Funds | Other Governmental Funds | Total Governmental Funds |
| <b>ASSETS</b>  |              |                          |                          |                          |
| Cash and cash equivalents  | \$ 3,407,141 | \$ 2,913                 | \$ 2,913                 | \$ 3,410,054             |
| Restricted cash and cash equivalents                               | 267,127      | 217,073                  | 217,073                  | 484,200                  |
| Taxes receivable, net  | 6,407        | -                        | -                        | 6,407                    |
| Accounts receivable, net   | 9,596        | -                        | -                        | 9,596                    |
| Due from other governments   | 776,097      | 4,004                    | 4,004                    | 780,101                  |
| Inventories  | 7,275        | -                        | -                        | 7,275                    |
| Prepaid items  | 70,627       | -                        | -                        | 70,627                   |
| Total assets   | \$ 4,544,270 | \$ 223,990               | \$ 223,990               | \$ 4,768,260             |
| <b>LIABILITIES</b>   |              |                          |                          |                          |
| Accounts payable and accrued liabilities                           | \$ 115,340   | \$ 1,348                 | \$ 1,348                 | \$ 116,688               |
| Salaries and payroll taxes payable                                 | 34,200       | -                        | -                        | 34,200                   |
| Liabilities payable from restricted cash:                          |              |                          |                          |                          |
| Developer deposits   | 158,440      | -                        | -                        | 158,440                  |
| Total liabilities  | 307,980      | 1,348                    | 1,348                    | 309,328                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               | 33,940       | -                        | -                        | 33,940                   |
| <b>FUND BALANCES</b>   |              |                          |                          |                          |
| Nonspendable:  |              |                          |                          |                          |
| Inventories  | 7,275        | -                        | -                        | 7,275                    |
| Prepaid items  | 70,627       | -                        | -                        | 70,627                   |
| Restricted for:  |              |                          |                          |                          |
| Stabilization by State statute                                     | 785,693      | 4,004                    | 4,004                    | 789,697                  |
| Streets  | 89,022       | -                        | -                        | 89,022                   |
| Public safety  | 19,665       | -                        | -                        | 19,665                   |
| Capital projects   | -            | 215,725                  | 215,725                  | 215,725                  |
| Committed for capital projects                                     | 175,000      | 2,913                    | 2,913                    | 177,913                  |
| Assigned for:  |              |                          |                          |                          |
| Subsequent year's expenditures                                     | 73,360       | -                        | -                        | 73,360                   |
| Public safety  | 168,729      | -                        | -                        | 168,729                  |
| Unassigned   | 2,812,979    | -                        | -                        | 2,812,979                |
| Total fund balances  | 4,202,350    | 222,642                  | 222,642                  | 4,424,992                |
| Total liabilities, deferred inflows of resources, and fund balance | \$ 4,544,270 | \$ 223,990               | \$ 223,990               | \$ 4,768,260             |

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

## GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2018

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

|   |    |                     |
|---|----|---------------------|
| Total fund balance - governmental funds   | \$ | 4,424,992           |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |    | 12,070,943          |
| Other current assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds. |    | 809                 |
| Deferred outflows of resources related to pensions are not reported in the funds.   |    | 709,931             |
| Deferred outflows of resources related to OPEB are not reported in the funds.   |    | 1,055,929           |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements.  |    | 6,407               |
| Deferred inflows of resources related to pensions are not reported in the funds.  |    | (75,621)            |
| Deferred inflows of resources related to OPEB are not reported in the funds.  |    | (2,297,818)         |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds.   |    |                     |
| Installment obligations   | \$ | (1,884,000)         |
| Compensated absences  |    | (335,298)           |
| Net pension liability - LGERS   |    | (842,255)           |
| Total pension liability - LEOSSA  |    | (680,380)           |
| Net OPEB liability  |    | (6,613,016)         |
| Accrued interest payable  |    | (24,659)            |
|   |    | <u>(10,379,608)</u> |
| Net position of governmental activities   | \$ | <u>5,515,964</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, 2018

|  | <u>Major</u>        | <u>Non-major</u>                        |   |
|--|---------------------|---|---|
|  | <u>General Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
| <b>REVENUES</b>                        |                     |   |   |
| Ad valorem taxes                       | \$ 3,940,653        | \$ -                                    | \$ 3,940,653                            |
| Other taxes and licenses               | 1,654,609           | -                                       | 1,654,609                               |
| Unrestricted intergovernmental         | 803,413             | -                                       | 803,413                                 |
| Restricted intergovernmental           | 312,075             | 23,787                                  | 335,862                                 |
| Permits and fees                       | 279,238             | -                                       | 279,238                                 |
| Sales and services                     | 1,258,278           | -                                       | 1,258,278                               |
| Miscellaneous                          | 129,340             | -                                       | 129,340                                 |
| Investment earnings                    | 52,392              | -                                       | 52,392                                  |
| Total revenues                         | <u>8,429,998</u>    | <u>23,787</u>                           | <u>8,453,785</u>                        |
| <b>EXPENDITURES</b>                    |                     |   |   |
| Current:                               |                     |   |   |
| General government                     | 2,142,043           | -                                       | 2,142,043                               |
| Public safety                          | 3,872,049           | -                                       | 3,872,049                               |
| Public works                           | 1,214,789           | -                                       | 1,214,789                               |
| Environmental protection               | 757,714             | -                                       | 757,714                                 |
| Cultural and recreational              | 822,305             | -                                       | 822,305                                 |
| Capital outlay                         | -                   | 39,244                                  | 39,244                                  |
| Debt service:                          |                     |   |   |
| Principal                              | 382,219             | -                                       | 382,219                                 |
| Interest                               | 43,060              | -                                       | 43,060                                  |
| Total expenditures                     | <u>9,234,179</u>    | <u>39,244</u>                           | <u>9,273,423</u>                        |
| Revenues under expenditures            | <u>(804,181)</u>    | <u>(15,457)</u>                         | <u>(819,638)</u>                        |
| Other financing sources (uses):        |                     |   |   |
| Installment obligations issued         | 750,000             | -                                       | 750,000                                 |
| Proceeds from sale of capital assets   | 6,000               | -                                       | 6,000                                   |
| Transfers from the general fund        | -                   | 107,575                                 | 107,575                                 |
| Transfers to the golf fund             | (130,530)           | -                                       | (130,530)                               |
| Transfers to the capital project funds | (107,575)           | -                                       | (107,575)                               |
| Total other financing sources (uses)   | <u>517,895</u>      | <u>107,575</u>                          | <u>625,470</u>                          |
| Net change in fund balances            | (286,286)           | 92,118                                  | (194,168)                               |
| Fund balances, beginning of year       | <u>4,488,636</u>    | <u>130,524</u>                          | <u>4,619,160</u>                        |
| Fund balances, end of year             | <u>\$ 4,202,350</u> | <u>\$ 222,642</u>                       | <u>\$ 4,424,992</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, 2018

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

|   |                  |                          |
|---|------------------|--------------------------|
| Net changes in fund balances - total governmental funds   |                  | \$ (194,168)             |
| <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.   | \$ 1,817,812     |                          |
| Depreciation expense for governmental assets.   | <u>(531,186)</u> | 1,286,626                |
| Contributions to the pension plan in the current fiscal year are not included on the statement of Activities.   |                  | 232,144                  |
| Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities.  |                  | 29,322                   |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities.   |                  | 183,991                  |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  | 2,361                    |
| <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  | 382,219          |                          |
| Issuance of long-term debt  | (750,000)        |                          |
| Decrease in accrued interest payable  | <u>4,198</u>     | (363,583)                |
| <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)   | (5,628)          |                          |
| Pension expense - LGERS   | (272,158)        |                          |
| Pension expense - LEOSSA  | (20,820)         |                          |
| OPEB plan expense   | <u>(502,253)</u> | (800,859)                |
| Total changes in net position of governmental activities  |                  | <u><u>\$ 375,834</u></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, 2018

| <b>General Fund</b>   |                    |                    |                     |  |
|---|--------------------|--------------------|---------------------|--|
|   | Original<br>Budget | Final<br>Budget    | Actual              | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
| <b>Revenues:</b>  |                    |                    |                     |  |
| Ad valorem taxes  | \$ 3,877,140       | \$ 3,877,140       | \$ 3,940,653        | \$ 63,513  |
| Other taxes and licenses  | 1,705,000          | 1,705,000          | 1,654,609           | (50,391)   |
| Unrestricted intergovernmental  | 855,000            | 855,000            | 803,413             | (51,587)   |
| Restricted intergovernmental  | 309,500            | 340,320            | 312,075             | (28,245)   |
| Permits and fees  | 292,000            | 292,000            | 279,238             | (12,762)   |
| Sales and services  | 1,156,250          | 1,156,250          | 1,258,278           | 102,028  |
| Investment earnings   | 25,900             | 25,900             | 52,392              | 26,492   |
| Miscellaneous   | 79,000             | 124,450            | 129,340             | 4,890  |
| Total revenues  | <u>8,299,790</u>   | <u>8,376,060</u>   | <u>8,429,998</u>    | <u>53,938</u>  |
| <b>Expenditures:</b>  |                    |                    |                     |  |
| <b>Current:</b>   |                    |                    |                     |  |
| General government  | 1,185,920          | 2,214,520          | 2,142,043           | 72,477   |
| Public safety   | 4,041,320          | 4,096,570          | 3,872,049           | 224,521  |
| Public works  | 1,342,080          | 1,342,080          | 1,214,789           | 127,291  |
| Environmental protection  | 739,410            | 739,410            | 757,714             | (18,304)   |
| Cultural and recreation   | 811,310            | 827,010            | 822,305             | 4,705  |
| <b>Debt service:</b>  |                    |                    |                     |  |
| Principal retirement  | 382,219            | 382,219            | 382,219             | -  |
| Interest and other charges  | 45,906             | 45,906             | 43,060              | 2,846  |
| Total expenditures  | <u>8,548,165</u>   | <u>9,647,715</u>   | <u>9,234,179</u>    | <u>413,536</u>   |
| Revenues over (under) expenditures  | <u>(248,375)</u>   | <u>(1,271,655)</u> | <u>(804,181)</u>    | <u>467,474</u>   |
| <b>Other financing sources (uses):</b>  |                    |                    |                     |  |
| Appropriated fund balance   | 395,375            | 771,760            | -                   | (771,760)  |
| Installment obligations issued  | -                  | 750,000            | 750,000             | -  |
| Proceeds from sale of capital assets  | 8,000              | 8,000              | 6,000               | (2,000)  |
| Transfer to capital project fund  | (155,000)          | (127,575)          | (107,575)           | 20,000   |
| Transfer to golf fund   | -                  | (130,530)          | (130,530)           | -  |
| Total other financing sources (uses)  | <u>248,375</u>     | <u>1,271,655</u>   | <u>517,895</u>      | <u>(753,760)</u>   |
| Revenues and other sources over expenditures and other uses   | <u>\$ -</u>        | <u>\$ -</u>        | <u>(286,286)</u>    | <u>\$ (286,286)</u>  |
| Fund balance, beginning of year   |                    |                    | <u>4,313,636</u>    |  |
| Fund balance, end of year   |                    |                    | <u>4,027,350</u>    |  |
| A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes: |                    |                    |                     |  |
| Fund balance, beginning of year (Capital Reserve Fund)  |                    |                    | <u>175,000</u>      |  |
| Fund balance, end of year (Exhibit 4)   |                    |                    | <u>\$ 4,202,350</u> |  |

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

PROPRIETARY FUNDS  
Statement of Fund Net Position  
June 30, 2018

|   | <b>Major Enterprise Funds</b> |                         |                     |
|---|-------------------------------|-------------------------|---------------------|
|   | <b>Water Fund</b>             | <b>Golf Course Fund</b> | <b>Total</b>        |
| <b>ASSETS</b>                             |                               |                         |                     |
| Current assets:                           |                               |                         |                     |
| Cash and cash equivalents                 | \$ 1,391,591                  | \$ 1,000                | \$ 1,392,591        |
| Accounts receivable:                      |                               |                         |                     |
| Accounts receivable - billed, net         | 129,543                       | -                       | 129,543             |
| Accounts receivable - unbilled, net       | 58,223                        | -                       | 58,223              |
| Inventories                               | 54,526                        | 9,753                   | 64,279              |
| Restricted cash and cash equivalents      | 142,790                       | -                       | 142,790             |
| Total current assets                      | <u>1,776,673</u>              | <u>10,753</u>           | <u>1,787,426</u>    |
| Noncurrent assets:                        |                               |                         |                     |
| Capital assets:                           |                               |                         |                     |
| Land and other non-depreciable assets     | 640,645                       | 306,130                 | 946,775             |
| Other capital assets, net of depreciation | 6,273,460                     | 453,735                 | 6,727,195           |
| Capital assets, net                       | <u>6,914,105</u>              | <u>759,865</u>          | <u>7,673,970</u>    |
| Total assets                              | <u>8,690,778</u>              | <u>770,618</u>          | <u>9,461,396</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                               |                         |                     |
| Pension deferrals                         | 59,710                        | 32,106                  | 91,816              |
| OPEB deferrals                            | 103,113                       | 55,445                  | 158,558             |
| Total deferred outflows of resources      | <u>162,823</u>                | <u>87,551</u>           | <u>250,374</u>      |
| <b>LIABILITIES</b>                        |                               |                         |                     |
| Current liabilities:                      |                               |                         |                     |
| Accounts payable and accrued liabilities  | 19,008                        | 10,829                  | 29,837              |
| Deferred annual golf memberships          | -                             | 39,096                  | 39,096              |
| Accrued interest payable                  | 11,484                        | -                       | 11,484              |
| Liabilities payable from restricted cash: |                               |                         |                     |
| Customer deposits                         | 142,790                       | -                       | 142,790             |
| Compensated absences, current             | 17,942                        | 15,807                  | 33,749              |
| Revolving loans payable, current          | 58,144                        | -                       | 58,144              |
| Installment purchase, current             | 123,234                       | -                       | 123,234             |
| Total current liabilities                 | <u>372,602</u>                | <u>65,732</u>           | <u>438,334</u>      |
| Noncurrent liabilities:                   |                               |                         |                     |
| Net pension liability                     | 82,248                        | 44,226                  | 126,474             |
| Net OPEB liability                        | 645,772                       | 347,246                 | 993,018             |
| Compensated absences                      | 17,203                        | 9,650                   | 26,853              |
| Revolving loans payable                   | 688,305                       | -                       | 688,305             |
| Installment purchase                      | 1,268,592                     | -                       | 1,268,592           |
| Total noncurrent liabilities              | <u>2,702,120</u>              | <u>401,122</u>          | <u>3,103,242</u>    |
| Total liabilities                         | <u>3,074,722</u>              | <u>466,854</u>          | <u>3,541,576</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                               |                         |                     |
| Pension deferrals                         | 6,515                         | 3,504                   | 10,019              |
| OPEB deferrals                            | 224,386                       | 120,657                 | 345,043             |
| Total deferred inflows of resources       | <u>230,901</u>                | <u>124,161</u>          | <u>355,062</u>      |
| <b>NET POSITION</b>                       |                               |                         |                     |
| Net investment in capital assets          | 4,775,830                     | 759,865                 | 5,535,695           |
| Unrestricted (deficit)                    | 772,148                       | (492,711)               | 279,437             |
| Total net position                        | <u>\$ 5,547,978</u>           | <u>\$ 267,154</u>       | <u>\$ 5,815,132</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, 2018

|   | <b>Major Enterprise Funds</b> |                         |                     |
|---|-------------------------------|-------------------------|---------------------|
|   | <b>Water Fund</b>             | <b>Golf Course Fund</b> | <b>Total</b>        |
| <b>OPERATING REVENUES</b>                               |                               |                         |                     |
| Charges for services                                    | \$ 1,283,144                  | \$ -                    | \$ 1,283,144        |
| Golf course revenue                                     | -                             | 476,570                 | 476,570             |
| Other   | 134,109                       | -                       | 134,109             |
| Miscellaneous   | 2,488                         | -                       | 2,488               |
| Total operating revenues                                | <u>1,419,741</u>              | <u>476,570</u>          | <u>1,896,311</u>    |
| <b>OPERATING EXPENSES</b>                               |                               |                         |                     |
| Administration  | 242,938                       | 578,364                 | 821,302             |
| Water system operations                                 | 811,188                       | -                       | 811,188             |
| Depreciation  | 268,653                       | 57,591                  | 326,244             |
| Total operating expenses                                | <u>1,322,779</u>              | <u>635,955</u>          | <u>1,958,734</u>    |
| Operating income (loss)                                 | <u>96,962</u>                 | <u>(159,385)</u>        | <u>(62,423)</u>     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                 |                               |                         |                     |
| Investment earnings                                     | 22,847                        | -                       | 22,847              |
| Interest on long-term debt                              | (42,112)                      | -                       | (42,112)            |
| Gain on disposal of capital assets                      | 2,952                         | -                       | 2,952               |
| Total nonoperating revenue (expenses)                   | <u>(16,313)</u>               | <u>-</u>                | <u>(16,313)</u>     |
| Income (loss) before transfers                          | 80,649                        | (159,385)               | (78,736)            |
| Transfer from general fund                              | -                             | 130,530                 | 130,530             |
| Change in net position                                  | 80,649                        | (28,855)                | 51,794              |
| Net position, beginning of year, as originally reported | 6,203,295                     | 691,754                 | 6,895,049           |
| Restatement (Note 4)                                    | (735,966)                     | (395,745)               | (1,131,711)         |
| Net position, beginning, as restated                    | <u>5,467,329</u>              | <u>296,009</u>          | <u>5,763,338</u>    |
| Net position, end of year                               | <u>\$ 5,547,978</u>           | <u>\$ 267,154</u>       | <u>\$ 5,815,132</u> |

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

PROPRIETARY FUNDS  
Statement of Cash Flows  
For the year ended June 30, 2018

|   | <b>Major Enterprise Funds</b> |                         |                     |
|---|-------------------------------|-------------------------|---------------------|
|   | <b>Water Fund</b>             | <b>Golf Course Fund</b> | <b>Total</b>        |
| <b>Cash flows from operating activities:</b>  |                               |                         |                     |
| Cash received from customers  | \$ 1,439,113                  | \$ 465,647              | \$ 1,904,760        |
| Cash paid for goods and services  | (587,866)                     | (290,361)               | (878,227)           |
| Cash paid to or on behalf of employees for services   | (450,455)                     | (305,816)               | (756,271)           |
| Net cash provided (used) by operating activities  | <u>400,792</u>                | <u>(130,530)</u>        | <u>270,262</u>      |
| <b>Cash flows from noncapital and related financing activities:</b>                                   |                               |                         |                     |
| Transfers from other funds  | -                             | 130,530                 | 130,530             |
| Net cash provided by noncapital and related financing activities                                      | <u>-</u>                      | <u>130,530</u>          | <u>130,530</u>      |
| <b>Cash flows from capital and related financing activities:</b>                                      |                               |                         |                     |
| Acquisition and construction of capital assets  | (1,273,401)                   | -                       | (1,273,401)         |
| Proceeds on sale of capital assets  | 2,952                         | -                       | 2,952               |
| Installment obligations issued  | 750,000                       | -                       | 750,000             |
| Principal payment on long-term debt   | (129,530)                     | -                       | (129,530)           |
| Interest on long-term debt  | (33,613)                      | -                       | (33,613)            |
| Net cash used by capital and related financing activities   | <u>(683,592)</u>              | <u>-</u>                | <u>(683,592)</u>    |
| <b>Cash flows from investing activities:</b>  |                               |                         |                     |
| Interest earned   | 22,847                        | -                       | 22,847              |
| Net cash provided by investing activities   | <u>22,847</u>                 | <u>-</u>                | <u>22,847</u>       |
| Net decrease in cash and cash equivalents   | (259,953)                     | -                       | (259,953)           |
| Cash and cash equivalents, beginning of year  | 1,794,334                     | 1,000                   | 1,795,334           |
| Cash and cash equivalents, end of year  | <u>\$ 1,534,381</u>           | <u>\$ 1,000</u>         | <u>\$ 1,535,381</u> |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                               |                         |                     |
| Operating income (loss)   | \$ 96,962                     | \$ (159,385)            | \$ (62,423)         |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities:        |                               |                         |                     |
| Depreciation  | 268,653                       | 57,591                  | 326,244             |
| Changes in assets and liabilities:  |                               |                         |                     |
| (Increase) decrease in accounts receivable  | 2,107                         | -                       | 2,107               |
| (Increase) decrease in inventory  | 7,113                         | (2,780)                 | 4,333               |
| (Increase) decrease in deferred outflows of resources - pensions                                      | 49,817                        | 11,704                  | 61,521              |
| (Increase) decrease in deferred outflows of resources - OPEB  | (86,135)                      | (46,316)                | (132,451)           |
| Increase (decrease) in accounts payable and accrued liabilities                                       | (20,252)                      | (34,129)                | (54,381)            |
| Increase (decrease) in customer deposits  | 17,265                        | -                       | 17,265              |
| Increase (decrease) in deferred annual golf memberships   | -                             | (10,923)                | (10,923)            |
| Increase (decrease) in compensated absences   | (1,246)                       | (1,263)                 | (2,509)             |
| Increase (decrease) in net pension liability  | (47,597)                      | (7,712)                 | (55,309)            |
| Increase (decrease) in net OPEB liability   | (107,172)                     | (57,628)                | (164,800)           |
| Increase (decrease) in deferred inflows of resources - pensions                                       | (3,109)                       | (346)                   | (3,455)             |
| Increase (decrease) in deferred inflows of resources - OPEB   | 224,386                       | 120,657                 | 345,043             |
| Total adjustments   | <u>303,830</u>                | <u>28,855</u>           | <u>332,685</u>      |
| Net cash provided (used) by operating activities  | <u>\$ 400,792</u>             | <u>\$ (130,530)</u>     | <u>\$ 270,262</u>   |

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

FIDUCIARY FUND  
 Statement of Fiduciary Net Position  
 June 30, 2018

|                                       | <b>Agency<br/>Fund</b> |
|---------------------------------------|------------------------|
| <b>ASSETS</b>                         |                        |
| Cash and cash equivalents             | \$ 102,174             |
| Accounts receivable                   | 168,718                |
| Total assets                          | \$ 270,892             |
| <br><b>LIABILITIES</b>                |                        |
| Due to Metropolitan Sewerage District | \$ 270,892             |

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, 2018

**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.

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 four legally adopted capital project funds: the Watershed Restoration Capital Project Fund, the Riverside Greenway Capital Project Fund, the Tomahawk Stream Capital Project Fund, and the Veteran’s Park Improvements 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 Watershed Restoration Capital Project Fund, the Riverside Greenway Capital Project Fund, the Tomahawk Stream Capital Project Fund, and the Veteran's Park Improvements 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 Government 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. The unspent portion of grants and required Town matching funds are considered restricted assets in the capital project funds because their use is completely restricted to the purpose for which the funds are intended.

Town of Black Mountain Restricted Cash

## Governmental activities:

## General Fund

|                    |           |
|--------------------|-----------|
| Streets            | \$ 89,022 |
| Public safety      | 19,665    |
| Developer deposits | 158,440   |

## Non-major Capital Project Funds

|                           |         |
|---------------------------|---------|
| Unexpended grant proceeds | 217,073 |
|---------------------------|---------|

|                               |                |
|-------------------------------|----------------|
| Total governmental activities | <u>484,200</u> |
|-------------------------------|----------------|

## Business-type activities:

## Water Fund

|                   |         |
|-------------------|---------|
| Customer deposits | 142,790 |
|-------------------|---------|

|                       |                          |
|-----------------------|--------------------------|
| Total Restricted Cash | <u><u>\$ 626,990</u></u> |
|-----------------------|--------------------------|

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, 2017. 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 or sold 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                     |
| Vehicles                                       | 5                      |
| Equipment (non-computer, including golf carts) | 5                      |
| Computer equipment                             | 3                      |
| Computer software                              | 3                      |

Property 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 several items that meets this criterion: pension and OPEB-related deferrals and contributions made to the plans subsequent to the measurement date. 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 items that meet the criterion for this category – prepaid business licenses, property taxes receivable, and pension and OPEB-related deferrals.

#### 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 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 Balances

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

**Restricted for 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.

**Capital projects** – portion of fund balance that is committed by adopted ordinance to be used for Town improvements.

**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. Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension liability, 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), the Retiree Health Benefit Fund (RHBF), and additions to/deductions from LGERS' and RHBF's fiduciary net positions have been determined on the same basis as they are reported by LGERS and RHBF. 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 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 and RHBF. 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, 2018, the Town's deposits had a carrying amount of \$446,513 and a bank balance of \$572,062. Of the Town's bank balance, \$355,363 was covered by federal depository insurance, and the remaining \$216,699 was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$329,712 and the bank balance was \$359,201. None of the bank balance was in excess of federal depository insurance coverage.

The Town and the ABC Store also had cash on hand at June 30, 2018 of \$3,500 and \$1,500, respectively.

## 2. Investments

| Investments by Type                                   | Valuation<br>Measurement<br>Method | Book Value at<br>6/30/18 | Maturity  | Rating  |
|---|------------------------------------|--------------------------|-----------|---------|
| NC Capital Management Trust -<br>Government Portfolio | Amortized Cost                     | 1,390,501                | N/A       | AAAm    |
| NC Capital Management Trust -<br>Term Portfolio       | Fair Value<br>Level 1              | 3,691,295                | .09 Years | Unrated |
| Total Investments                                     |                                    | \$ 5,081,796             |           |         |

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

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. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2018. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

At June 30, 2018, 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  | \$ 446,513          |
| Petty cash  | 3,500               |
| Fair value of investments   | <u>5,081,796</u>    |
|   | <u>\$ 5,531,809</u> |
|   |                     |
| Cash and cash equivalents (Statement of Net Position)             | \$ 4,802,645        |
| Cash and cash equivalents, restricted (Statement of Net Position) | 626,990             |
| Cash and cash equivalents (Fiduciary Fund)                        | <u>102,174</u>      |
|   | <u>\$ 5,531,809</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, 2018 are net of the following allowances for doubtful accounts:

|  | <u>June 30, 2018</u> |
|--|----------------------|
| General Fund:                              |                      |
| Allowance for uncollectible property taxes | \$ 8,360             |
| Water Fund:                                |                      |
| Allowance for uncollectible accounts       | <u>51,422</u>        |
| Total allowance for uncollectible accounts | <u>\$ 59,782</u>     |

5. Capital Assets**Primary Government**

Capital asset activity for the primary government for the year ended June 30, 2018, was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| <b>Governmental activities:</b>                    |                               |                  |                  |                            |
| <b>Capital assets not being depreciated:</b>       |                               |                  |                  |                            |
| Land   | \$ 3,485,062                  | \$ 465,000       | \$ -             | \$ 3,950,062               |
| Construction in progress                           | 829,345                       | 39,244           | 463,462          | 405,127                    |
| Total capital assets not being depreciated         | <u>4,314,407</u>              | <u>504,244</u>   | <u>463,462</u>   | <u>4,355,189</u>           |
| <b>Capital assets being depreciated:</b>           |                               |                  |                  |                            |
| Buildings  | 5,484,787                     | 718,269          | -                | 6,203,056                  |
| Land improvements                                  | 3,518,999                     | 328,398          | -                | 3,847,397                  |
| Furniture and fixtures                             | 254,491                       | -                | -                | 254,491                    |
| Equipment  | 951,787                       | 82,052           | 14,102           | 1,019,737                  |
| Vehicles   | 2,947,466                     | 648,311          | 218,530          | 3,377,247                  |
| Total capital assets being depreciated             | <u>13,157,530</u>             | <u>1,777,030</u> | <u>232,632</u>   | <u>14,701,928</u>          |
| <b>Less accumulated depreciation for:</b>          |                               |                  |                  |                            |
| Buildings  | 1,849,208                     | 127,811          | -                | 1,977,019                  |
| Land improvements                                  | 1,282,222                     | 184,691          | -                | 1,466,913                  |
| Furniture and fixtures                             | 221,426                       | 6,893            | -                | 228,319                    |
| Equipment  | 840,330                       | 23,213           | 14,102           | 849,441                    |
| Vehicles   | 2,494,434                     | 188,578          | 218,530          | 2,464,482                  |
| Total accumulated depreciation                     | <u>6,687,620</u>              | <u>531,186</u>   | <u>232,632</u>   | <u>6,986,174</u>           |
| Total capital assets being depreciated, net        | <u>6,469,910</u>              |                  |                  | <u>7,715,754</u>           |
| <b>Governmental activities capital assets, net</b> | <u>\$ 10,784,317</u>          |                  |                  | <u>\$ 12,070,943</u>       |

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

|                                   |                   |
|-----------------------------------|-------------------|
| General government                | \$ 61,295         |
| Public safety                     | 211,686           |
| Transportation                    | 143,850           |
| Environmental protection          | 3,770             |
| Cultural and recreational         | 108,799           |
| Economic and physical development | 1,786             |
| Total depreciation expense        | <u>\$ 531,186</u> |

|   | Beginning           | Increases  | Decreases | Ending              |
|---|---------------------|------------|-----------|---------------------|
| <b>Business-type activities:</b>                    |                     |            |           |                     |
| <i>Water Fund</i>                                   |                     |            |           |                     |
| <b>Capital assets not being depreciated:</b>        |                     |            |           |                     |
| Land  | \$ 175,645          | \$ 465,000 | \$ -      | \$ 640,645          |
| <b>Capital assets being depreciated:</b>            |                     |            |           |                     |
| Land improvements                                   | 3,467,344           | 116,039    | -         | 3,583,383           |
| Reservoir and treatment systems                     | 4,946,579           | 44,895     | -         | 4,991,474           |
| Buildings   | 12,060              | 536,100    | -         | 548,160             |
| Sewer lines   | 1,119,781           | -          | -         | 1,119,781           |
| Equipment   | 432,076             | 57,875     | -         | 489,951             |
| Vehicles  | 239,340             | 53,492     | 39,702    | 253,130             |
| Total capital assets being depreciated              | 10,217,180          | 808,401    | 39,702    | 10,985,879          |
| <b>Less accumulated depreciation for:</b>           |                     |            |           |                     |
| Land improvements                                   | 1,002,615           | 89,103     | -         | 1,091,718           |
| Reservoir and treatment systems                     | 2,867,982           | 98,058     | -         | 2,966,040           |
| Buildings   | 3,193               | 4,709      | -         | 7,902               |
| Sewer lines   | 223,847             | 37,326     | -         | 261,173             |
| Equipment   | 209,224             | 22,408     | -         | 231,632             |
| Vehicles  | 176,607             | 17,049     | 39,702    | 153,954             |
| Total accumulated depreciation                      | 4,483,468           | 268,653    | 39,702    | 4,712,419           |
| Total capital assets being depreciated, net         | 5,733,712           |            |           | 6,273,460           |
| Water fund capital assets, net                      | 5,909,357           |            |           | 6,914,105           |
| <i>Golf Fund</i>                                    |                     |            |           |                     |
| <b>Capital assets not being depreciated:</b>        |                     |            |           |                     |
| Land  | 306,130             | -          | -         | 306,130             |
| <b>Capital assets being depreciated:</b>            |                     |            |           |                     |
| Land improvements                                   | 834,766             | -          | -         | 834,766             |
| Buildings   | 484,523             | -          | -         | 484,523             |
| Furniture and fixtures                              | 18,172              | -          | -         | 18,172              |
| Equipment   | 253,198             | -          | 18,503    | 234,695             |
| Golf carts  | 275,800             | -          | -         | 275,800             |
| Vehicles  | 20,127              | -          | -         | 20,127              |
| Total capital assets being depreciated              | 1,886,586           | -          | 18,503    | 1,868,083           |
| <b>Less accumulated depreciation for:</b>           |                     |            |           |                     |
| Land improvements                                   | 795,425             | 3,939      | -         | 799,364             |
| Buildings   | 197,869             | 8,917      | -         | 206,786             |
| Furniture and fixtures                              | 14,686              | 709        | -         | 15,395              |
| Equipment   | 150,153             | 4,626      | 18,503    | 136,276             |
| Golf carts  | 197,000             | 39,400     | -         | 236,400             |
| Vehicles  | 20,127              | -          | -         | 20,127              |
| Total accumulated depreciation                      | 1,375,260           | 57,591     | 18,503    | 1,414,348           |
| Total capital assets being depreciated, net         | 511,326             |            |           | 453,735             |
| Golf fund capital assets, net                       | 817,456             |            |           | 759,865             |
| <b>Business-type activities capital assets, net</b> | <b>\$ 6,726,813</b> |            |           | <b>\$ 7,673,970</b> |

**Discretely presented component unit:**

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

|  | Beginning<br>Balances | Increases      | Decreases | Ending<br>Balances |
|--|-----------------------|----------------|-----------|--------------------|
| <b>Capital assets not being depreciated:</b>       |                       |                |           |                    |
| Land   | \$ 66,737             | \$ -           | \$ -      | \$ 66,737          |
| Construction in progress                           | -                     | 539,048        | -         | 539,048            |
| Total capital assets not being depreciated         | <u>66,737</u>         | <u>539,048</u> | <u>-</u>  | <u>605,785</u>     |
| <b>Capital assets being depreciated:</b>           |                       |                |           |                    |
| Buildings and improvements                         | 190,995               | -              | -         | 190,995            |
| Equipment  | 54,687                | -              | -         | 54,687             |
| Total capital assets being depreciated             | <u>245,682</u>        | <u>-</u>       | <u>-</u>  | <u>245,682</u>     |
| <b>Less accumulated depreciation for:</b>          |                       |                |           |                    |
| Buildings and improvements                         | 150,683               | 6,456          | -         | 157,139            |
| Equipment  | 42,706                | 2,853          | -         | 45,559             |
| Total accumulated depreciation                     | <u>193,389</u>        | <u>9,309</u>   | <u>-</u>  | <u>202,698</u>     |
| Total capital assets being depreciated, net        | <u>52,293</u>         |                |           | <u>42,984</u>      |
| <b>Total capital assets being depreciated, net</b> | <u>\$ 119,030</u>     |                |           | <u>\$ 648,769</u>  |

**B. Liabilities**1. Pension Plan Obligationsa. Local Government Employees' Retirement System

*Plan Description.* The Town of Black Mountain is a participating employer 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](http://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, 2018, was 8.25% of compensation for law enforcement officers and 7.500% 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 \$267,003 for the year ended June 30, 2018. Contributions to the pension plan from the Black Mountain ABC Board were \$11,155 for the year ended June 30, 2018.

*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, 2018, the Town reported a liability of \$968,729 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.06341%, which was an increase of .00223% from its proportion measured as of June 30, 2016. At June 30, 2017, the Town of Black Mountain ABC Board reported a liability of \$40,179 for its proportionate share of the net pension liability.

For the year ended June 30, 2018, the Town recognized pension expense of \$311,173. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 55,808                         | \$ 27,422                        |
| Changes of assumptions  | 138,348                           | -                                |
| Net difference between projected and actual earnings on pension plan investments                          | 235,208                           | -                                |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 6,906                             | 49,312                           |
| Town contributions subsequent to the measurement date   | 267,003                           | -                                |
| Total   | <u>\$ 703,273</u>                 | <u>\$ 76,734</u>                 |

\$267,003 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|            | Year ended<br>June 30: |
|------------|------------------------|
| 2019       | \$ 36,296              |
| 2020       | 270,022                |
| 2021       | 128,944                |
| 2022       | (75,726)               |
| 2023       | -                      |
| Thereafter | -                      |
|            | <u>\$ 359,536</u>      |

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 3.5 to 8.10 percent, including inflation and productivity factor          |
| Investment rate of return | 7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 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%                    | 1.4%  |
| Global Equity        | 42.0%                    | 5.3%  |
| Real Estate          | 8.0%                     | 4.3%  |
| Alternatives         | 8.0%                     | 8.9%  |
| Credit               | 7.0%                     | 6.0%  |
| Inflation Protection | 6.0%                     | 4.0%  |
| Total                | <u>100%</u>              |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

|   | 1%<br>Decrease<br><u>(6.20%)</u> | Discount<br>Rate<br><u>(7.20%)</u> | 1%<br>Increase<br><u>(8.20%)</u> |
|---|----------------------------------|------------------------------------|----------------------------------|
| Town’s Proportionate share of the net Pension liability (asset) | \$ 2,908,147                     | \$ 968,729                         | (\$ 650,072)                     |

*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 Allowance

*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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent 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 increases 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, 2016 (valuation date), the Separation Allowance's membership consisted of:

|   |                  |
|---|------------------|
| Retirees receiving benefits   | 4                |
| Terminated plan members entitled to,<br>but not yet receiving, benefits | -                |
| Active plan members   | <u>17</u>        |
| Total   | <u><u>21</u></u> |

*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 meet the criteria which are outlined in GASB Statement 73.

*Actuarial Assumptions.* The entry age normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |  |
|------------------|--|
| Inflation        | 2.50 percent   |
| Salary increases | 3.50 to 7.35 percent, including inflation and<br>productivity factor |
| Discount rate    | 3.16 percent   |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$62,876 as benefits came due for the reporting period.

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

At June 30, 2018, the Town reported a total pension liability of \$680,380. The total pension liability was measured as of December 31, 2017, based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$20,820.

|   | Deferred Outflows<br>of Resources | Deferred Inflows of<br>Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 42,089                         | \$ -                             |
| Changes of assumptions                              | 27,063                            | 8,906                            |
| Benefit payments subsequent to the measurement date | <u>29,322</u>                     | <u>-</u>                         |
|   | <u>\$ 98,474</u>                  | <u>\$ 8,906</u>                  |

\$29,322 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of



resources related to pensions will be recognized in pension expense as follows:

|            | Year ended |               |
|------------|------------|---------------|
|            | June 30:   |               |
| 2019       | \$         | 13,017        |
| 2020       |            | 13,017        |
| 2021       |            | 13,017        |
| 2022       |            | 13,017        |
| 2023       |            | 8,178         |
| Thereafter |            | -             |
|            | \$         | <u>60,246</u> |

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

|   | 1%<br>Decrease<br>(2.16%) | Discount<br>Rate<br>(3.16%) | 1%<br>Increase<br>(4.16%) |
|---|---------------------------|-----------------------------|---------------------------|
| Total pension liability                           | \$ 729,509                | \$ 680,380                  | \$ 635,325                |
|   |                           |                             | <u>2018</u>               |
| Beginning balance                                 |                           |                             | \$ 617,615                |
| Service cost                                      |                           |                             | 18,731                    |
| Interest on the total pension liability           |                           |                             | 22,626                    |
| Difference between expected and actual experience |                           |                             | 51,299                    |
| Change of assumptions                             |                           |                             | 32,985                    |
| Benefit payments                                  |                           |                             | <u>(62,876)</u>           |
| Ending balance of the total pension liability     |                           |                             | <u>\$ 680,380</u>         |

The plan currently uses mortality tables that vary by age, 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, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

*Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions.*

Following is information related to the proportionate share and pension expense for all pension plans:

|  | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Pension Expense                                  | \$311,173    | \$ 20,820     | \$ 331,993   |
| Pension Liability                                | 968,729      | 680,380       | 1,649,109    |
| Proportionate share of the net pension liability | 0.06341%     | N/A           |              |

**Deferred Outflows of Resources:**

|  |         |        |         |
|--|---------|--------|---------|
| Differences between expected and actual experience   | 55,808  | 42,089 | 97,897  |
| Changes of assumptions   | 138,348 | 27,063 | 165,411 |
| Net difference between projected and actual earnings on plan investments                             | 235,208 | -      | 235,208 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 6,906   | -      | 6,906   |
| Benefit payments and administrative costs paid subsequent to the measurement date                    | 267,003 | 29,322 | 296,325 |

**Deferred Inflows of Resources:**

|  |        |       |        |
|--|--------|-------|--------|
| Differences between expected and actual experience   | 27,422 | -     | 27,422 |
| Changes of assumptions   | -      | 8,906 | 8,906  |
| Net difference between projected and actual earnings on plan investments                             | -      | -     | -      |
| Changes in proportion and differences between contributions and proportionate share of contributions | 49,312 | -     | 49,312 |

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. The Town has also elected to contribute each month an amount equal to five percent of each general employee’s salary. Also, the law enforcement officers and general employees may make voluntary contributions to the plan.

The Town made contributions of \$171,876 for the reporting year. No amounts were forfeited.

3. Other Postemployment Benefitsa. Healthcare Benefits

*Plan Description* – The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide

health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

*Benefits provided* – Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly 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 or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 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 noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree Revised August 2018 35-K-57 medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021, will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

*Contributions* - By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF,

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 current fiscal year, the Town contributed 6.05% of covered payroll which amounted to \$211,619.

At June 30, 2018, Town reported a liability of \$7,606,034 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s present value of future salary, actuarially determined. At June 30, 2017, the Town’s proportion was 0.02320%.

*Actuarial assumptions* – The following actuarial assumptions were used to measure the total OPEB liability for the RHBF.

|   |   |
|---|---|
| Inflation                                       | 2.75%   |
| Salary increases                                | 3.50-8.10% include 3.5% inflation and productivity factor       |
| Investment rate of return                       | 7.20%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rate – medical            | 5.00-6.50%  |
| Healthcare cost trend rate – prescription drug  | 5.00-7.25%  |
| Healthcare cost trend rate – Medicare advantage | 4.00-5.00%  |
| Healthcare cost trend rate – administrative     | 3.00%   |

*Discount rate* - The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

*Sensitivity of the Town’s proportionate share of the net OPEB liability to changes in the discount rate* -The following presents the Town’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

|                    | 1% decrease<br>(2.58%) | Discount Rate<br>(3.58%) | 1% Increase<br>(4.58%) |
|--------------------|------------------------|--------------------------|------------------------|
| Net OPEB liability | \$9,073,562            | \$ 7,606,034             | \$ 6,442,076           |

*Sensitivity of the Town’s proportionate share of the net OPEB liability to changes in the healthcare trend rates* - The following presents the Town’s proportionate share of the net OPEB liability, as well as what the Town’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

|                    | 1% Decrease (Medical -<br>4.00-5.50%, Pharmacy -<br>4.00-6.25%, Medicare<br>Advantage - 3.00-4.00%,<br>Administrative - 2.00%) | Healthcare Trend Rates<br>(Medical -5.00-6.50%,<br>Pharmacy - 5.00-7.25%,<br>Medicare Advantage - 4.00-<br>5.00%, Administrative -<br>3.00%) | 1% increase (Medical -<br>6.00- 7.50%, Pharmacy -<br>6.00- 8.25%, Medicare<br>Advantage - 5.00-6.00%,<br>Administrative - 4.00%) |
|--------------------|--|--|--|
| Net OPEB liability | \$ 6,213,429   | \$ 7,606,034   | \$ 9,456,984   |

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - For the year ended June 30, 2018, the Town recognized OPEB expense of \$577,671. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ -                              | \$ 545,367                       |
| Changes of assumptions  | -                                 | 2,094,667                        |
| Net difference between projected and actual earnings on pension plan investments                          | -                                 | 2,827                            |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 1,002,868                         | -                                |
| Town contributions subsequent to the measurement date   | 211,619                           | -                                |
| Total   | \$ 1,214,487                      | \$ 2,642,861                     |

\$211,619 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|            | Year ended<br>June 30: |
|------------|------------------------|
| 2019       | \$ (328,139)           |
| 2020       | (328,139)              |
| 2021       | (328,139)              |
| 2022       | (328,139)              |
| 2023       | (327,437)              |
| Thereafter | -                      |
|            | \$ (1,639,993)         |

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

### 3. 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.

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end comprises the following:

|   |    |                  |
|---|----|------------------|
| Contributions to the pension plan in the current fiscal year  | \$ | 267,003          |
| Benefit payments for LEOSSA made subsequent to the measurement date                                       |    | 29,322           |
| Benefit payments and administrative expenses for OPEB made subsequent to the measurement date             |    | 211,619          |
| Differences between expected and actual experience  |    | 97,897           |
| Changes of assumptions  |    | 165,411          |
| Net differences between projected and actual earnings on plan investments                                 |    | 235,208          |
| Changes in proportion and differences between Town contributions and proportionate share of contributions |    | 1,009,774        |
|   | \$ | <u>2,016,234</u> |

Deferred inflows of resources at year-end comprises of the following:

| <u>Source</u>   | <u>Statement of<br/>Net Position</u> | <u>General Fund<br/>Balance Sheet</u> |
|---|--------------------------------------|---------------------------------------|
| Taxes receivable  | \$ -                                 | \$ 6,407                              |
| Other unearned revenue (General Fund)   | 27,533                               | 27,533                                |
| Differences between expected and actual experience  | 572,789                              | -                                     |
| Changes of assumptions  | 2,103,573                            | -                                     |
| Net differences between projected and actual earnings on plan investments                                     | 2,827                                | -                                     |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 49,312                               | -                                     |
|   | <u>\$ 2,756,034</u>                  | <u>\$ 33,940</u>                      |

5. 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, 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.

6. 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 \$86,004. 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.

7. Long-Term Obligations

a. Installment Purchase Notes

Serviced by the General Fund:

|   |            |
|---|------------|
| \$750,000 bank note due in annual installments of \$50,000 plus interest through February 2033; interest is at 3.49%, for purchase and renovation of new public works building. | \$ 750,000 |
|---|------------|

|  |                  |
|--|------------------|
| \$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. | <u>1,134,000</u> |
|--|------------------|

|       |                     |
|-------|---------------------|
| Total | <u>\$ 1,884,000</u> |
|-------|---------------------|

Serviced by the Water Fund:

|   |            |
|---|------------|
| \$750,000 bank note due in annual installments of \$50,000 plus interest through February 2033; interest is at 3.49%, for purchase and renovation of new public works building. | \$ 750,000 |
|---|------------|

|  |                |
|--|----------------|
| \$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. | <u>641,826</u> |
|--|----------------|

|       |                     |
|-------|---------------------|
| Total | <u>\$ 1,391,826</u> |
|-------|---------------------|

Future minimum payments of the installment purchase notes as of June 30, 2018, including interest, are as follows:

| Year ending<br>June 30 | Governmental Activities |                   | Business-type Activities |                   |
|------------------------|-------------------------|-------------------|--------------------------|-------------------|
|                        | Principal               | Interest          | Principal                | Interest          |
| 2019                   | \$ 176,000              | \$ 60,989         | \$ 123,234               | \$ 42,798         |
| 2020                   | 176,000                 | 55,376            | 125,131                  | 39,157            |
| 2021                   | 176,000                 | 49,762            | 127,077                  | 35,466            |
| 2022                   | 176,000                 | 44,149            | 129,073                  | 31,724            |
| 2023                   | 176,000                 | 38,536            | 131,121                  | 27,931            |
| 2024-2028              | 754,000                 | 108,482           | 506,190                  | 91,920            |
| 2029-2033              | 250,000                 | 26,175            | 250,000                  | 26,175            |
|                        | <u>\$ 1,884,000</u>     | <u>\$ 383,469</u> | <u>\$ 1,391,826</u>      | <u>\$ 295,171</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. \$ 633,324

\$188,543 federal revolving loan payable due in annual installments of \$9,927, with 0% interest, for storm water project at Lake Tomahawk. 113,126

Total \$ 746,450

Future minimum payments of the revolving loans as of June 30, 2018, including interest, are as follows:

| Year ending<br>June 30 | Business-type Activities |                  |
|------------------------|--------------------------|------------------|
|                        | Principal                | Interest         |
| 2018                   | \$ 58,144                | \$ 14,060        |
| 2019                   | 58,144                   | 12,978           |
| 2020                   | 58,144                   | 11,897           |
| 2021                   | 58,144                   | 10,815           |
| 2022                   | 58,144                   | 9,734            |
| 2023-2027              | 290,723                  | 32,446           |
| 2028-2030              | 165,007                  | 6,489            |
|                        | <u>\$ 746,450</u>        | <u>\$ 98,419</u> |

At June 30, 2018, the Town of Black Mountain had a legal debt margin of approximately \$88,000,000.



c. Changes in Long-Term Liabilities

|  | (As restated)           |                     |                     | Balance<br>June 30, 2018 | Current<br>Portion |
|--|-------------------------|---------------------|---------------------|--------------------------|--------------------|
|  | Balance<br>July 1, 2017 | Increase            | Decrease            |                          |                    |
| Governmental Activities:                     |                         |                     |                     |                          |                    |
| Installment purchases                        | \$ 1,516,219            | \$ 750,000          | \$ 382,219          | \$ 1,884,000             | \$ 176,000         |
| Total pension obligation (LEOSSA)            | 617,615                 | 62,765              | -                   | 680,380                  | -                  |
| Net pension obligation (LGERS)               | 1,116,663               | -                   | 274,408             | 842,255                  | -                  |
| Net OPEB obligation                          | 7,710,505               | -                   | 1,097,489           | 6,613,016                | -                  |
| Compensated absences                         | 329,670                 | 187,966             | 182,338             | 335,298                  | 182,338            |
| Governmental activity long-term liabilities  | <u>\$ 11,290,672</u>    | <u>\$ 1,000,731</u> | <u>\$ 1,936,454</u> | <u>\$ 10,354,949</u>     | <u>\$ 358,338</u>  |
| Business-type Activities:                    |                         |                     |                     |                          |                    |
| Installment purchases                        | \$ 713,211              | \$ 750,000          | \$ 71,385           | \$ 1,391,826             | \$ 123,234         |
| Revolving loans                              | 804,594                 | -                   | 58,145              | 746,449                  | 58,144             |
| Net pension obligation (LGERS)               | 181,783                 | -                   | 55,309              | 126,474                  | -                  |
| Net OPEB obligation                          | 1,157,819               | -                   | 164,801             | 993,018                  | -                  |
| Compensated absences                         | 63,111                  | 31,240              | 33,749              | 60,602                   | 33,749             |
| Business-type activity long-term liabilities | <u>\$ 2,920,518</u>     | <u>\$ 781,240</u>   | <u>\$ 383,389</u>   | <u>\$ 3,318,369</u>      | <u>\$ 215,127</u>  |

Compensated absences typically have been liquidated in the general fund.

**C. Interfund Balances and Activity**

Transfers to/(from) the General Fund at June 30, 2018, consist of the following:

|  |                     |
|--|---------------------|
| To the Golf Course Fund to cover negative cash balances                    | \$ (130,530)        |
| To the Watershed Restoration Capital Project Fund for capital improvements | (20,000)            |
| To the Riverside Greenway Capital Project Fund for capital improvements    | (80,000)            |
| To the Tomahawk Stream Capital Project Fund for capital improvements       | (7,575)             |
| Total  | <u>\$ (238,105)</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             | \$ 4,202,350     |
| Less:   |                  |
| Nonspendable:                                 |                  |
| Inventories                                   | 7,275            |
| Prepaid items                                 | 70,627           |
| Restricted for:                               |                  |
| Stabilization by State statute                | 785,693          |
| Streets - Powell Bill                         | 89,022           |
| Public safety                                 | 19,665           |
| Committed:                                    |                  |
| Capital reserve fund                          | 175,000          |
| Assigned:                                     |                  |
| Appropriated fund balance in 2019 budget      | 73,360           |
| Law enforcement special separation allowance  | 168,729          |
| Unassigned:                                   |                  |
| Working capital/fund balance policy - minimum | 2,770,254        |
| Remaining fund balance                        | <u>\$ 42,725</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 Contingencies**Federal 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.

Potential Liability Arising Due to Documentation Errors – U.S. Citizenship and Immigration Services

Subsequent to the year-ended June 30, 2018, it was discovered that the Town had documentation errors and omissions related to the U.S. Citizenship and Immigration Services Form I-9. This form is required to be maintained as part of the personnel file for all active employees to document their eligibility to work in the United States. Management is in the process of determining the full scope of the issue. Although a maximum penalty of \$2,191 per error is statutorily possible, it is not currently practicable to estimate any liability that may arise due to these errors.

**Note 4 – Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning net OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$7,536,642 and \$1,131,711 for the business-type activities.

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS

**Schedule of Changes in Total Pension Liability**

|   | 2018       | 2017       |
|---|------------|------------|
| Beginning balance                                 | \$ 617,615 | \$ 622,334 |
| Changes for the year:                             |            |            |
| Service cost at end of year                       | 18,731     | 22,710     |
| Interest  | 22,626     | 21,577     |
| Change in benefit terms                           | -          | -          |
| Difference between expected and actual experience | 51,299     | -          |
| Changes of assumptions and other inputs           | 32,985     | (13,136)   |
| Benefit payments                                  | (62,876)   | (35,870)   |
| Other   | -          | -          |
| Net changes                                       | 62,765     | (4,719)    |
| Ending balance of the total pension liability     | \$ 680,380 | \$ 617,615 |

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

|  |            |            |
|--|------------|------------|
| Total Pension Liability                                    | \$ 680,380 | \$ 617,615 |
| Covered Payroll  | 793,755    | 870,676    |
| Total pension liability as a percentage of covered payroll | 85.72%     | 70.94%     |

Notes to the schedule:

The Town of Black Mountain has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

Local Government Employees' Retirement System

|  | <u>2018</u> | <u>2017</u>  | <u>2016</u> | <u>2015</u>  | <u>2014</u> |
|--|-------------|--------------|-------------|--------------|-------------|
| Town's proportionate share of the net pension liability (asset) (%)                                    | 0.06341%    | 0.06118%     | 0.06448%    | (0.05754%)   | 0.05840%    |
| Town's proportion of the net pension liability (asset) (\$)  | \$ 968,729  | \$ 1,298,446 | \$ 289,384  | \$ (339,399) | \$ 703,944  |
| Town's covered payroll   | 3,481,154   | 3,231,703    | 3,130,403   | 2,985,663    | 2,862,643   |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 27.83%      | 40.18%       | 9.24%       | ( 11.37%)    | 24.59%      |
| Plan fiduciary net position as a percentage of the total pension liability **                          | 94.18%      | 91.47%       | 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 FIVE FISCAL YEARS**

Local Government Employees' Retirement System

|  | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                    | \$ 267,003     | \$ 253,360     | \$ 219,788     | \$ 217,328     | \$ 212,607     |
| Contribution in relation to the<br>contractually required contribution | <u>267,003</u> | <u>253,360</u> | <u>219,788</u> | <u>217,328</u> | <u>212,607</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Town's covered payroll   | \$ 3,519,343   | \$ 3,481,154   | \$ 3,231,703   | \$ 3,130,403   | \$ 2,985,663   |
| Contributions as a percentage of<br>covered payroll                    | 7.59%          | 7.28%          | 6.80%          | 6.94%          | 7.12%          |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

Retiree Health Benefit Fund

|   | 2018         | 2017         |
|---|--------------|--------------|
| Town's proportionate share of the net OPEB liability (%)                                    | 0.02320%     | 0.02039%     |
| Town's proportion of the net OPEB liability (\$)  | \$ 7,606,034 | \$ 8,868,324 |
| Town's covered payroll  | 3,481,154    | 3,231,703    |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 218.49%      | 274.42%      |
| Plan fiduciary net position as a percentage of the total OPEB liability **                  | 3.52%        | 2.41%        |

\* 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 Retiree Health Benefit Fund.



**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

Retiree Health Benefit Fund

|  | <u>2018</u>    | <u>2017</u>    |
|--|----------------|----------------|
| Contractually required contribution                                    | \$ 211,619     | \$ 199,971     |
| Contribution in relation to the<br>contractually required contribution | <u>211,619</u> | <u>199,971</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>    | <u>\$ -</u>    |
| Town's covered payroll   | \$ 3,519,343   | \$ 3,481,154   |
| Contributions as a percentage of<br>covered payroll                    | 6.01%          | 5.74%          |

**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, 2018

|                                       | Final Budget     | Actual           | Variance<br>Positive<br>(Negative) |
|---------------------------------------|------------------|------------------|------------------------------------|
| Revenues:                             |                  |                  |                                    |
| Ad Valorem Taxes:                     |                  |                  |                                    |
| Current year taxes                    | \$ 3,640,140     | \$ 3,715,303     | \$ 75,163                          |
| Prior year taxes                      | 25,000           | 2,470            | (22,530)                           |
| DMV taxes                             | 200,000          | 215,164          | 15,164                             |
| Penalties and interest                | 12,000           | 7,716            | (4,284)                            |
|                                       | <u>3,877,140</u> | <u>3,940,653</u> | <u>63,513</u>                      |
| Other Taxes and Licenses:             |                  |                  |                                    |
| Local option sales taxes              | 1,661,000        | 1,609,566        | (51,434)                           |
| Business registration fees            | 8,000            | 9,810            | 1,810                              |
| Rental taxes                          | 2,000            | 1,683            | (317)                              |
| Automobile licenses                   | 34,000           | 33,550           | (450)                              |
|                                       | <u>1,705,000</u> | <u>1,654,609</u> | <u>(50,391)</u>                    |
| Unrestricted Intergovernmental:       |                  |                  |                                    |
| Utilities sales tax                   | 500,000          | 482,714          | (17,286)                           |
| Beer and wine tax                     | 38,000           | 35,192           | (2,808)                            |
| Telecommunications tax                | 75,000           | 62,849           | (12,151)                           |
| Piped natural gas sales tax           | 28,000           | 20,887           | (7,113)                            |
| NC fire tax                           | 20,000           | 19,697           | (303)                              |
| ABC profit distribution               | 54,000           | 54,000           | -                                  |
| Video franchise fees                  | 130,000          | 112,953          | (17,047)                           |
| Solid waste disposal tax              | 5,500            | 5,589            | 89                                 |
| Controlled substances tax             | 4,500            | 9,532            | 5,032                              |
|                                       | <u>855,000</u>   | <u>803,413</u>   | <u>(51,587)</u>                    |
| Restricted Intergovernmental:         |                  |                  |                                    |
| Powell Bill allocation                | 242,000          | 231,978          | (10,022)                           |
| ABC revenue for law enforcement       | 15,000           | 15,399           | 399                                |
| Body camera grant                     | 12,000           | 11,000           | (1,000)                            |
| FEMA Grant                            | 30,820           | 30,819           | (1)                                |
| Downtown Streetscapes grant           | 23,500           | 11,940           | (11,560)                           |
| Senior center development grant       | 12,000           | 10,939           | (1,061)                            |
| Park facilities grant                 | 5,000            | -                | (5,000)                            |
|                                       | <u>340,320</u>   | <u>312,075</u>   | <u>(28,245)</u>                    |
| Permits and Fees:                     |                  |                  |                                    |
| Court costs, fees, etc.               | 1,000            | 647              | (353)                              |
| Building permits (zoning)             | 291,000          | 278,591          | (12,409)                           |
|                                       | <u>292,000</u>   | <u>279,238</u>   | <u>(12,762)</u>                    |
| Sales and Services:                   |                  |                  |                                    |
| Rents                                 | 62,500           | 84,935           | 22,435                             |
| Fire protection charges               | 945,000          | 992,472          | 47,472                             |
| Recreation admissions and concessions | 148,750          | 180,871          | 32,121                             |
|                                       | <u>1,156,250</u> | <u>1,258,278</u> | <u>102,028</u>                     |
| Miscellaneous                         |                  |                  |                                    |
|                                       | <u>124,450</u>   | <u>129,340</u>   | <u>4,890</u>                       |
| Investment Earnings                   |                  |                  |                                    |
|                                       | <u>25,900</u>    | <u>52,392</u>    | <u>26,492</u>                      |
| Total revenues                        | <u>8,376,060</u> | <u>8,429,998</u> | <u>53,938</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, 2018

|                                 | Final Budget | Actual    | Variance<br>Positive<br>(Negative) |
|---------------------------------|--------------|-----------|------------------------------------|
| Expenditures:                   |              |           |                                    |
| General Government:             |              |           |                                    |
| Governing Board:                |              |           |                                    |
| Other departmental expenses     |              | 122,414   |                                    |
| Total governing board           | 125,200      | 122,414   | 2,786                              |
| Administration:                 |              |           |                                    |
| Salaries and employee benefits  |              | 438,774   |                                    |
| Operating expenses              |              | 163,458   |                                    |
| Capital outlay                  |              | 1,001,100 |                                    |
| Total administration            | 1,559,850    | 1,603,332 | (43,482)                           |
| Public Buildings:               |              |           |                                    |
| Operating expenses              |              | 373,614   |                                    |
| Capital outlay                  |              | 42,683    |                                    |
| Total public buildings          | 529,470      | 416,297   | 113,173                            |
| Total general government        | 2,214,520    | 2,142,043 | 72,477                             |
| Public Safety:                  |              |           |                                    |
| Police Department:              |              |           |                                    |
| Salaries and employee benefits  |              | 1,518,340 |                                    |
| Operating expenses              |              | 268,953   |                                    |
| Capital outlay                  |              | 112,007   |                                    |
| Total police department         | 1,947,440    | 1,899,300 | 48,140                             |
| Fire Department:                |              |           |                                    |
| Salaries and employee benefits  |              | 1,291,726 |                                    |
| Operating expenses              |              | 182,036   |                                    |
| Capital outlay                  |              | 138,238   |                                    |
| Total fire department           | 1,713,850    | 1,612,000 | 101,850                            |
| Inspections:                    |              |           |                                    |
| Salaries and employee benefits  |              | 277,427   |                                    |
| Operating expenses              |              | 52,699    |                                    |
| Capital outlay                  |              | 30,623    |                                    |
| Total inspections               | 435,280      | 360,749   | 74,531                             |
| Total public safety             | 4,096,570    | 3,872,049 | 224,521                            |
| Public Works:                   |              |           |                                    |
| Garage:                         |              |           |                                    |
| Salaries and employee benefits  |              | 208,308   |                                    |
| Operating expenses              |              | 28,501    |                                    |
| Total garage                    | 247,830      | 236,809   | 11,021                             |
| Street Repair and Construction: |              |           |                                    |
| Salaries and employee benefits  |              | 320,961   |                                    |
| Other operating expenses        |              | 413,436   |                                    |
| Capital outlay                  |              | 243,583   |                                    |
| Total streets                   | 1,094,250    | 977,980   | 116,270                            |
| Total public works              | 1,342,080    | 1,214,789 | 127,291                            |

**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, 2018

|  | Final Budget | Actual       | Variance<br>Positive<br>(Negative) |
|--|--------------|--------------|------------------------------------|
| Environmental Protection:                                    |              |              |                                    |
| Operating expenses   |              | 1,073        |                                    |
| Contracted services  |              | 629,417      |                                    |
| Tipping fees   |              | 127,224      |                                    |
| Total environmental protection                               | 739,410      | 757,714      | (18,304)                           |
| Cultural and Recreational:                                   |              |              |                                    |
| Parks and Recreation:  |              |              |                                    |
| Salaries and employee benefits                               |              | 480,943      |                                    |
| Other operating expenses                                     |              | 185,963      |                                    |
| Capital outlay   |              | 155,399      |                                    |
| Total cultural and recreational                              | 827,010      | 822,305      | 4,705                              |
| Debt Service:  |              |              |                                    |
| Principal retirement   |              | 382,219      |                                    |
| Interest and fees  |              | 43,060       |                                    |
| Total debt service   | 428,125      | 425,279      | 2,846                              |
| Total expenditures   | 9,647,715    | 9,234,179    | 413,536                            |
| Revenues under expenditures                                  | (1,271,655)  | (804,181)    | 467,474                            |
| Other financing sources (uses):                              |              |              |                                    |
| Appropriated fund balance                                    | 771,760      | -            | (771,760)                          |
| Proceeds from sale of capital assets                         | 8,000        | 6,000        | (2,000)                            |
| Installment debt proceeds                                    | 750,000      | 750,000      | -                                  |
| Transfer to golf fund  | (130,530)    | (130,530)    | -                                  |
| Transfer to capital project funds                            | (127,575)    | (107,575)    | 20,000                             |
| Total other financing sources (uses)                         | 1,271,655    | 517,895      | (753,760)                          |
| Revenues and other sources under expenditures and other uses | \$ -         | (286,286)    | \$ (286,286)                       |
| Fund balance, beginning of year                              |              | 4,313,636    |                                    |
| Fund balance, end of year                                    |              | \$ 4,027,350 |                                    |

**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, 2018

|                                      | Final Budget | Actual            | Variance<br>Positive<br>(Negative) |
|--------------------------------------|--------------|-------------------|------------------------------------|
| Other financing sources (uses):      |              |                   |                                    |
| Transfer from general fund           | \$ -         | \$ -              | \$ -                               |
| Transfer to general fund             | -            | -                 | -                                  |
| Total other financing sources (uses) | \$ -         | -                 | \$ -                               |
| Fund balance, beginning of year      |              | <b>175,000</b>    |                                    |
| Fund balance, end of year            |              | <b>\$ 175,000</b> |                                    |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2018

|                                       | <b>Watershed<br/>Restoration<br/>Capital Project<br/>Fund</b> | <b>Riverside<br/>Greenway<br/>Capital Project<br/>Fund</b> | <b>Tomahawk<br/>Stream Capital<br/>Project Fund</b> | <b>Veteran's Park<br/>Improvements<br/>Capital Project<br/>Fund</b> | <b>Total Non-major<br/>Governmental<br/>Funds</b> |
|---------------------------------------|---|--|---|---|---|
| <b>ASSETS</b>                         |   |  |   |   |   |
| Cash and cash equivalents             | \$ -  | \$ -   | \$ -  | \$ 2,913  | \$ 2,913  |
| Restricted cash and cash equivalents  | 21,647  | 160,426  | 35,000  | -   | 217,073   |
| Due from other governments            | 4,004   | -  | -   | -   | 4,004   |
| Total assets                          | <u>\$ 25,651</u>  | <u>\$ 160,426</u>  | <u>\$ 35,000</u>                                    | <u>\$ 2,913</u>   | <u>\$ 223,990</u>                                 |
| <b>LIABILITIES</b>                    |   |  |   |   |   |
| Accounts payable and accrued expenses | \$ 1,348  | \$ -   | \$ -  | \$ -  | \$ 1,348  |
| Total liabilities                     | <u>1,348</u>  | <u>-</u>   | <u>-</u>  | <u>-</u>  | <u>1,348</u>                                      |
| <b>FUND BALANCES</b>                  |   |  |   |   |   |
| Restricted for:                       |   |  |   |   |   |
| Stabilization by State statute        | 4,004   | -  | -   | -   | 4,004   |
| Capital projects                      | 20,299  | 160,426  | 35,000  | -   | 215,725   |
| Committed for capital projects        | -   | -  | -   | 2,913   | 2,913   |
| Total fund balances                   | <u>24,303</u>   | <u>160,426</u>   | <u>35,000</u>                                       | <u>2,913</u>  | <u>222,642</u>                                    |
| Total liabilities and fund balances   | <u>\$ 25,651</u>  | <u>\$ 160,426</u>  | <u>\$ 35,000</u>                                    | <u>\$ 2,913</u>   | <u>\$ 223,990</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, 2018

|                                    | <b>Watershed<br/>Restoration<br/>Capital Project<br/>Fund</b> | <b>Riverside<br/>Greenway<br/>Capital Project<br/>Fund</b> | <b>Tomahawk<br/>Stream Capital<br/>Project Fund</b> | <b>Veterans Park<br/>Improvements<br/>Capital Project<br/>Fund</b> | <b>Total Non-major<br/>Governmental<br/>Funds</b> |
|------------------------------------|---|--|---|--|---|
| <b>REVENUES</b>                    |   |  |   |  |   |
| Restricted intergovernmental       | \$ 23,547   | \$ -   | \$ 240  | \$ -   | \$ 23,787   |
| Investment earnings                | -   | -  | -   | -  | -   |
| Total revenues                     | <u>23,547</u>   | <u>-</u>   | <u>240</u>  | <u>-</u>   | <u>23,787</u>                                     |
| <b>EXPENDITURES</b>                |   |  |   |  |   |
| Capital outlay                     | 39,244  | -  | -   | -  | 39,244  |
| Total expenditures                 | <u>39,244</u>   | <u>-</u>   | <u>-</u>  | <u>-</u>   | <u>39,244</u>                                     |
| Revenues over (under) expenditures | <u>(15,697)</u>   | <u>-</u>   | <u>240</u>  | <u>-</u>   | <u>(15,457)</u>                                   |
| Other financing sources            |   |  |   |  |   |
| Transfers from the general fund    | 20,000  | 80,000   | 7,575   | -  | 107,575   |
| Net change in fund balances        | 4,303   | 80,000   | 7,815   | -  | 92,118  |
| Fund balances, beginning of year   | <u>20,000</u>   | <u>80,426</u>  | <u>27,185</u>                                       | <u>2,913</u>   | <u>130,524</u>                                    |
| Fund balances, end of year         | <u>\$ 24,303</u>  | <u>\$ 160,426</u>  | <u>\$ 35,000</u>                                    | <u>\$ 2,913</u>  | <u>\$ 222,642</u>                                 |



**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, 2018

|   | <u>Actual through June 30, 2018</u> |                                    |                     |                      | Variance<br>Positive<br>(Negative) |
|---|-------------------------------------|------------------------------------|---------------------|----------------------|------------------------------------|
|   | <u>Project<br/>Authorization</u>    | <u>Reported in<br/>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> |                                    |
| Revenues:   |                                     |                                    |                     |                      |                                    |
| Local grants  | \$ 103,775                          | \$ 43,775                          | \$ 23,547           | \$ 67,322            | \$ (36,453)                        |
| Expenditures:   |                                     |                                    |                     |                      |                                    |
| Capital outlay  | 138,775                             | 38,775                             | 39,244              | 78,019               | 60,756                             |
| Revenues over (under) expenditures                        | (35,000)                            | 5,000                              | (15,697)            | (10,697)             | 24,303                             |
| Other financing sources:                                  |                                     |                                    |                     |                      |                                    |
| Transfer from general fund                                | 35,000                              | 15,000                             | 20,000              | 35,000               | -                                  |
| Revenues and other financing<br>sources over expenditures | <u>\$ -</u>                         | <u>\$ 20,000</u>                   | <u>4,303</u>        | <u>\$ 24,303</u>     | <u>\$ 24,303</u>                   |
| Fund balance, beginning of year                           |                                     |                                    | <u>20,000</u>       |                      |                                    |
| Fund balance, end of year                                 |                                     |                                    | <u>\$ 24,303</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, 2018

|   | <b>Actual through June 30, 2018</b> |                                    |                          |                      | Variance<br>Positive<br>(Negative) |
|---|-------------------------------------|------------------------------------|--------------------------|----------------------|------------------------------------|
|   | <u>Project<br/>Authorization</u>    | <u>Reported in<br/>Prior Years</u> | <u>Current Year</u>      | <u>Total to Date</u> |                                    |
| Revenues:   |                                     |                                    |                          |                      |                                    |
| State grants  | \$ 120,000                          | \$ 118,297                         | \$ -                     | \$ 118,297           | \$ (1,703)                         |
| Expenditures:   |                                     |                                    |                          |                      |                                    |
| Capital outlay  | 230,000                             | 147,871                            | -                        | 147,871              | 82,129                             |
| Revenues under expenditures                               | (110,000)                           | (29,574)                           | -                        | (29,574)             | 80,426                             |
| Other financing sources:                                  |                                     |                                    |                          |                      |                                    |
| Transfer from general fund                                | 110,000                             | 110,000                            | <b>80,000</b>            | 190,000              | 80,000                             |
| Revenues and other financing<br>sources over expenditures | <u>\$ -</u>                         | <u>\$ 80,426</u>                   | <b>80,000</b>            | <u>\$ 160,426</u>    | <u>\$ 160,426</u>                  |
| Fund balance, beginning of year                           |                                     |                                    | <u>80,426</u>            |                      |                                    |
| Fund balance, end of year                                 |                                     |                                    | <u><b>\$ 160,426</b></u> |                      |                                    |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

**TOMAHAWK STREAM CAPITAL PROJECT FUND**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
From inception and for the year ended June 30, 2018

|   | <u>Actual through June 30, 2018</u> |                                    |                     |                      |   |
|---|-------------------------------------|------------------------------------|---------------------|----------------------|---|
|   | <u>Project<br/>Authorization</u>    | <u>Reported in<br/>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
| Revenues:   |                                     |                                    |                     |                      |   |
| State grants  | <u>\$ 46,075</u>                    | <u>\$ 45,835</u>                   | <u>\$ 240</u>       | <u>\$ 46,075</u>     | <u>\$ -</u>                                 |
| Expenditures:   |                                     |                                    |                     |                      |   |
| Capital outlay  | <u>92,150</u>                       | <u>92,150</u>                      | <u>-</u>            | <u>92,150</u>        | <u>-</u>                                    |
| Revenues over (under) expenditures                        | <u>(46,075)</u>                     | <u>(46,315)</u>                    | <u>240</u>          | <u>(46,075)</u>      | <u>-</u>                                    |
| Other financing sources:                                  |                                     |                                    |                     |                      |   |
| Transfer from general fund                                | <u>46,075</u>                       | <u>73,500</u>                      | <u>7,575</u>        | <u>81,075</u>        | <u>35,000</u>                               |
| Revenues and other financing<br>sources over expenditures | <u>\$ -</u>                         | <u>\$ 27,185</u>                   | <u>7,815</u>        | <u>\$ 35,000</u>     | <u>\$ 35,000</u>                            |
| Fund balance, beginning of year                           |                                     |                                    | <u>27,185</u>       |                      |   |
| Fund balance, end of year                                 |                                     |                                    | <u>\$ 35,000</u>    |                      |   |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

VETERAN'S PARK IMPROVEMENTS CAPITAL PROJECT FUND  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 From inception and for the year ended June 30, 2018

|   | <b>Actual through June 30, 2018</b> |                            |                 |               | Variance<br>Positive<br>(Negative) |
|---|-------------------------------------|----------------------------|-----------------|---------------|------------------------------------|
|   | Project<br>Authorization            | Reported in<br>Prior Years | Current Year    | Total to Date |                                    |
| Revenues:   | \$ -                                | \$ -                       | \$ -            | \$ -          | \$ -                               |
| Expenditures:   |                                     |                            |                 |               |                                    |
| Capital outlay  | 90,000                              | 87,087                     | -               | 87,087        | 2,913                              |
| Revenues under expenditures                               | (90,000)                            | (87,087)                   | -               | (87,087)      | 2,913                              |
| Other financing sources:                                  |                                     |                            |                 |               |                                    |
| Transfer from general fund                                | 90,000                              | 90,000                     | -               | 90,000        | -                                  |
| Revenues and other financing<br>sources over expenditures | \$ -                                | \$ 2,913                   | -               | \$ 2,913      | \$ 2,913                           |
| Fund balance, beginning of year                           |                                     |                            | <b>2,913</b>    |               |                                    |
| Fund balance, end of year                                 |                                     |                            | <b>\$ 2,913</b> |               |                                    |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

**WATER FUND**

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the year ended June 30, 2018

|   | Budget       | Actual       | Variance<br>Positive<br>(Negative) |
|---|--------------|--------------|------------------------------------|
| <b>Revenues:</b>  |              |              |                                    |
| Operating revenues:   |              |              |                                    |
| Charges for services  | \$ 1,278,800 | \$ 1,283,144 | \$ 4,344                           |
| Other   | 134,800      | 134,109      | (691)                              |
| Miscellaneous   | 2,000        | 2,488        | 488                                |
| Total operating revenues  | 1,415,600    | 1,419,741    | 4,141                              |
| Nonoperating revenues:  |              |              |                                    |
| Investment earnings   | 12,000       | 22,847       | 10,847                             |
| Total revenues  | 1,427,600    | 1,442,588    | 14,988                             |
| <b>Expenditures:</b>  |              |              |                                    |
| Operating expenditures:   |              |              |                                    |
| Water and sewer administration:                                 |              |              |                                    |
| Salaries and employee benefits                                  |              | 69,793       |                                    |
| Other departmental expenses                                     |              | 170,752      |                                    |
| Total water and sewer administration                            | 247,950      | 240,545      | 7,405                              |
| Water system operations:  |              |              |                                    |
| Salaries and employee benefits                                  |              | 397,640      |                                    |
| Utilities   |              | 89,278       |                                    |
| Other departmental expenses                                     |              | 314,697      |                                    |
| Total water system operations                                   | 806,860      | 801,615      | 5,245                              |
| Total operating expenses  | 1,054,810    | 1,042,160    | 12,650                             |
| Debt service:   |              |              |                                    |
| Principal retirement  |              | 129,530      |                                    |
| Interest  |              | 33,613       |                                    |
| Total debt service  | 163,144      | 163,143      | 1                                  |
| Capital outlay  | 1,285,600    | 1,273,401    | 12,199                             |
| Total expenditures  | 2,503,554    | 2,478,704    | 24,850                             |
| Revenues over (under) expenditures                              | (1,075,954)  | (1,036,116)  | 39,838                             |
| Other financing sources (uses):                                 |              |              |                                    |
| Appropriated fund balance                                       | 450,954      | -            | (450,954)                          |
| Installment obligations issued                                  | 750,000      | 750,000      | -                                  |
| Transfer to capital projects                                    | (125,000)    | -            | 125,000                            |
| Proceeds from sale of capital asset                             | -            | 2,952        | 2,952                              |
| Total other financing sources (uses)                            | 1,075,954    | 752,952      | (323,002)                          |
| Revenues and other sources under<br>expenditures and other uses | \$ -         | \$ (283,164) | \$ (283,164)                       |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

**WATER FUND**

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the year ended June 30, 2018

|  | Budget | Actual     | Variance<br>Positive<br>(Negative) |
|--|--------|------------|------------------------------------|
| Reconciliation from budgetary basis<br>(modified accrual) to full accrual: |        |            |                                    |
| Reconciling items:   |        |            |                                    |
| Payment of debt principal  |        | \$ 129,530 |                                    |
| Installment obligations issued   |        | (750,000)  |                                    |
| Increase in accrued interest liability                                     |        | (8,499)    |                                    |
| Decrease in accrued vacation pay   |        | 1,246      |                                    |
| Decrease in net pension liability  |        | 47,597     |                                    |
| Decrease in net OPEB liability   |        | 107,172    |                                    |
| Decrease in deferred outflows of resources - pensions                      |        | (49,817)   |                                    |
| Increase in deferred outflows of resources - OPEB                          |        | 103,113    |                                    |
| Decrease in deferred inflows of resources - pensions                       |        | 3,109      |                                    |
| Increase in deferred inflows of resources - OPEB                           |        | (224,386)  |                                    |
| Capital outlay   |        | 1,273,401  |                                    |
| Depreciation   |        | (268,653)  |                                    |
|  |        | \$ 80,649  |                                    |
| Change in net position   |        | \$ 80,649  |                                    |

**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, 2018

|  | Budget     | Actual             | Variance<br>Positive<br>(Negative) |
|--|------------|--------------------|------------------------------------|
| Revenues:  |            |                    |                                    |
| Operating revenues:  |            |                    |                                    |
| Memberships and initiation fees  | \$ 110,000 | \$ <b>65,635</b>   | \$ (44,365)                        |
| Golf cart rentals  | 239,000    | <b>189,925</b>     | (49,075)                           |
| Green fees   | 242,210    | <b>182,267</b>     | (59,943)                           |
| Other revenues   | 37,000     | <b>27,820</b>      | (9,180)                            |
| Total operating revenues   | 628,210    | <b>465,647</b>     | (162,563)                          |
| Non-operating revenues:  |            |                    |                                    |
| Investment earnings  | 2,500      | -                  | (2,500)                            |
| Total revenues   | 630,710    | <b>465,647</b>     | (165,063)                          |
| Expenditures:  |            |                    |                                    |
| Operating Expenditures:  |            |                    |                                    |
| Golf course administration:  |            |                    |                                    |
| Salaries and employee benefits   |            | <b>318,431</b>     |                                    |
| Other departmental expenses  |            | <b>253,220</b>     |                                    |
| Total golf course administration   | 593,210    | <b>571,651</b>     | 21,559                             |
| Capital outlay   | 40,000     | -                  | 40,000                             |
| Contingency  | 130,530    | -                  | 130,530                            |
| Total expenditures   | 763,740    | 571,651            | 192,089                            |
| Revenues under expenditures  | (133,030)  | <b>(106,004)</b>   | 27,026                             |
| Other financing sources:   |            |                    |                                    |
| Proceeds from sale of capital assets                                       | 2,500      | -                  | (2,500)                            |
| Transfer from general fund   | 130,530    | <b>130,530</b>     | -                                  |
| Total other financing sources  | 133,030    | <b>130,530</b>     | (2,500)                            |
| Revenues and other sources over expenditures                               | \$ -       | <b>24,526</b>      | \$ 24,526                          |
| Reconciliation from budgetary basis<br>(modified accrual) to full accrual: |            |                    |                                    |
| Reconciling items:   |            |                    |                                    |
| Decrease in accrued vacation pay   |            | <b>4,516</b>       |                                    |
| Decrease in net pension liability  |            | <b>7,712</b>       |                                    |
| Decrease in net OPEB liability   |            | <b>57,629</b>      |                                    |
| Decrease in deferred outflows of resources - pensions                      |            | <b>(11,704)</b>    |                                    |
| Increase in deferred outflows of resources - OPEB                          |            | <b>55,445</b>      |                                    |
| Decrease in deferred inflows of resources - pensions                       |            | <b>346</b>         |                                    |
| Increase in deferred inflows of resources - OPEB                           |            | <b>(120,657)</b>   |                                    |
| Decrease in deferred membership revenue                                    |            | <b>10,923</b>      |                                    |
| Depreciation   |            | <b>(57,591)</b>    |                                    |
| Change in net position   |            | <b>\$ (28,855)</b> |                                    |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

Metropolitan Sewerage District Agency Fund  
 Statement of Changes in Assets and Liabilities  
 For the year ended June 30, 2018

|                                       | <u>Balance</u><br><u>July 1, 2017</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance</u><br><u>June 30, 2018</u> |
|---------------------------------------|---------------------------------------|---------------------|---------------------|--|
| <b>Assets:</b>                        |                                       |                     |                     |  |
| Cash and cash equivalents             | \$ 87,600                             | \$ 1,154,021        | \$ 1,139,447        | \$ 102,174                             |
| Accounts receivable                   | 161,011                               | 1,175,449           | 1,167,742           | 168,718                                |
| Total assets                          | <u>\$ 248,611</u>                     | <u>\$ 2,329,470</u> | <u>\$ 2,307,189</u> | <u>\$ 270,892</u>                      |
| <b>Liabilities:</b>                   |                                       |                     |                     |  |
| Due to Metropolitan Sewerage District | <u>\$ 248,611</u>                     | <u>\$ 2,329,470</u> | <u>\$ 2,307,189</u> | <u>\$ 270,892</u>                      |



## **OTHER SCHEDULES**

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

GENERAL FUND  
Schedule of Ad Valorem Taxes Receivable  
For the year ended June 30, 2018

| Fiscal Year         | Uncollected<br>Balance<br>6/30/2017 | Additions    | Collections<br>And Credits | Uncollected<br>Balance<br>6/30/2018         |
|---------------------|-------------------------------------|--------------|----------------------------|---|
| 2017-2018           | \$ -                                | \$ 3,936,726 | \$ 3,930,466               | \$ 6,260                                    |
| 2016-2017           | 3,643                               | -            | 2,001                      | 1,642                                       |
| 2015-2016           | 1,535                               | -            | 499                        | 1,036                                       |
| 2014-2015           | 862                                 | -            | 254                        | 608   |
| 2013-2014           | 942                                 | -            | 74                         | 868   |
| 2012-2013           | 1,088                               | -            | 131                        | 957   |
| 2011-2012           | 610                                 | -            | 302                        | 308   |
| 2010-2011           | 2,953                               | -            | 560                        | 2,393                                       |
| 2009-2010           | 647                                 | -            | 34                         | 613   |
| 2008-2009 and prior | 210                                 | -            | 128                        | 82  |
|                     | \$ 12,490                           | \$ 3,936,726 | \$ 3,934,449               | 14,767                                      |
|                     |                                     |              |                            | Less: allowance for uncollectible accounts: |
|                     |                                     |              |                            | General Fund                                |
|                     |                                     |              |                            | 8,360                                       |
|                     |                                     |              |                            | Ad valorem taxes receivable, net            |
|                     |                                     |              |                            | \$ 6,407                                    |
|                     |                                     |              |                            | <u>Reconciliation with revenues:</u>        |
|                     |                                     |              |                            | Ad valorem taxes - General Fund             |
|                     |                                     |              |                            | \$ 3,940,653                                |
|                     |                                     |              |                            | Reconciling items:                          |
|                     |                                     |              |                            | Interest collected                          |
|                     |                                     |              |                            | (7,716)                                     |
|                     |                                     |              |                            | Releases, write-offs, and other             |
|                     |                                     |              |                            | 1,512                                       |
|                     |                                     |              |                            | Total collections and credits               |
|                     |                                     |              |                            | \$ 3,934,449                                |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

GENERAL FUND  
Analysis of Current Tax Levy  
For the year ended June 30, 2018

|                                    | Property<br>Valuation          | Rate    | Total<br>Levy       | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
|------------------------------------|--------------------------------|---------|---------------------|--|---------------------------------|
| Original levy:                     |                                |         |                     |  |                                 |
| Original levy                      | \$ 1,183,656,241               | 0.00333 | \$ 3,935,657        | \$ 3,720,493   | \$ 215,164                      |
| Penalties                          |                                |         | -                   | -  | -                               |
| Total                              |                                |         | <u>3,935,657</u>    | <u>3,720,493</u>   | <u>215,164</u>                  |
| Discoveries:                       |                                |         |                     |  |                                 |
| Current year taxes and penalties   | 3,235,188                      |         | 10,757              | 10,757   | -                               |
| Abatements                         | <u>(2,913,684)</u>             |         | <u>(9,688)</u>      | <u>(9,688)</u>   | -                               |
| Total property valuation           | <u><u>\$ 1,183,977,745</u></u> |         |                     |  |                                 |
| Net levy                           |                                |         | 3,936,726           | 3,721,562  | 215,164                         |
| Uncollected taxes at June 30, 2018 |                                |         | <u>6,260</u>        | <u>6,260</u>   | -                               |
| Current year's taxes collected     |                                |         | <u>\$ 3,930,466</u> | <u>\$ 3,715,302</u>                                      | <u>\$ 215,164</u>               |
| Current levy collection percentage |                                |         | <u>99.84%</u>       | <u>99.83%</u>  | <u>100.00%</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.

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

|                                  | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          | <u>2014</u>          | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets | \$ 4,213,285         | \$ 4,093,611         | \$ 5,732,742         | \$ 5,892,731         | \$ 6,062,891         | \$ 6,682,269         | \$ 7,480,903         | \$ 8,195,626         | \$ 9,268,098         | \$ 10,186,943        |
| Restricted                       | 186,051              | 183,074              | 847,017              | 1,213,033            | 1,139,419            | 1,184,479            | 2,608,574            | 1,506,959            | 1,013,087            | 1,104,513            |
| Unrestricted                     | <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>     | <u>2,395,587</u>     | <u>(5,775,492)</u>   |
| Total governmental activities    | <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> | <u>\$ 12,676,772</u> | <u>\$ 5,515,964</u>  |
| Business-type activities         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets | \$ 4,153,447         | \$ 4,087,875         | \$ 4,142,539         | \$ 3,661,647         | \$ 3,684,913         | \$ 3,702,761         | \$ 4,882,698         | \$ 4,841,723         | \$ 5,209,008         | \$ 5,535,695         |
| Restricted                       | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Unrestricted                     | <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>     | <u>1,686,041</u>     | <u>279,437</u>       |
| Total business-type activities   | <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>  | <u>\$ 6,895,049</u>  | <u>\$ 5,815,132</u>  |
| Primary government               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets | \$ 8,366,732         | \$ 8,181,486         | \$ 9,875,281         | \$ 9,554,378         | \$ 9,747,804         | \$ 10,385,030        | \$ 12,363,601        | \$ 13,037,349        | \$ 14,477,106        | \$ 15,722,638        |
| Restricted                       | 186,051              | 183,074              | 847,017              | 1,213,033            | 1,139,419            | 1,184,479            | 2,608,574            | 1,506,959            | 1,013,087            | 1,104,513            |
| Unrestricted                     | <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>     | <u>4,081,628</u>     | <u>(5,496,055)</u>   |
| Total primary government         | <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> | <u>\$ 19,571,821</u> | <u>\$ 11,331,096</u> |

**NOTE: GASB 75 implementation in fiscal year 2018 resulted in an approximately \$8.5M negative adjustment to unrestricted net position for the primary government.**

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

|  | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           | <u>2014</u>           | <u>2015</u>           | <u>2016</u>           | <u>2017</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>                                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities:                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General government                             | \$ 354,382            | \$ 1,089,636          | \$ 1,218,572          | \$ 1,215,145          | \$ 1,204,608          | \$ 1,264,384          | \$ 1,268,752          | \$ 1,187,536          | \$ 1,198,062          | \$ 1,184,619          |
| Public safety                                  | 2,898,041             | 2,961,701             | 3,024,007             | 2,912,307             | 3,200,090             | 3,347,118             | 3,170,756             | 3,362,444             | 3,547,258             | 4,073,375             |
| Public works                                   | 700,046               | 757,932               | 309,097               | 728,318               | 747,995               | 878,050               | 898,225               | 900,103               | 943,152               | 1,125,163             |
| Environmental protection                       | 677,731               | 694,331               | 741,528               | 699,720               | 650,060               | 693,266               | 675,672               | 670,546               | 737,418               | 761,484               |
| Cultural and recreation                        | 765,041               | 793,141               | 964,477               | 677,420               | 698,246               | 772,137               | 745,206               | 856,205               | 856,816               | 770,493               |
| Economic and physical development              | 1,198,279             | 846,303               | 103,567               | -                     | -                     | -                     | 83,243                | 969,884               | 562,254               | 1,786                 |
| Interest on long term debt                     | 39,533                | 56,910                | 149,196               | 141,765               | 98,531                | 76,196                | 69,614                | 52,601                | 47,856                | 38,862                |
| Total governmental activities expenses         | <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>      | <u>7,892,816</u>      | <u>7,955,782</u>      |
| Business-type activities:                      |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Water and Sewer                                | 942,956               | 956,922               | 1,300,551             | 1,189,843             | 1,261,307             | 1,199,074             | 1,218,696             | 1,322,647             | 1,293,069             | 1,364,891             |
| Golf   | 614,717               | 644,132               | 650,364               | 185,127               | 130,905               | 192,572               | 598,508               | 585,951               | 598,817               | 635,955               |
| Total business-type activities                 | <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>      | <u>1,891,886</u>      | <u>2,000,846</u>      |
| <br>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Total primary government expenses              | <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>   | <u>\$ 9,784,702</u>   | <u>\$ 9,956,628</u>   |
| <br>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>Program Revenues</b>                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities:                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services                           |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| General government                             | \$ -                  | \$ 21,113             | \$ 28,191             | \$ -                  | \$ 127,090            | \$ 127,090            | \$ 157,090            | \$ 3,633              | \$ -                  | \$ -                  |
| Public safety                                  | 914,969               | 974,675               | 930,317               | 950,840               | 969,637               | 1,026,845             | 1,040,675             | 1,211,299             | 1,263,285             | 1,271,710             |
| Environmental Protection                       | -                     | -                     | -                     | -                     | -                     | -                     | 7,956                 | 1,492                 | -                     | -                     |
| Cultural and recreational                      | 139,063               | 144,548               | 130,792               | 169,502               | 148,880               | 168,708               | 178,605               | 198,629               | 250,572               | 265,806               |
| Economic and physical development              | 700,960               | -                     | 4,426                 | 397                   | 1,520                 | -                     | -                     | -                     | -                     | -                     |
| Operating grants and contributions             | 263,902               | 292,707               | 284,401               | 251,579               | 296,504               | 274,624               | 324,682               | 311,013               | 274,683               | 312,075               |
| Capital grants and contributions               | 24,193                | 688,235               | 165,444               | 58,526                | 2,339                 | 213,222               | -                     | -                     | 169,132               | 23,787                |
| Total governmental activities program revenues | <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>      | <u>1,957,672</u>      | <u>1,873,378</u>      |
| Business-type activities:                      |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charge for services                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Water  | 1,059,510             | 1,160,893             | 1,194,277             | 1,185,287             | 1,231,027             | 1,279,528             | 1,321,461             | 1,350,939             | 1,427,404             | 1,417,253             |
| Golf   | 577,976               | 594,000               | 423,475               | 129,673               | -                     | 100,882               | 500,854               | 543,564               | 543,326               | 476,570               |
| Capital grants and contributions               | -                     | -                     | 108,172               | 46,913                | -                     | -                     | -                     | -                     | -                     | -                     |
| Total business-type activities                 | <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>      | <u>1,970,730</u>      | <u>1,893,823</u>      |
| <br>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Total primary government program revenues      | <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>      | <u>3,928,402</u>      | <u>3,767,201</u>      |
| <br>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>Net (Expense) Revenue</b>                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                        | (4,589,966)           | (5,078,676)           | (4,966,873)           | (4,943,831)           | (5,053,560)           | (5,220,662)           | (5,202,460)           | (6,273,253)           | (5,935,144)           | (6,082,404)           |
| Business-type activities                       | <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>       | <u>78,844</u>         | <u>(107,023)</u>      |
| Total primary government expense               | <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> | <u>\$ (5,856,300)</u> | <u>\$ (6,189,427)</u> |

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

|  | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>General Revenue and Other Changes in Net Position</b> |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:                                 |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Taxes  | \$ 4,001,246        | \$ 4,087,583        | \$ 4,721,019        | \$ 4,718,044        | \$ 4,932,087        | \$ 5,164,154        | \$ 5,248,097        | \$ 5,414,866        | \$ 5,464,694        | \$ 5,597,623        |
| Grants and unrestricted contributions                    | 642,548             | 451,956             | 515,103             | 616,003             | 679,023             | 709,687             | 1,118,485           | 836,255             | 799,505             | 803,413             |
| Investment earnings                                      | 66,464              | 10,957              | 6,677               | 2,799               | 3,339               | 2,112               | 2,302               | 13,402              | 24,425              | 52,392              |
| Gain on disposal of assets                               | -                   | -                   | -                   | -                   | 1,860               | 3,797               | 4,825               | 41,600              | -                   | -                   |
| Surety bond settlement                                   | -                   | -                   | -                   | -                   | -                   | -                   | 1,533,505           | -                   | -                   | -                   |
| Miscellaneous  | 560,388             | 67,515              | 384,075             | 66,928              | 46,437              | 132,884             | 125,783             | 153,817             | 89,420              | 135,340             |
| Transfers  | 166,805             | 161,805             | (92,910)            | 184,846             | -                   | (335,000)           | (82,591)            | (246,018)           | (71,997)            | (130,530)           |
| Total government activities                              | <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>    | <u>6,306,047</u>    | <u>6,458,238</u>    |
| Business-type activities:                                |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Pro shop   | 41,092              | 32,971              | 30,114              | 6,084               | -                   | -                   | -                   | -                   | -                   | -                   |
| Investment earnings                                      | 1,170               | 146                 | 702                 | 1,122               | 1,432               | 1,124               | 741                 | 4,614               | 12,334              | 22,847              |
| Gain (loss) on disposal of assets                        | -                   | -                   | -                   | -                   | 100,800             | 18,184              | -                   | (8,907)             | -                   | 2,952               |
| Grants and contributions, not restricted                 | -                   | -                   | -                   | -                   | -                   | -                   | 1,197,500           | -                   | -                   | -                   |
| Miscellaneous  | 154,641             | (24,315)            | 130,251             | 22,919              | 80,256              | 75,408              | 3,975               | 2,791               | 1,167               | 2,488               |
| Special Item - Billy Casper                              | -                   | -                   | -                   | -                   | -                   | (410,000)           | -                   | -                   | -                   | -                   |
| Transfers  | (166,805)           | (161,805)           | 92,910              | (184,846)           | -                   | 335,000             | 82,591              | 246,018             | 71,997              | 130,530             |
| Total business-type activities                           | <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>      | <u>85,498</u>       | <u>158,817</u>      |
| Total primary government                                 | <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> | <u>\$ 6,391,545</u> | <u>\$ 6,617,055</u> |
| <b>Change in Net Position</b>                            |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities                                  | \$ 847,485          | \$ (298,860)        | \$ 567,091          | \$ 644,789          | \$ 609,186          | \$ 456,972          | \$ 2,747,946        | \$ (59,331)         | \$ 370,903          | \$ 375,834          |
| Business activities                                      | 109,911             | 836                 | 28,986              | (167,818)           | 21,303              | 8,480               | 1,289,918           | 230,421             | 164,342             | 51,794              |
| Total primary government                                 | <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>   | <u>\$ 535,245</u>   | <u>\$ 427,628</u>   |



**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

|  | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>General Fund</b>                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved   | \$ 689,924          | \$ 645,373          | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Unreserved                                       | <u>2,408,239</u>    | <u>2,511,169</u>    | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| Total general fund                               | <u>3,098,163</u>    | <u>3,156,542</u>    | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| <b>Other Governmental Funds</b>                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Unreserved                                       | <u>9,220</u>        | <u>38,783</u>       | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| Total other governmental funds                   | <u>9,220</u>        | <u>38,783</u>       | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| <b>Total combined governmental fund balances</b> | <u>\$ 3,107,383</u> | <u>\$ 3,195,325</u> | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| <b>General Fund</b>                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Nonspendable                                     | \$ -                | \$ -                | \$ 7,124            | \$ 19,195           | \$ 33,089           | \$ 62,074           | \$ 59,245           | \$ 16,165           | \$ 25,708           | \$ 77,902           |
| Restricted                                       | -                   | -                   | 847,017             | 1,057,295           | 1,135,561           | 1,184,478           | 1,115,787           | 942,700             | 885,476             | 894,380             |
| Committed  | -                   | -                   | -                   | -                   | 250,000             | 275,000             | 285,000             | 275,000             | 175,000             | 175,000             |
| Assigned   | -                   | -                   | 409,855             | -                   | 307,110             | 200,381             | 256,661             | 408,248             | 576,079             | 242,089             |
| Unassigned                                       | <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>    | <u>2,826,373</u>    | <u>2,812,979</u>    |
| Total general fund                               | <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> | <u>\$ 4,488,636</u> | <u>\$ 4,202,350</u> |
| <b>Other Governmental Funds</b>                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Nonspendable                                     | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Restricted                                       | -                   | -                   | 18,062              | 155,738             | 3,858               | -                   | 1,492,787           | 564,260             | 127,611             | 219,729             |
| Committed  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 30,000              | 2,913               | 2,913               |
| Assigned   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Unassigned                                       | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>(2,475)</u>      | <u>-</u>            | <u>-</u>            |
| Total other governmental funds                   | <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>   | <u>\$ 130,524</u>   | <u>\$ 222,642</u>   |
| <b>Total combined governmental fund balances</b> | <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> | <u>\$ 4,619,160</u> | <u>\$ 4,424,992</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>2009</u>        | <u>2010</u>        | <u>2011</u>      | <u>2012</u>       | <u>2013</u>       | <u>2014</u>        | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         |
|--|--------------------|--------------------|------------------|-------------------|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues</b>  |                    |                    |                  |                   |                   |                    |                     |                     |                     |                     |
| Ad valorem taxes   | \$2,905,947        | \$3,025,260        | \$3,481,575      | \$3,484,258       | \$3,614,786       | \$ 3,809,276       | \$ 3,799,959        | \$ 3,830,394        | \$ 3,859,698        | \$ 3,940,653        |
| Other taxes and licenses                                 | 1,053,311          | 993,420            | 1,082,404        | 1,260,265         | 1,326,647         | 1,372,798          | 1,466,892           | 1,589,942           | 1,607,707           | 1,654,609           |
| Unrestricted intergovernmental revenues                  | 642,548            | 611,806            | 671,593          | 616,003           | 679,023           | 709,687            | 846,418             | 836,255             | 799,505             | 803,413             |
| Restricted intergovernmental revenues                    | 288,095            | 943,356            | 421,049          | 303,518           | 298,843           | 487,846            | 324,682             | 311,013             | 443,815             | 335,862             |
| Permits and fees   | 99,273             | 219,607            | 112,646          | 144,815           | 151,958           | 165,285            | 183,689             | 294,689             | 335,606             | 279,238             |
| Sales and services                                       | 954,759            | 920,730            | 976,240          | 975,924           | 1,095,169         | 1,157,358          | 1,200,637           | 1,120,364           | 1,178,251           | 1,258,278           |
| Investment earnings                                      | 66,464             | 10,957             | 6,677            | 2,799             | 3,339             | 2,112              | 2,302               | 13,402              | 89,420              | 129,340             |
| Other revenues   | 1,395,052          | 88,249             | 366,508          | 66,928            | 46,437            | 132,884            | 1,659,288           | 153,817             | 24,425              | 52,392              |
| <b>Total Revenue</b>                                     | <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>    | <u>8,338,427</u>    | <u>8,453,785</u>    |
| <b>Expenditures</b>                                      |                    |                    |                  |                   |                   |                    |                     |                     |                     |                     |
| <b>Current</b>   |                    |                    |                  |                   |                   |                    |                     |                     |                     |                     |
| General government                                       | 1,679,525          | 3,207,601          | 1,191,337        | 1,203,305         | 1,151,178         | 1,175,458          | 1,249,134           | 1,203,593           | 1,141,725           | 1,098,260           |
| Public safety  | 2,918,865          | 2,813,207          | 3,125,399        | 2,844,461         | 3,309,705         | 3,291,394          | 3,268,182           | 3,373,520           | 3,961,552           | 3,593,561           |
| Public works   | 730,382            | 705,132            | 735,720          | 711,560           | 776,707           | 952,357            | 1,067,353           | 1,066,048           | 1,044,851           | 944,514             |
| Environmental protection                                 | 677,731            | 694,331            | 741,528          | 693,100           | 639,757           | 652,963            | 665,301             | 659,476             | 730,010             | 757,714             |
| Cultural and recreational                                | 752,259            | 778,895            | 877,559          | 621,039           | 634,726           | 732,495            | 868,160             | 1,117,776           | 925,412             | 636,283             |
| Capital outlay   | 1,198,279          | 846,303            | 179,995          | 90,227            | 4,219             | 217,080            | 83,243              | 969,884             | 889,362             | 1,817,812           |
| <b>Debt Service</b>                                      |                    |                    |                  |                   |                   |                    |                     |                     |                     |                     |
| Principal retirement                                     | 165,781            | 76,853             | 228,132          | 254,753           | 280,079           | 480,422            | 381,121             | 294,361             | 159,791             | 382,219             |
| Interest and fees  | 39,533             | 56,910             | 149,196          | 141,765           | 117,147           | 83,152             | 69,791              | 58,271              | 50,789              | 43,060              |
| <b>Total expenditures</b>                                | <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>    | <u>8,903,492</u>    | <u>9,273,423</u>    |
| Excess of revenues over (under) expenditures             | <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>    | <u>(565,065)</u>    | <u>(819,638)</u>    |
| <b>Other Financing Sources (uses)</b>                    |                    |                    |                  |                   |                   |                    |                     |                     |                     |                     |
| Sale of capital assets                                   | -                  | -                  | -                | -                 | 1,860             | 3,797              | 4,825               | 41,600              | -                   | 6,000               |
| Transfers in   | 187,090            | 182,090            | 172,090          | 199,846           | 150,000           | -                  | -                   | 29,980              | 258,500             | 107,575             |
| Transfers out  | (20,285)           | (20,285)           | (265,000)        | (15,000)          | (150,000)         | (335,000)          | (82,591)            | (275,998)           | (330,497)           | (238,105)           |
| Proceeds from debt                                       | 500,000            | 2,291,987          | 244,557          | -                 | 150,000           | -                  | -                   | -                   | -                   | 750,000             |
| <b>Total other financing sources (uses)</b>              | <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>    | <u>(71,997)</u>     | <u>625,470</u>      |
| <b>Net change in fund balances</b>                       | <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> | <u>\$ (637,062)</u> | <u>\$ (194,168)</u> |
| <br>   |                    |                    |                  |                   |                   |                    |                     |                     |                     |                     |
| Debt service as a percentage of non capital expenditures | 2.52%              | 1.46%              | 5.22%            | 6.04%             | 6.13%             | 7.96%              | 6.34%               | 4.43%               | 2.78%               | 5.35%               |

**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> |
|--------------------|----------------------|--------------------------|-----------------------|-------------------------------------|-----------------------------------|-----------------------------------|---|
| 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                             | 90.00%                            | 886,222                                   |
| 2017               | 879,257              | 95,470                   | 14,114                | 988,841                             | 0.375                             | 84.55%                            | 836,065                                   |
| 2018               | 1,022,057            | 97,210                   | 14,451                | 1,119,267                           | 0.3325                            | 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> |
|--------------------|---------------------|-------------------------------|----------------------------|--------------|
| 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    |
| 2017               | 3,859,698           | 1,563,168                     | 679,531                    | 6,102,397    |
| 2018               | 3,940,653           | 1,609,566                     | 679,403                    | 6,229,622    |

**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> |   |
| 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                                     |
| 2017               | 0.375                         | 0.604                   | 0.979                                     |
| 2018               | 0.3325                        | 0.539                   | 0.872                                     |

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, 2018 and June 30, 2010**  
(in thousands)

| Taxpayers                        | 2018                   |      |   | 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.              | \$ 161,735             | 1    | 16.36%  | \$ 60,292              | 1    | 6.79%   |
| Shopping Center Financing LLC    | 10,429                 | 2    | 1.05%   | 10,791                 | 3    | 1.21%   |
| Kearfott Guidance Corp.          | 9,188                  | 3    | 0.93%   | 8,537                  | 5    | 0.96%   |
| Duke Energy Progress, Inc.       | 8,431                  | 4    | 0.85%   | 8,340                  | 6    | 0.94%   |
| Tyson Furniture Co, Inc.         | 7,431                  | 5    | 0.75%   | 4,210                  | 8    | 0.47%   |
| Bi Lo LLC                        | 4,790                  | 6    | 0.48%   | 4,305                  | 7    | 0.48%   |
| Riverside Business Park, LLC     | 3,850                  | 7    | 0.39%   | -                      | -    | -   |
| Divya Jiyoti Inc                 | 3,376                  | 8    | 0.34%   | 3,172                  | 10   | 0.36%   |
| Pentair Valves and Controls, Inc | 3,203                  | 9    | 0.32%   | -                      | -    | -   |
| National Retail Properties       | 2,443                  | 10   | 0.25%   | -                      | -    | -   |
| 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%   |
| <b>Total</b>                     | <b>\$ 217,501</b>      |      | <b>22.00%</b>                                   | <b>\$ 129,744</b>      |      | <b>14.61%</b>                                   |

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**

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Taxes Levied<br/>for the<br/>Fiscal Year</b> | <b>Collection within the<br/>Fiscal Year of the Levy</b> |                               | <b>Collections<br/>in Subsequent<br/>Years</b> | <b>Total Collections to Date</b> |                               |
|--|---|--|-------------------------------|--|----------------------------------|-------------------------------|
|  |   | <b>Amount</b>  | <b>Percentage of<br/>Levy</b> |  | <b>Amount</b>                    | <b>Percentage of<br/>Levy</b> |
| 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%                        | 27,550   | 3,310,039                        | 99.79%                        |
| 2012                                     | 3,284,603                                       | 3,261,128  | 99.29%                        | 18,361   | 3,279,489                        | 99.84%                        |
| 2013                                     | 3,378,317                                       | 3,351,271  | 99.20%                        | 11,126   | 3,362,397                        | 99.53%                        |
| 2014                                     | 3,508,520                                       | 3,490,224  | 99.48%                        | 13,501   | 3,503,725                        | 99.86%                        |
| 2015                                     | 3,580,144                                       | 3,570,764  | 99.74%                        | 8,922  | 3,579,686                        | 99.99%                        |
| 2016                                     | 3,611,273                                       | 3,605,137  | 99.83%                        | 4,076  | 3,609,213                        | 99.94%                        |
| 2017                                     | 3,629,750                                       | 3,626,230  | 99.90%                        | 1,629  | 3,627,859                        | 99.95%                        |
| 2018                                     | 3,721,562                                       | 3,715,302  | 99.83%                        | -  | 3,715,302                        | 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**

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Governmental Activities</b>       |   | <b>Business-type Activities</b>  |                           |   | <b>Total<br/>Primary<br/>Government</b> | <b>Percentage of<br/>Personal<br/>Income</b> | <b>Debt Per<br/>Capita</b> |
|--|--------------------------------------|---|----------------------------------|---------------------------|---|---|--|----------------------------|
|  | <b>Capital<br/>Lease<br/>Payable</b> | <b>Installment<br/>Purchase<br/>Contracts</b> | <b>Capital Lease<br/>Payable</b> | <b>Revolving<br/>Loan</b> | <b>Installment<br/>Purchase<br/>Contracts</b> |   |  |                            |
| 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                               | 1.22%  | 454                        |
| 2016                                     | -                                    | 1,676,009                                     | -                                | 862,738                   | 782,795                                       | 3,321,542                               | 1.05%  | 409                        |
| 2017                                     | -                                    | 1,516,218                                     | -                                | 804,594                   | 713,211                                       | 3,034,023                               | 0.92%  | 358                        |
| 2018                                     | -                                    | 1,884,000                                     | -                                | 746,450                   | 1,391,826                                     | 4,022,276                               | 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, 2018**

|                                   | <u>Outstanding<br/>Debt</u> | <u>Percentage<br/>Applicable to<br/>Town</u> | <u>Amount<br/>Applicable to<br/>Town</u> |
|-----------------------------------|-----------------------------|--|--|
| Direct debt                       |                             |  |  |
| Town of Black Mountain            | \$ 1,884,000                | 100%   | \$ 1,884,000                             |
| Overlapping debt                  |                             |  |  |
| Buncombe County                   | 417,717,489                 | 3.49%  | \$ 14,576,005                            |
| Total direct and overlapping debt | \$ 419,601,489              |  | \$ 16,460,005                            |

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

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

|  | <b>Fiscal Year</b> |             |             |             |             |             |             |             |             |             |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <b>2009</b>        | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> |
| Assessed value of property<br>(excluding motor vehicle)            | \$858,032          | \$888,226   | \$896,618   | \$896,202   | \$925,195   | \$936,185   | \$979,047   | \$984,691   | \$988,841   | \$1,119,267 |
| Debt limit, 8% of assessed value                                   | 68,643             | 71,058      | 71,729      | 71,696      | 74,016      | 74,895      | 78,324      | 78,775      | 79,107      | 89,541      |
| Amount of debt applicable to limit<br>Gross debt                   | 2,382              | 4,570       | 5,327       | 5,194       | 5,067       | 4,383       | 3,805       | 3,322       | 3,034       | 4,022       |
| Less: Debt related to business-like<br>activities                  | 1,209              | 1,373       | 2,111       | 2,232       | 2,235       | 2,032       | 1,835       | 1,646       | 1,518       | 2,138       |
| Total net debt applicable to limit                                 | 1,173              | 3,197       | 3,216       | 2,962       | 2,832       | 2,351       | 1,970       | 1,676       | 1,516       | 1,884       |
| Legal debt margin available  | 67,470             | 67,861      | 68,512      | 68,733      | 71,183      | 72,543      | 76,352      | 77,098      | 77,590      | 87,656      |
| Total net debt applicable to the<br>limit as a percentage of limit | 1.71%              | 4.50%       | 4.48%       | 4.13%       | 3.83%       | 3.14%       | 2.52%       | 2.13%       | 1.92%       | 2.10%       |

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 Seven Years Prior**

| <u>Employer</u>                                  | <u>2018</u>                |             | <u>2011</u>                |             |
|--|----------------------------|-------------|----------------------------|-------------|
|  | <u>Number of employees</u> | <u>Rank</u> | <u>Number of employees</u> | <u>Rank</u> |
| Ingles Market                                    | 1,596                      | 1           | 1,203                      | 1           |
| Black Mountain Neuro-Medical                     | 465                        | 2           | 432                        | 3           |
| Kearfott Guidance and Navigation Corp.           | 318                        | 3           | 450                        | 2           |
| NC State Alcohol and Drug Abuse Treatment Center | 180                        | 4           | 220                        | 6           |
| Buncombe County Schools                          | 176                        | 5           | 223                        | 5           |
| Highland Farms Retirement Community              | 158                        | 6           | 250                        | 4           |
| Pentair Valve (Tyco)                             | 122                        | 7           | 155                        | 7           |
| Town of Black Mountain Government                | 78                         | 8           | 76                         | 8           |
| Tyson Furniture                                  | 50                         | 9           | 59                         | 9           |
| Blue Ridge Assembly                              | 33                         | 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 Markets                 | 5,722,200          | \$ 35,096                             |
| Mountain Ridge Wellness Center | 3,382,500          | 33,778                                |
| Creekview Professional Center  | 2,745,900          | 27,423                                |
| Super 8 Motel                  | 2,570,900          | 15,791                                |
| Shri Hari                      | 1,600,000          | 9,842                                 |
| RJC, LLC                       | 1,426,200          | 8,778                                 |
| Cheshire Fitness               | 1,280,600          | 7,886                                 |
| Southern Resort Group          | 1,182,400          | 7,285                                 |
| Camp Merri Mac                 | 1,068,400          | 6,584                                 |
| Board of Education             | 921,300            | 5,684                                 |

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Population (a)</b> | <b>Per Capita<br/>Personal Income<br/>(b)</b> | <b>Personal Income<br/>(in thousands)</b> | <b>Unemployment<br/>Rate (c)</b> |
|--|-----------------------|---|---|----------------------------------|
| 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                 | 37,349  | 313,134                                   | 4.7%                             |
| 2016                                     | 8,125                 | 38,831  | 315,502                                   | 4.1%                             |
| 2017                                     | 8,471                 | 39,098  | 331,199                                   | 3.4%                             |
| 2018                                     | N/A                   | N/A   | N/A                                       | 3.2%                             |

(a) State Office of Budget and Management

(b) US Dept of Commerce, Bureau of Economic Analysis; for Asheville Metropolitan Statistical Area

(c) Department of Labor statistics

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

| <b>Department</b>     | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Finance               |             |             |             |             |             |             |             |             |             |             |
| Checks issued         | 7,611       | 7,849       | 4,545       | 2,034       | 1,987       | 2,145       | 2,229       | 2,156       | 2,497       | 2,351       |
| Police                |             |             |             |             |             |             |             |             |             |             |
| Calls logged          | 20,719      | 23,348      | 19,475      | 21,913      | 20,827      | 20,862      | 21,062      | 24,542      | 27,698      | 24,813      |
| Total incidents       | 1,388       | 1,349       | 1,238       | 1,336       | 1,285       | 1,189       | 1,071       | 1,469       | 1,606       | 1,336       |
| Training hours        | n/a         | n/a         | n/a         | 2,109       | 2,947       | 1,528       | 1,940       | 2,633       | 2,369       | 3,964       |
| Fire                  |             |             |             |             |             |             |             |             |             |             |
| Fire stations         | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           |
| Total calls           | 1,195       | 1,255       | 1,628       | 1,875       | 1,848       | 1,887       | 2,065       | 2,198       | 2,240       | 2,530       |
| Training hours        | 9,826       | 12,378      | 10,398      | 11,780      | 13,010      | 11,398      | 8,383       | 14,886      | 14,428      | 12,331      |
| Public Services       |             |             |             |             |             |             |             |             |             |             |
| Sanitation tonnage    | 3,020       | 2,829       | 2,898       | 2,670       | 2,574       | 2,639       | 2,635       | 2,758       | 2,603       | 2,488       |
| Recycling tonnage     | 624         | 694         | 536         | 641         | 637         | 650         | 602         | 613         | 583         | 562         |
| Work orders           | 967         | 1,717       | 3,019       | 4,600       | 4,935       | 5,464       | 4,812       | 5,152       | 4,998       | 4,957       |
| Planning              |             |             |             |             |             |             |             |             |             |             |
| Building permits      | 418         | 420         | 497         | 404         | 514         | 500         | 525         | 654         | 732         | 659         |
| Inspections performed | 1,773       | 1,522       | 1,681       | 1,686       | 1,744       | 2,150       | 2,383       | 3,020       | 3,546       | 3,838       |
| Recreation services   |             |             |             |             |             |             |             |             |             |             |
| Athletic programs     | 20          | 18          | 16          | 18          | 16          | 13          | 11          | 9           | 8           | 9           |
| Senior programs       | 22          | 26          | 23          | 25          | 30          | 34          | 35          | 33          | 34          | 42          |
| Pool attendance       | 5,865       | 11,891      | 20,673      | 20,467      | 16,005      | 13,414      | 14,135      | 17,005      | 20,048      | 17,303      |

Sources - Various Town departments.

**TOWN OF BLACK MOUNTAIN, NORTH CAROLINA**

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

| <b>Department</b>   | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administration      | 6           | 6           | 6           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Planning Services   | 5           | 5           | 5           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Fire                | 18          | 18          | 18          | 18          | 19          | 19          | 19          | 19          | 19          | 20          |
| Police              | 21          | 21          | 22          | 22          | 22          | 22          | 22          | 22          | 22          | 22          |
| Recreation Services | 7           | 7           | 7           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Public Services     | 8           | 8           | 8           | 7           | 7           | 9           | 9           | 9           | 9           | 10          |
| Water               | 12          | 12          | 12          | 9           | 9           | 8           | 8           | 8           | 8           | 8           |
| Golf                | 8           | 8           | 8           | 8           | -           | 3           | 3           | 3           | 3           | 3           |
| <b>TOTAL</b>        | <b>84</b>   | <b>84</b>   | <b>85</b>   | <b>78</b>   | <b>71</b>   | <b>75</b>   | <b>75</b>   | <b>75</b>   | <b>75</b>   | <b>77</b>   |

Source - Human Resources Department

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, 2018, 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 3, 2018. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Responses as item 2018-01.

Town of Black Mountain's Response to Finding

The Town of Black Mountain's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 3, 2018



**Town of Black Mountain, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
For the Fiscal Year Ended June 30, 2018

No prior year audit findings noted.