

**BLACK
MOUNTAIN**
NORTH CAROLINA



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



Prepared by:
Finance Officer
Dean Luebbe

Submitted by:
Town Manager
Josh Harrold

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
Town Council and Officials	vi
Organization Chart	vii
GFOA Certificate of Achievement.....	viii
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion & Analysis	4-12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21 and 22
Statement of Fiduciary Net Position	23
Notes to Financial Statements	24-61

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	Page Number
FINANCIAL SECTION (CONTINUED)	
Required Supplementary Information:	
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance.....	62
Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers’ Special Separation Allowance.....	63
Schedule of Town’s Proportionate Share of Net Pension Liability (Asset)	64
Schedule of Town of Black Mountain’s Contributions LGERS	65
Schedule of Town’s Proportionate Share of Net OPEB Liability – Retiree Health Benefit Fund	66
Schedule of Town’s Contributions – Retiree Health Benefit Fund	67
Notes to Required Supplementary Information.....	68
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	70
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis)	71-74
Commerce Park Capital Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis)	75
Watershed Restoration Capital Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis).....	76
Riverwalk Greenway Capital Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis).....	77
Tomahawk Stream Capital Improvement Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis).....	78
Veteran’s Park Improvement Capital Project Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis).....	79
Water Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis)	80
Golf Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis)	81
Statement of Changes in Assets and Liabilities – Metropolitan Sewerage District Agency Fund.....	82

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	Page Number
Combining and Individual Fund Statements and Schedules (Continued):	
Schedule of Ad Valorem Taxes Receivable	83
Analysis of Current Tax Levy	84
STATISTICAL SECTION	
Net Position by Component, Last Ten Fiscal Years	85
Changes in Net Position, Last Ten Fiscal Years.....	86 and 87
Fund Balance of Governmental Funds.....	88
Changes in Fund Balance of Governmental Funds.....	89
Assessed Value of Taxable Property.....	90
Governmental Funds Tax Revenue by Source	91
Property Tax Rates – Direct and Overlapping.....	92
Principal Property Tax Payers.....	93
Property Tax Levies and Collections	94
Ratios of Outstanding Debt by Type.....	95
Direct and Overlapping Governmental Activities Debt.....	96
Legal Debt Margin.....	97
Principal Employers.....	98
Top Ten Water Customers.....	99
Demographic and Economic Statistics.....	100
Operating Indicators	101
Full-time Governmental Employees by Function/Department	102
COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103 and 104
Schedule of Findings and Responses	105-109

INTRODUCTORY SECTION



Town of Black Mountain

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www.townofblackmountain.org

October 28, 2019

The Honorable Mayor, Town Board of Aldermen and
Citizens of the Town of Black Mountain
Black Mountain, North Carolina

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, 2019. 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, 2019.

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 Mauldin & Jenkins, CPA's and Advisors. 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, 2019, 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, 2019 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 8,460, 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 to adopt a balanced budget by July 1st of each year. An annual or project budget ordinance, as adopted and amended by the governing body, creates the legal limit on spending authorizations and guides the Town's accounting system as well as daily operations. The Town of Black Mountain maintains budgetary controls to ensure compliance with annual and project budget ordinances approved by the Board of Aldermen. Project budgets are adopted for the duration of the project; therefore, neither the project nor the appropriation need to be readopted in any subsequent fiscal year. The level of budgetary control (that is, the level at which expenses or expenditures cannot legally exceed the appropriated amount) is established by department level. More than one department may appear under a specific function, but the budgetary control is by department. Budgetary control is maintained through the use of an encumbrance accounting system and encumbrances outstanding at June 30th are closed out.

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

Economic Condition of Black Mountain, North Carolina

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Black Mountain operates. Black Mountain's financial position remains 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 3.2%, as of June 2019, 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.

The Town of Black Mountain, along with all of Buncombe County, are very popular with residents and visitors, and this popularity has fueled healthy increases in its' two largest revenue sources, property taxes and local option sales tax. These two revenue sources have averaged an annual percentage increase of over 4% over the last ten years, and account for 65% of General Fund revenues. Approximately 22% (271 million) of the Town of Black Mountain's tax base is considered commercial in nature, with the Ingles warehouse comprising nearly one half of this amount.

The Town's economy is expected to remain stable because of the benefits derived from a low unemployment rate and the ongoing progress of five residential developments.

- The Settings of Black Mountain, located off of Highway 9, sits on 370 acres and comprised of single family residences. Construction began in 2006 and is still ongoing. When complete, the development will add 271 single family residences. Forty percent is designated greenspace.
- Chapman's Cove subdivision sits on just over four acres off of Blue Ridge Assembly Road, is half completed and includes ten single family residences.

- Sweet Birch subdivision sits on over nine acres on Blue Ridge Road and just began construction. When complete, the development will add 60 residential units (30 duplexes).
- Padgett Place subdivision sits on close to nine acres off of Padgettown Road and has not yet started construction. When completed, the development will add forty single family residences.
- Tudor Croft subdivision sits on just under thirty five acres of land near the Town golf course and is nearly 25% done with construction. When the development is completed, the development will add 250 single family residences.

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, 2019, the Town has designated a total of \$720,000 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. Debt payments account for 5.3% of governmental expenditures and the weighted average interest rate for all Town debt currently stands at 3.05%.

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 two 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 second project involves water and sewer infrastructure improvements at the Commerce Park Business Park. This project is 100% grant funded and upon completion will house the life science company, Avadim Technologies, as well as making the entire site much more desirable to potential tenants. The Town also has a number of smaller capital projects ongoing, all of which are partially 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 32.1% of General Fund expenditures. This is a increase from 30.5% from fiscal year 2018, in large part due to the fact that General Fund expenditures in fiscal year 2019 were \$582,000 less than fiscal year 2018. The larger expenditures in fiscal year 2018 were due to the land and building purchase of 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.

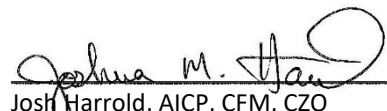
Awards and Acknowledgements

The Governmental Finance Officers Association (GFOA) of the United States and Canada 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, 2018. This was the seventh 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.

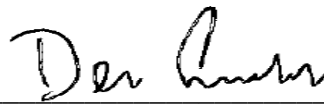
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

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 Mauldin & Jenkins CPA's and Advisors for their assistance.

Respectively submitted,



Josh Harrold, AICP, CFM, CZO
Town Manager



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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

TOWN BOARD MEMBERS AND OFFICIALS JUNE 30, 2019

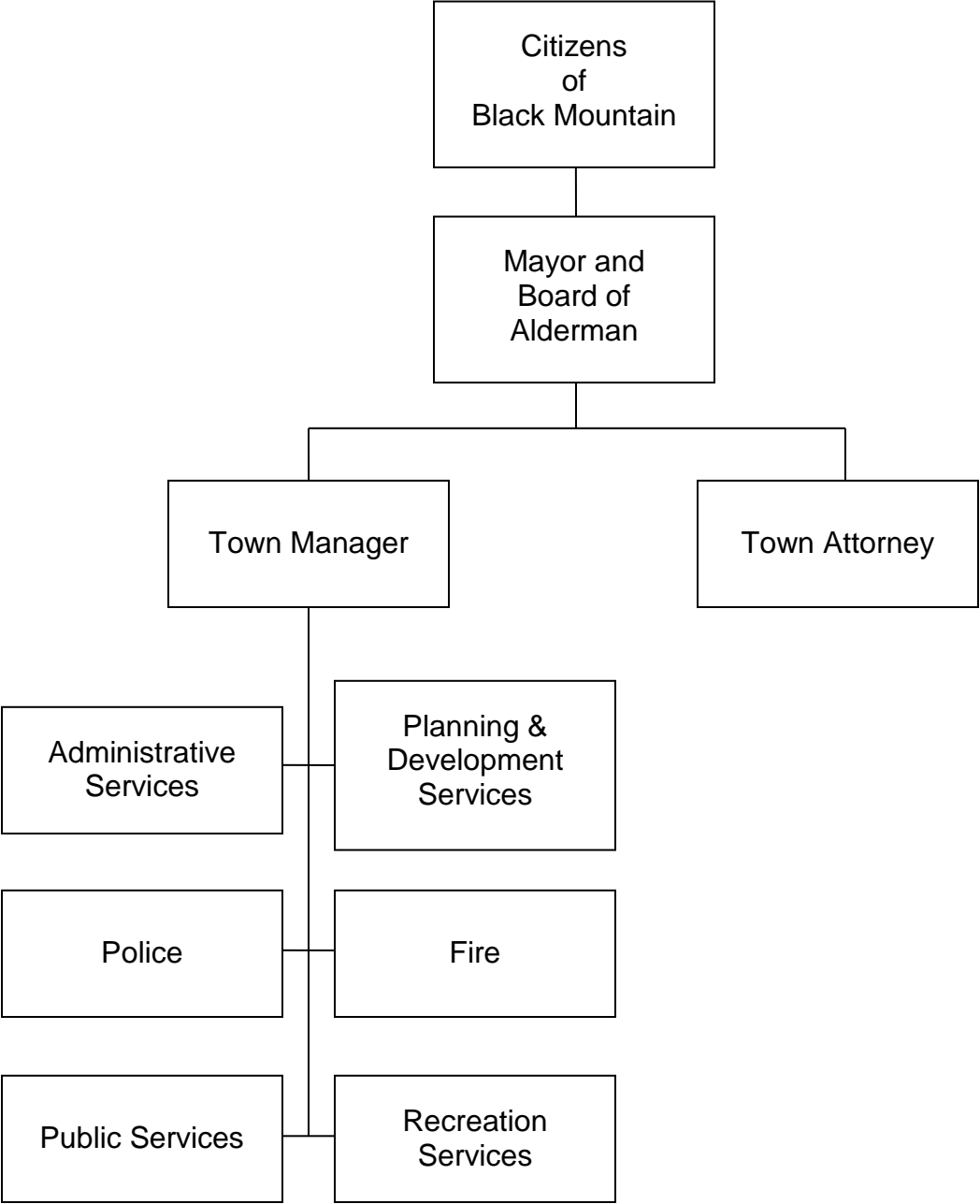
MAYOR AND BOARD OF ALDERMEN

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

TOWN OFFICIALS

Josh Harrold.....Town Manager
Dean Luebbe.....Assistant Town Manager
Finance Officer
Shawn Freeman.....Police Chief
Scottie Harris.....Fire Chief
Jamey Matthews.....Director of Public Services
Josh Henderson.....Director of Recreation Services
Jessica Trotman.....Director of Planning and Development

**TOWN OF BLACK MOUNTAIN
ORGANIZATIONAL CHART
JUNE 30, 2019**





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, 2018

Christopher P. Merrill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of Board of Aldermen
Town of 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** (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Black Mountain ABC Board, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Black Mountain ABC Board, is based solely on the report of the other auditors. 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 from material misstatement. The financial statements of the Black Mountain ABC Board 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 and the report of other auditors, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, the Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance, the Town of Black Mountain's Proportionate Share of Net Pension Liability (Asset), the Schedule of the Town of Black Mountain's Contributions – LGERS Plan, the Town of Black Mountain's Proportionate Share of Net OPEB Liability, and the Schedule of the Town of Black Mountain's Contributions – OPEB Plan on pages 4-12, 62, 63, 64, 65, 66, and 67, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund statements and schedules, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules (the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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, the supplementary information is 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 28, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town's 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's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 28, 2019

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, 2019. 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

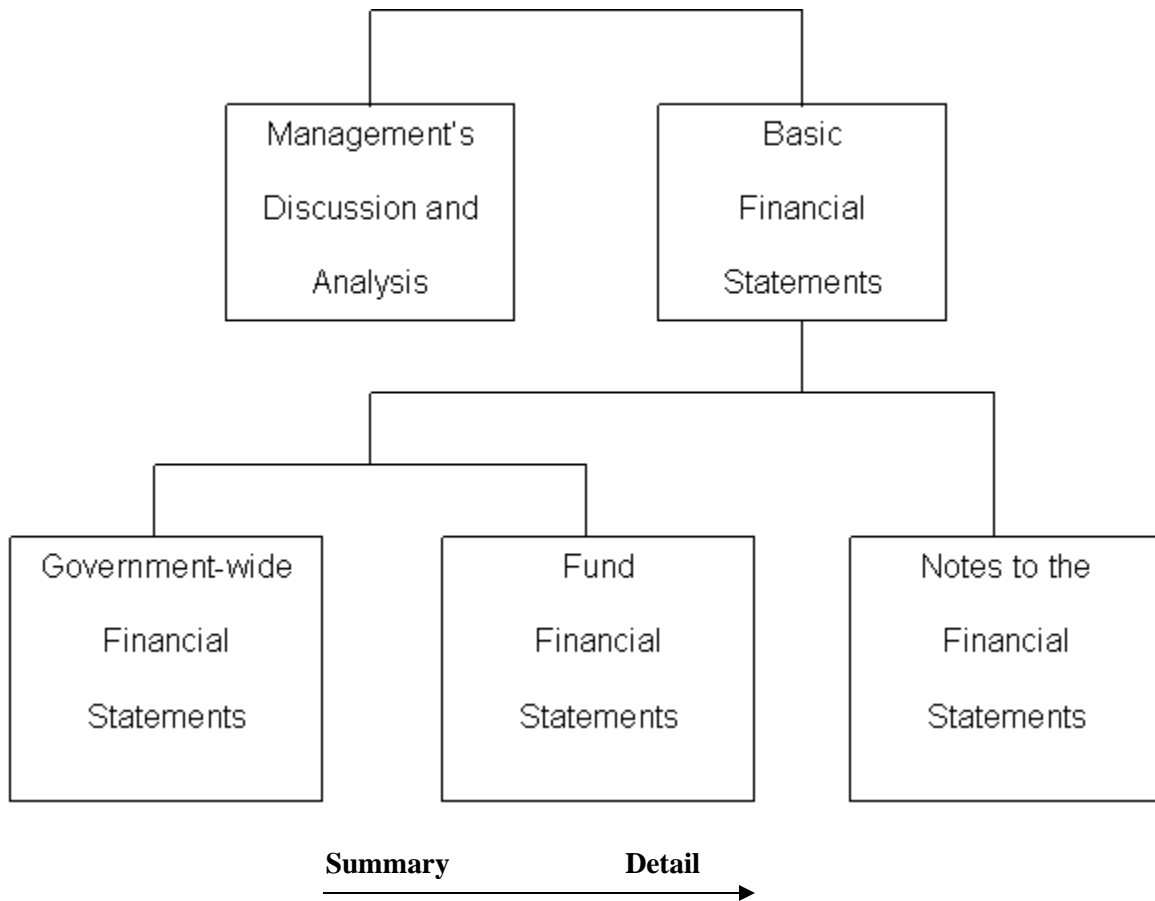
- The assets and deferred outflows of the Town of Black Mountain exceeded its liabilities and deferred inflows at the close of the fiscal year by \$13,595,284 (*net position*).
- The government's total net position increased by \$2,179,425. Major revenues (property, sales and franchise taxes) remain strong and the Town received \$1,596,070 in grants during the fiscal year.
- As of the close of the current fiscal year, the Town of Black Mountain's governmental funds reported combined ending fund balances of \$4,900,050, an increase of \$475,058 in comparison with the prior year. Approximately 30% of this total amount, or \$1,447,909, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,778,006 or 32.1% of total general fund expenditures for the fiscal year. This compares with \$2,812,979 or 30.5% at the end of fiscal year 2018, a decrease of \$34,973.
- During the fiscal year, total long-term debt, excluding compensated absences, pensions, and OPEB, increased from \$4,022,276 to \$4,099,047. During the fiscal year, the Town entered into an installment note in the amount of \$434,150 for upgrades to police communication equipment.

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 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 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, deferred outflows of resources, total liabilities, and deferred inflows of resources. 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 pages 13 and 14 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 – 61 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 62 – 68 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

	June 30, 2019		June 30, 2018 - Restated		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2019	June 30, 2018
Assets:						
Current assets	\$ 5,547,729	\$ 1,783,301	\$ 4,769,069	\$ 1,787,426	\$ 7,331,030	\$ 6,556,495
Capital assets, net	13,860,830	7,624,966	12,155,706	7,673,970	21,485,796	19,829,676
Total assets	19,408,559	9,408,267	16,924,775	9,461,396	28,816,826	26,386,171
Deferred outflows of resources	2,027,532	268,378	1,765,860	250,374	2,295,910	2,016,234
Liabilities:						
Current liabilities	534,214	264,267	667,666	426,850	798,481	1,094,516
Long-term liabilities	9,981,627	3,007,938	10,021,270	3,114,726	12,989,565	13,135,996
Total liabilities	10,515,841	3,272,205	10,688,936	3,541,576	13,788,046	14,230,512
Deferred inflows of resources	3,252,804	476,602	2,400,972	355,062	3,729,406	2,756,034
Net position:						
Net investment in capital assets	11,718,680	5,668,069	10,271,706	5,535,695	17,386,749	15,807,401
Restricted	1,381,594	-	1,114,109	-	1,381,594	1,114,109
Unrestricted	(5,432,828)	259,769	(5,785,088)	279,437	(5,173,059)	(5,505,651)
Total net position	\$ 7,667,446	\$ 5,927,838	\$ 5,600,727	\$ 5,815,132	\$ 13,595,284	\$ 11,415,859

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 \$13,595,284 as of June 30, 2019. The Town's net position *increased* by \$2,179,425 for the fiscal year ended June 30, 2019. However, the largest portion of net position, \$17,386,749 (127.89%) 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, 1,381,594 (10.16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$5,173,059) 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 2019, was 99.93%, which is higher than the statewide average of 99.11%.
- Local option sales taxes increased by \$71,764 from the prior year. Buncombe County continues to be the economic driver of Western North Carolina.
- Grants revenues included \$888,838 from the Commerce Park Infrastructure Capital Project Fund, \$220,718 from the Riverwalk Greenway Capital Project Fund, and several smaller grants related to the Planning and Police departments.

Town of Black Mountain Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,667,405	\$ 1,537,516	\$ 1,875,136	\$ 1,893,823	\$ 3,542,541	\$ 3,431,339
Operating grants & cont.	100,706	312,075	-	-	100,706	312,075
Capital grants & cont.	1,465,264	23,787	30,100	-	1,495,364	23,787
General revenues:						
Property taxes	4,074,012	3,943,014	-	-	4,074,012	3,943,014
Sales taxes	1,637,327	1,609,566	-	-	1,637,327	1,609,566
Other taxes	44,003	45,043	-	-	44,003	45,043
Unrestricted interest	91,364	52,392	34,010	22,847	125,374	75,239
Unrestricted intergovernmental	844,345	803,413	-	-	844,345	803,413
Miscellaneous	149,845	135,340	1,870	5,440	151,715	140,780
Total revenues	10,074,271	8,462,146	1,941,116	1,922,110	12,015,387	10,384,256
Expenses:						
General government	1,114,182	1,184,619	-	-	1,114,182	1,184,619
Public safety	3,949,196	4,073,375	-	-	3,949,196	4,073,375
Transportation	1,095,937	1,125,163	-	-	1,095,937	1,125,163
Environmental protection	890,934	761,484	-	-	890,934	761,484
Culture and recreation	765,911	770,493	-	-	765,911	770,493
Economic development	-	1,786	-	-	-	1,786
Interest on long-term debt	66,392	38,862	-	-	66,392	38,862
Water	-	-	1,321,979	1,364,891	1,321,979	1,364,891
Golf Course	-	-	631,431	635,955	631,431	635,955
Total expenses	7,882,552	7,955,782	1,953,410	2,000,846	9,835,962	9,956,628
Increase in net position before transfers	2,191,719	506,364	(12,294)	(78,736)	2,179,425	427,628
Transfers	(125,000)	(130,530)	125,000	130,530	-	-
Change in net position	2,066,719	375,834	112,706	51,794	2,179,425	427,628
Net position, beginning	5,515,964	12,676,772	5,815,132	6,895,049	11,331,096	19,571,821
Restatements	84,763	(7,536,642)	-	(1,131,711)	84,763	(8,668,353)
Net position, ending	<u>\$ 7,667,446</u>	<u>\$ 5,515,964</u>	<u>\$ 5,927,838</u>	<u>\$ 5,815,132</u>	<u>\$ 13,595,284</u>	<u>\$ 11,331,096</u>

Governmental activities. Governmental activities increased the Town's net position by \$2,066,719. Key elements of this change are as follows:

- Capital Grants and Contributions increased by \$1,441,477 from fiscal year 2018 amounts, primarily related to \$878,848 of grant revenues for the commerce park infrastructure improvements.
- Property taxes increased by \$130,998 from fiscal 2018 amounts, driven by a 3% increase in the assessed properties.
- Investment earnings increased by \$38,972 from fiscal year 2018 amounts.

Business-type activities: Business-type activities increased the Town of Black Mountain's net position by \$112,706. Key elements of this increase are as follows:

- The Water Fund reported operating income of \$155,438 in fiscal year 2019. The Town continues to look for cost efficiencies in delivering water to its customers.
- The Golf Fund reported an operating loss of (\$176,854) in fiscal year 2019. The Golf Fund received a \$125,000 transfer from the General Fund to cover a cash deficit.

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 \$2,778,006, while total fund balance was \$4,610,789. 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 32.1% of general fund expenditures, while total fund balance represents 53.3% of that same amount.

The commerce park infrastructure improvement fund is a major fund used to account for the project costs and grant funding associated with infrastructure improvements at commerce park. The fund is a new fund and had expenditures in excess of revenues, resulting in a deficit fund balance of \$(106,852). The deficit will be offset with unavailable grant revenues to be recognized in future periods.

At June 30, 2019, the governmental funds of the Town of Black Mountain reported a combined fund balance of \$4,900,050, a 10.7% increase from the previous year. As noted earlier, this increase is primarily due to capital project grant revenues.

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:

- Ad Valorem tax revenues exceeded budgeted amounts by \$107,971.
- Local option sales taxes were \$11,670 less than budgeted amounts.
- Investment earnings exceeded budgeted amounts by \$37,264
- Permits and fees revenues were \$62,907 less than budgeted amounts.
- 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 Planning Departments.

Actual total operating revenues for the General Fund exceeded budgeted amounts by \$80,143. Actual expenditures were \$19,894 lower 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 \$748,964. Revenues exceeded expenses by \$164,560. Unrestricted net position of the Golf Fund at the end of the fiscal year amounted to a deficit of \$489,195. The Golf Fund reported a loss before transfers of \$176,854 for the fiscal year ending June 30, 2019. 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, 2019, totals \$21,485,796 (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:

- Six vehicles at a cost of \$273,930
- Building improvements at four Town buildings at a cost of \$280,568
- Water system infrastructure improvements at a cost of \$142,978
- Streets and sidewalks improvements of \$139,633
- IT and other equipment purchases of \$523,765

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 - Restated	2019	2018	2019	2018 - Restated
Land	\$ 3,950,062	\$ 3,950,062	\$ 946,775	\$ 946,775	\$ 4,896,837	\$ 4,896,837
Construction in progress	1,558,208	405,127	-	-	1,558,208	405,127
Buildings	4,255,326	4,226,037	903,841	817,995	5,159,167	5,044,032
Other improvements	2,295,166	2,380,484	2,431,285	2,527,067	4,726,451	4,907,551
Distribution system	-	-	2,888,103	2,884,042	2,888,103	2,884,042
Furniture & fixtures	19,974	26,172	2,068	2,777	22,042	28,949
Equipment	676,793	170,296	330,368	356,738	1,007,161	527,034
Vehicles	1,105,301	997,528	122,526	138,576	1,227,827	1,136,104
Total	<u>\$ 13,860,830</u>	<u>\$ 12,155,706</u>	<u>\$ 7,624,966</u>	<u>\$ 7,673,970</u>	<u>\$ 21,485,796</u>	<u>\$ 19,829,676</u>

Additional information on the Town's capital assets can be found in Note 6 of the financial statements.

Long-term Debt. As of June 30, 2019, the Town of Black Mountain had total federal revolving loan debt of \$688,305 and \$3,410,742 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 \$4,022,276 in fiscal year 2018 to \$4,099,047 at the end of fiscal year 2019. Payments made on debt principal during fiscal year 2019 totaled \$357,378.

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 \$89,974,000.

Additional information regarding the Town of Black Mountain's long-term debt can be found in Note 7 of the 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 3.2% is below the statewide level of 4.2%.
- The Town tax rate was unchanged at 33.25 cents per \$100 of valuation. This represents the eighth consecutive year that the tax rate has been unchanged or below the "revenue neutral" rate.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Government Activities

Property taxes are expected to grow by 5.7% from fiscal year 2019 budgeted levels, and are budgeted to account for 45.2% of General Fund revenues. Sales tax revenues are budgeted to grow by 4.5% from FY19 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 4.49% to \$9,288,007 over the fiscal year 2019 original budget. The Town appropriated \$105,517 of fund balance to balance the General Fund in fiscal year 2020 budget. The bulk of this increase involves personnel, including a 3% cost of living adjustment. Similar to most local governments, salaries and benefits (56.3%) make up the largest portion of expenditures.

Business Activities

Original budgeted expenditures in the Water Fund were expected to decrease 1.76% to \$1,689,122 as compared to the fiscal year 2019 original budget. The Town appropriated \$133,122 of fund balance to balance the Water Fund in the fiscal year 2020 budget. The Golf Fund budget increased 2.95% from fiscal year 2019 levels.

- Town of Black Mountain water rates were raised by 4% to cover the increased costs of operations.

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

STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Black Mountain ABC Board
ASSETS				
Cash and cash equivalents	\$ 3,785,907	\$ 970,591	\$ 4,756,498	\$ 301,646
Investments	106,478	-	106,478	-
Receivables, net of allowance for uncollectibles	-	211,113	211,113	-
Intergovernmental receivables	1,440,034	-	1,440,034	-
Taxes receivable	2,448	-	2,448	-
Internal balances	(377,542)	377,542	-	-
Inventories	8,144	66,010	74,154	272,802
Prepaid items	58,171	-	58,171	5,521
Restricted cash and cash equivalents	524,089	158,045	682,134	-
Capital assets:				
Non-depreciable	5,508,270	946,775	6,455,045	-
Depreciable, net of accumulated depreciation	8,352,560	6,678,191	15,030,751	734,151
Total assets	19,408,559	9,408,267	28,816,826	1,314,120
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension items	1,129,741	137,759	1,267,500	46,620
Deferred outflows - OPEB items	897,791	130,619	1,028,410	-
Total deferred outflows of resources	2,027,532	268,378	2,295,910	46,620
LIABILITIES				
Accounts payable	281,653	65,803	347,456	7,754
Accrued liabilities	94,341	5,131	99,472	205,098
Customer deposits	158,220	158,045	316,265	-
Unearned revenues	-	35,288	35,288	-
Interest payable	30,062	11,484	41,546	-
Installment notes, due within one year	326,977	125,131	452,108	-
Installment notes, due in more than one year	1,815,173	1,143,461	2,958,634	-
Revolving loans payable, due within one year	-	58,144	58,144	-
Revolving loans payable, due in more than one year	-	630,161	630,161	-
Compensated absences, due within one year	162,547	24,925	187,472	3,770
Compensated absences, due in more than one year	197,162	25,992	223,154	-
Total pension liability (LEOSSA), due in more than one year	725,721	-	725,721	-
Net pension liability (LGRS), due in more than one year	1,298,134	186,715	1,484,849	57,173
Net OPEB liability, due in more than one year	5,425,851	801,925	6,227,776	-
Total liabilities	10,515,841	3,272,205	13,788,046	273,795
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension items	93,108	9,608	102,716	2,478
Deferred inflows - OPEB items	3,159,696	466,994	3,626,690	-
Total deferred inflows of resources	3,252,804	476,602	3,729,406	2,478
NET POSITION				
Net investment in capital assets	11,718,680	5,668,069	17,386,749	734,151
Restricted for:				
Stabilization by State Statute	822,101	-	822,101	-
Streets - Powell Bill	259,554	-	259,554	-
Public safety programs	21,739	-	21,739	-
Capital projects	278,200	-	278,200	-
Working capital	-	-	-	82,869
Unrestricted	(5,432,828)	259,769	(5,173,059)	267,447
Total net position	\$ 7,667,446	\$ 5,927,838	\$ 13,595,284	\$ 1,084,467

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Black Mountain ABC Board
Governmental activities:								
General government	\$ 1,114,182	\$ 343,676	\$ 74,279	\$ -	\$ (696,227)	\$ -	\$ (696,227)	\$ -
Public safety	3,949,196	1,178,813	26,427	-	(2,743,956)	-	(2,743,956)	-
Transportation	1,095,937	-	-	235,457	(860,480)	-	(860,480)	-
Environmental protection	890,934	-	-	26,399	(864,535)	-	(864,535)	-
Culture and recreation	765,911	144,916	-	1,203,408	582,413	-	582,413	-
Interest on long-term debt	66,392	-	-	-	(66,392)	-	(66,392)	-
Total governmental activities	<u>7,882,552</u>	<u>1,667,405</u>	<u>100,706</u>	<u>1,465,264</u>	<u>(4,649,177)</u>	<u>-</u>	<u>(4,649,177)</u>	<u>-</u>
Business-type activities:								
Water	1,321,979	1,420,559	-	30,100	-	128,680	128,680	-
Golf Course	631,431	454,577	-	-	-	(176,854)	(176,854)	-
Total business-type activities	<u>1,953,410</u>	<u>1,875,136</u>	<u>-</u>	<u>30,100</u>	<u>-</u>	<u>(48,174)</u>	<u>(48,174)</u>	<u>-</u>
Total primary government	<u>\$ 9,835,962</u>	<u>\$ 3,542,541</u>	<u>\$ 100,706</u>	<u>\$ 1,495,364</u>	<u>(4,649,177)</u>	<u>(48,174)</u>	<u>(4,697,351)</u>	<u>-</u>
Component unit:								
Black Mountain ABC Board	\$ 1,979,849	\$ 2,154,604	\$ -	\$ -	-	-	-	174,755
Total component unit	<u>\$ 1,979,849</u>	<u>\$ 2,154,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,755</u>
General revenues:								
Property taxes, levied for general purposes					4,074,012	-	4,074,012	-
Sales tax					1,637,327	-	1,637,327	-
Unrestricted intergovernmental					844,345	-	844,345	-
Other taxes					44,003	-	44,003	-
Unrestricted investment earnings					91,364	34,010	125,374	580
Miscellaneous					146,382	1,870	148,252	-
Gain on disposal of capital assets					3,463	-	3,463	-
Transfers					(125,000)	125,000	-	-
Total general revenues and transfers					<u>6,715,896</u>	<u>160,880</u>	<u>6,876,776</u>	<u>580</u>
Change in net position					2,066,719	112,706	2,179,425	175,335
Net position, beginning of year, restated					5,600,727	5,815,132	11,415,859	909,132
Net position, end of year					<u>\$ 7,667,446</u>	<u>\$ 5,927,838</u>	<u>\$ 13,595,284</u>	<u>\$ 1,084,467</u>

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	Commerce Park Infrastructure Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,667,994	\$ -	\$ 117,913	\$ 3,785,907
Investments	106,478	-	-	106,478
Taxes receivable, net	2,448	-	-	2,448
Intergovernmental receivable	834,849	560,260	44,925	1,440,034
Restricted cash and cash equivalents	281,293	-	242,796	524,089
Inventories	8,144	-	-	8,144
Prepaid items	58,171	-	-	58,171
Total assets	<u>\$ 4,959,377</u>	<u>\$ 560,260</u>	<u>\$ 405,634</u>	<u>\$ 5,925,271</u>
LIABILITIES				
Accounts payable	\$ 147,309	\$ 124,823	\$ 9,521	\$ 281,653
Deposits payable	158,220	-	-	158,220
Due to other funds	-	377,542	-	377,542
Accrued liabilities	36,436	57,905	-	94,341
Total liabilities	<u>341,965</u>	<u>560,270</u>	<u>9,521</u>	<u>911,756</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,448	-	-	2,448
Unavailable revenue - fees	4,175	-	-	4,175
Unavailable revenue - intergovernmental	-	106,842	-	106,842
Total deferred inflows of resources	<u>6,623</u>	<u>106,842</u>	<u>-</u>	<u>113,465</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	58,171	-	-	58,171
Inventories	8,144	-	-	8,144
Restricted:				
Stabilization by State Statute	822,101	-	-	822,101
Public safety	21,739	-	-	21,739
Powell Bill projects	259,554	-	-	259,554
Capital projects	-	-	278,200	278,200
Assigned for:				
Capital projects	395,000	-	117,913	512,913
Public safety programs	7,356	-	-	7,356
Appropriation in 2020 budget	105,517	-	-	105,517
Public safety retirees	155,201	-	-	155,201
Unassigned	2,778,006	(106,852)	-	2,671,154
Total fund balances	<u>4,610,789</u>	<u>(106,852)</u>	<u>396,113</u>	<u>4,900,050</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,959,377</u>	<u>\$ 560,260</u>	<u>\$ 405,634</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	13,860,830
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	113,465
Net pension liability for the LGERS is not recorded on the fund financial statements.	(1,298,134)
Net OPEB liability is not recorded on the fund financial statements.	(5,425,851)
Total pension liability for the Special Separation Allowance LEO is not recorded on the fund financial statements.	(725,721)
Deferred outflows and inflows of resources related to pensions and OPEB which are not current financial resources and, therefore, not reported in the funds.	(1,225,272)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,531,921)

Net position of governmental activities	\$ 7,667,446
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The accompanying notes are an integral part of these financial statements.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Commerce Park Infrastructure Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 4,077,971	\$ -	\$ -	\$ 4,077,971
Other taxes	1,681,330	-	-	1,681,330
Unrestricted intergovernmental	844,345	-	-	844,345
Restricted intergovernmental	336,163	875,848	247,117	1,459,128
Permits and fees	249,093	-	-	249,093
Sales and services	1,414,946	-	-	1,414,946
Investment earnings	91,364	-	-	91,364
Miscellaneous	133,392	12,990	-	146,382
Total revenues	<u>8,828,604</u>	<u>888,838</u>	<u>247,117</u>	<u>9,964,559</u>
Expenditures				
Current:				
General government	1,188,575	-	-	1,188,575
Public safety	4,664,341	-	-	4,664,341
Transportation	1,113,973	-	-	1,113,973
Environmental protection	760,547	-	-	760,547
Culture and recreation	688,353	-	-	688,353
Capital outlay	-	995,690	153,646	1,149,336
Debt service:				
Principal retirements	176,000	-	-	176,000
Interest	60,989	-	-	60,989
Total expenditures	<u>8,652,778</u>	<u>995,690</u>	<u>153,646</u>	<u>9,802,114</u>
Excess (deficiency) of revenues over expenditures	<u>175,826</u>	<u>(106,852)</u>	<u>93,471</u>	<u>162,445</u>
Other financing sources (uses)				
Transfers in	-	-	80,000	80,000
Transfers out	(205,000)	-	-	(205,000)
Proceeds from sale of capital assets	3,463	-	-	3,463
Issuance of installment note	434,150	-	-	434,150
Total other financing sources (uses)	<u>232,613</u>	<u>-</u>	<u>80,000</u>	<u>312,613</u>
Net change in fund balances	408,439	(106,852)	173,471	475,058
Fund balances, beginning of year	<u>4,202,350</u>	<u>-</u>	<u>222,642</u>	<u>4,424,992</u>
Fund balances, end of year	<u>\$ 4,610,789</u>	<u>\$ (106,852)</u>	<u>\$ 396,113</u>	<u>\$ 4,900,050</u>

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
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, 2019

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

Net change in fund balances - total governmental funds	\$ 475,058
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 outlay exceeded depreciation in the current period.	1,705,124
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	106,249
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, however, has any effect on net position. This amount represents the repayments of the principal of long-term debt.	(258,150)
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.	<u>38,438</u>
Change in net position - governmental activities	<u><u>\$ 2,066,719</u></u>

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget
				Positive (Negative)
Revenues				
Ad valorem taxes	\$ 3,970,000	\$ 3,970,000	\$ 4,077,971	\$ 107,971
Other taxes	1,693,000	1,693,000	1,681,330	(11,670)
Unrestricted intergovernmental	831,000	831,000	844,345	13,345
Restricted intergovernmental	315,000	370,123	336,163	(33,960)
Permits and fees	312,000	312,000	249,093	(62,907)
Sales and services	1,404,250	1,404,250	1,414,946	10,696
Investment earnings	54,100	54,100	91,364	37,264
Miscellaneous	88,500	113,988	133,392	19,404
Total revenues	8,667,850	8,748,461	8,828,604	80,143
Expenditures				
Current:				
General government	1,162,110	1,239,854	1,188,575	51,279
Public safety	4,326,600	4,379,480	4,664,341	(284,861)
Transportation	1,304,500	1,307,267	1,113,973	193,294
Environmental protection	761,700	761,700	760,547	1,153
Culture and recreation	732,200	747,371	688,353	59,018
Debt service:				
Principal retirements	176,000	176,000	176,000	-
Interest	61,000	61,000	60,989	11
Total expenditures	8,524,110	8,672,672	8,652,778	19,894
Excess of revenues over expenditures	143,740	75,789	175,826	100,037
Other financing sources (uses)				
Fund balance appropriation	59,260	352,211	-	(352,211)
Transfers out	(208,000)	(433,000)	(205,000)	228,000
Proceeds from sale of capital assets	5,000	5,000	3,463	(1,537)
Issuance of installment note	-	-	434,150	434,150
Total other financing sources (uses)	(143,740)	(75,789)	232,613	308,402
Net change in fund balances	-	-	408,439	408,439
Fund balances, beginning of year	4,027,350	4,027,350	4,027,350	-
Fund balances, end of year	\$ 4,027,350	\$ 4,027,350	4,435,789	\$ 408,439
Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Capital Reserve Fund:				
Fund balance, beginning of year			175,000	
Fund balance, end of year			\$ 4,610,789	

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2019

	Water Fund	Golf Course Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 961,104	\$ 9,487	\$ 970,591
Restricted cash	158,045	-	158,045
Accounts receivable, net of allowances	211,113	-	211,113
Due from other funds	377,542	-	377,542
Inventories	59,267	6,743	66,010
Total current assets	1,767,071	16,230	1,783,301
CAPITAL ASSETS			
Nondepreciable	640,645	306,130	946,775
Depreciable, net of accumulated depreciation	6,279,826	398,365	6,678,191
Total capital assets	6,920,471	704,495	7,624,966
Total assets	8,687,542	720,725	9,408,267
DEFERRED OUTFLOWS OF RESOURCES			
Pension items	87,562	50,197	137,759
OPEB items	83,024	47,595	130,619
Total deferred outflows of resources	170,586	97,792	268,378
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	60,259	5,544	65,803
Accrued liabilities	14,148	2,467	16,615
Customer deposits	158,045	-	158,045
Unearned memberships	-	35,288	35,288
Installment contracts, current	125,131	-	125,131
Revolving loans payable, current	58,144	-	58,144
Compensated absences payable, current	12,817	12,108	24,925
Total current liabilities	428,544	55,407	483,951
NONCURRENT LIABILITIES			
Installments contracts	1,143,461	-	1,143,461
Revolving loans payable	630,161	-	630,161
Compensated absences payable	12,088	13,904	25,992
Net pension liability	118,680	68,035	186,715
Net OPEB liability	509,719	292,206	801,925
Total noncurrent liabilities	2,414,109	374,145	2,788,254
Total liabilities	2,842,653	429,552	3,272,205
DEFERRED INFLOWS OF RESOURCES			
Pension items	6,107	3,501	9,608
OPEB items	296,830	170,164	466,994
Total deferred inflows of resources	302,937	173,665	476,602
NET POSITION			
Net investment in capital assets	4,963,574	704,495	5,668,069
Unrestricted	748,964	(489,195)	259,769
Total net position	\$ 5,712,538	\$ 215,300	\$ 5,927,838

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Golf Course Fund	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 1,282,366	\$ 450,325	\$ 1,732,691
Other operating income	138,193	4,252	142,445
Total operating revenues	1,420,559	454,577	1,875,136
OPERATING EXPENSES			
Salaries and benefits	409,180	321,554	730,734
General operating expenses	573,275	254,507	827,782
Depreciation	282,666	55,370	338,036
Total operating expenses	1,265,121	631,431	1,896,552
Operating income (loss)	155,438	(176,854)	(21,416)
NON-OPERATING REVENUES (EXPENSES)			
Miscellaneous other revenues	1,870	-	1,870
Interest income	34,010	-	34,010
Interest and fiscal charges	(56,858)	-	(56,858)
Total non-operating revenue (expenses)	(20,978)	-	(20,978)
Income (loss) before transfers and contributions	134,460	(176,854)	(42,394)
Capital contributions	30,100	-	30,100
Transfers in	-	125,000	125,000
Total capital contributions and transfers	30,100	125,000	155,100
Change in net position	164,560	(51,854)	112,706
Net position, beginning of year	5,547,978	267,154	5,815,132
Net position, end of year	\$ 5,712,538	\$ 215,300	\$ 5,927,838

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Golf Course Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,412,467	\$ 450,769	\$ 1,863,236
Payments to suppliers	(536,765)	(256,782)	(793,547)
Payments to employees	(452,104)	(310,500)	(762,604)
Net cash provided by (used in) operating activities	423,598	(116,513)	307,085
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer from other funds	-	125,000	125,000
Interfund loan issued to other funds	(377,542)	-	(377,542)
Other receipts	1,870	-	1,870
Net cash provided by (used in) non-capital financing activities	(375,672)	125,000	(250,672)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(289,032)	-	(289,032)
Principal payments on installment loans	(123,234)	-	(123,234)
Principal payments on notes payable	(58,144)	-	(58,144)
Connection fees	30,100	-	30,100
Interest paid	(56,858)	-	(56,858)
Net cash used in capital and related financing activities	(497,168)	-	(497,168)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	34,010	-	34,010
Net cash provided by investing activities	34,010	-	34,010
Net increase (decrease) in cash and cash equivalents	(415,232)	8,487	(406,745)
Cash and cash equivalents, beginning of year	1,534,381	1,000	1,535,381
Cash and cash equivalents, end of year	\$ 1,119,149	\$ 9,487	\$ 1,128,636
CASH AND CASH EQUIVALENTS AS REPORTED ON STATEMENT OF NET POSITION			
Cash and cash equivalents	\$ 961,104	\$ 9,487	\$ 970,591
Restricted cash	158,045	-	158,045
Total cash and cash equivalents	\$ 1,119,149	\$ 9,487	\$ 1,128,636

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Golf Course Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 155,438	\$ (176,854)	\$ (21,416)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	282,666	55,370	338,036
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Increase in accounts receivable	(23,347)	-	(23,347)
(Increase) decrease in inventories	(4,741)	3,010	(1,731)
Increase in deferred outflows of resources	(7,763)	(10,241)	(18,004)
Increase (decrease) in accounts payable	41,251	(5,285)	35,966
Increase in accrued liabilities	2,664	2,467	5,131
Increase (decrease) in customer deposits	15,255	(3,808)	11,447
Increase (decrease) in compensated absences payable	(10,240)	555	(9,685)
Increase in deferred inflows of resources	72,036	49,504	121,540
Increase in net pension liability	36,432	23,809	60,241
Decrease in net OPEB liability	(136,053)	(55,040)	(191,093)
Net cash provided by (used in) operating activities	<u>\$ 423,598</u>	<u>\$ (116,513)</u>	<u>\$ 307,085</u>

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 102,959
Accounts receivable	187,227
Total assets	<u>\$ 290,186</u>
LIABILITIES	
Due to Metropolitan Sewerage	\$ 290,186
Total liabilities	<u>\$ 290,186</u>

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Black Mountain, North Carolina (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

A. Reporting Entity

Incorporated in 1893, under the laws of the State of North Carolina, the Town of Black Mountain, North Carolina is governed by an elected mayor and a five-member board of aldermen. The government provides such services as police protection, cultural and recreational activities, transportation, water services, and operates a municipal golf course.

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 a discretely presented component unit. 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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town’s capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Commerce Park Infrastructure Improvement Fund** accounts for state and local grants used to fund the infrastructure improvements for the economic development of Commerce Park.

The Town reports the following major enterprise funds:

The **Water Fund** accounts for the operation, maintenance and development of the Town's water system and services.

The **Golf Fund** accounts for the operation and maintenance of the Town's municipal golf course.

Additionally, the Town reports the following fund types:

The **capital projects fund** accounts for financial resources to be used for the acquisition and construction of major capital projects.

The **Agency Fund** is 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 Fund, which accounts for sewer fees billed on behalf of the Metropolitan Sewerage District.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which did not conflict with or contradict GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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. 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 enterprise funds include the cost of these goods 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.

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the five capital project funds for which project length budgets were adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise fund capital project funds are consolidated with their respective operating fund for reporting purposes. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as another financing source for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2019, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. The Town pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

State law [G.S. 159-30(c)] authorizes the Town 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 investments are reported at fair value, while non-participating interest earning contracts (including certificates of deposit) are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio's is a bond fund, has no rating and securities are valued at fair value.

F. Restricted cash and cash equivalents

The Town has restricted cash and cash equivalents related to the Powell Bill because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The General Fund also reports restricted cash for the portion of forfeited assets restricted for use in public safety functions. The Town also reports restricted cash accounts for the portion of restricted grant funding which was received, but has not been expended as of the end of the year.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allowances

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.

I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as “internal balances.”

J. Inventories and Prepaid Items

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items in both government-wide and fund financial statements.

K. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at estimated acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. In accordance with GASB 34, infrastructure assets acquired prior to July 1, 2003 have been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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

Buildings	50 years
Water distribution system	30 years
Building and land improvements	15 years
Furniture and fixtures	5-10 years
Vehicles	5-20 years
Equipment	3-10 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town reports several deferred outflows related to the pension plans and the OPEB plan, one type of deferred outflow of resources being recognized is a deferred outflow of resources for the Town's actual contributions to the respective plan during the fiscal year ended June 30, 2019, which was subsequent to the measurement date of the net pension liability and net OPEB liability. The deferred outflows will be applied to future measurement periods. The Town has four (4) other items that qualify for reporting in this category which occurs in the governmental activities and in the individual proprietary funds. The Town reports deferred outflows of resources for the: (1) difference between expected and actual experience of the pension plan and OPEB plan, (2) net difference between projected and actual investment earnings on the pension plan assets, (3) changes in proportion and the difference between the Town's actual contributions towards the pension plan and the Town's proportionate share of contributions, and (4) changes in pension plan assumptions. The net difference between projected and actual investment earnings on the pension plan assets are amortized over five (5) years, while the remaining deferred outflows of resources will be amortized over the remaining service period of plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three (3) items that qualify for reporting in this category which occurs in the governmental activities and in the individual proprietary funds. The Town reports deferred inflows of resources for the: (1) difference between expected and actual experience of the pension and OPEB plans, (2) changes in proportion and the difference between the Town's actual contributions towards the pension plan and the Town's proportionate share of contributions, and (3) changes in OPEB and pension plan assumptions. The deferred inflows of resources will be amortized over the remaining service period of plan members. Additionally, the Town reports one (1) item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the sales of cemetery plots which are sold on payment plans and the receipts are not collected within the Town's revenue recognition window and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

M. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. 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. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (*G.S. 159-8(a)*) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the Town Council. Approval of a resolution after a formal vote of the Town Council is required to establish a commitment of fund balance. Similarly, the Town Council may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Assigned – Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town Council, through Town Ordinance, has expressly delegated to the Town Manager or his/her designee, the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. The Town, by resolution, has created a minimum fund balance policy to be no less than 30% of the previous fiscal year’s actual expenditures and outgoing transfers, in order to maintain adequate reserves to cover unforeseen revenue shortfalls and to maintain a budget stabilization commitment.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Pensions

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 Governmental Employees’ Retirement System (LGERs) and additions to/deductions from LGERs’ fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB Plans, and OPEB expense, information about the fiduciary net position of the State's Retiree Health Benefit Fund (RHBF) and additions to/deductions from RHBF's fiduciary net position have been determined on the same basis as they are reported by RHBF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,531,921 difference are as follows:

Installment notes	\$ (2,142,150)
Accrued interest payable	(30,062)
Compensated absences (i.e., vacation)	<u>(359,709)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (2,531,921)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$1,705,124 are as follows:

Capital outlay	\$ 2,224,928
Depreciation expense	<u>(519,804)</u>

Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ 1,705,124</u></u>
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Another element of the reconciliation states that “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, however, has any effect on net position. This amount represents the repayments of the principal of long-term debt.” The details of this \$258,150 difference are as follows:

Issuance of installment notes	\$ (434,150)
Principal payment on installment notes	<u>176,000</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (258,150)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “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.” The details of this \$38,438 difference are as follows:

Compensated absences (i.e., vacation)	\$ (24,411)
Change in accrued interest	(5,403)
Net pension liability - LGERS and related deferred outflows and inflows of resources	(89,955)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(8,942)
Net OPEB liability - and related deferred outflows and inflows of resources	<u>167,149</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 38,438</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance. The Commerce Park Infrastructure Improvement Fund is reporting a deficit fund balance of (\$106,852) as of June 30, 2019. This shortfall will be recouped in future years through the future recognition of accrued intergovernmental revenues which are considered unavailable as of June 30, 2019.

Expenditures in Excess of Approved Budgets. The General Fund’s police department reported actual expenditures in excess of the final approved budget of \$404,338 as of June 30, 2019. These over expended funds were offset with the capital lease financing utilized in the fiscal year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2019 are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 4,756,498
Restricted cash and cash equivalents	682,134
Investments	106,478
Statement of Fiduciary Net Position - Cash and cash equivalents	102,959
	<u>\$ 5,648,069</u>
Cash deposited with financial institutions	\$ 685,699
Cash deposited with NCCMT	4,962,370
	<u>\$ 5,648,069</u>

Credit risk. State statutes and the Town's policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town's investments. 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, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated.

As of June 30, 2019 the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value June 30, 2019</u>	<u>Duration</u>	<u>Rating</u>
North Carolina Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 1,184,407	N/A	AAAM
North Carolina Capital Management Trust Term Portfolio	Fair Value Level 1	3,777,963	.11 years	Unrated
		<u>\$ 4,962,370</u>		
Certificate of deposit	Cost	106,478	12 months	Unrated
		<u>\$ 5,068,848</u>		

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 securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the Town's deposits are insured or collateralized as required by state law.

NOTE 5. RECEIVABLES

Receivables at June 30, 2019, for the Town's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Commerce Park Infrastructure Improvements	Water	Other Governmental
Receivables:				
Taxes	\$ 10,809	\$ -	\$ -	\$ -
Intergovernmental	834,849	560,260	-	44,925
Accounts	-	-	280,187	-
Less allowance for uncollectibles	8,361	-	69,074	-
Net total receivables	<u>\$ 837,297</u>	<u>\$ 560,260</u>	<u>\$ 211,113</u>	<u>\$ 44,925</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2019 is as follows:

	Beginning Balance Restated	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 3,950,062	\$ -	\$ -	\$ 3,950,062
Construction in progress	405,127	1,153,081	-	1,558,208
Total	<u>4,355,189</u>	<u>1,153,081</u>	<u>-</u>	<u>5,508,270</u>
Capital assets, being depreciated:				
Buildings	6,203,056	172,250	-	6,375,306
Land improvements	3,847,397	109,007	-	3,956,404
Furniture and fixtures	254,491	-	-	254,491
Equipment	1,019,737	554,389	-	1,574,126
Vehicles	3,377,247	236,201	(42,437)	3,571,011
Total	<u>14,701,928</u>	<u>1,071,847</u>	<u>(42,437)</u>	<u>15,731,338</u>
Less accumulated depreciation for:				
Buildings	(1,977,019)	(142,961)	-	(2,119,980)
Land improvements	(1,466,913)	(194,325)	-	(1,661,238)
Furniture and fixtures	(228,319)	(6,198)	-	(234,517)
Equipment	(849,441)	(47,892)	-	(897,333)
Vehicles	(2,379,719)	(128,428)	42,437	(2,465,710)
Total	<u>(6,901,411)</u>	<u>(519,804)</u>	<u>42,437</u>	<u>(7,378,778)</u>
Total capital assets being depreciated, net	<u>7,800,517</u>	<u>552,043</u>	<u>-</u>	<u>8,352,560</u>
Governmental activities capital assets, net	<u>\$ 12,155,706</u>	<u>\$ 1,705,124</u>	<u>\$ -</u>	<u>\$ 13,860,830</u>

The beginning balance for the vehicle accumulated depreciation was restated to correct an error in the depreciation on a fire truck put into service in the prior fiscal year. See Note 13 for more information.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 640,645	\$ -	\$ -	\$ 640,645
Total	<u>640,645</u>	<u>-</u>	<u>-</u>	<u>640,645</u>
Capital assets, being depreciated:				
Land improvements	3,583,383	-	-	3,583,383
Water distribution system	6,111,255	142,978	-	6,254,233
Buildings	548,160	108,320	-	656,480
Equipment	489,951	-	-	489,951
Vehicles	253,130	37,734	-	290,864
Total	<u>10,985,879</u>	<u>289,032</u>	<u>-</u>	<u>11,274,911</u>
Less accumulated depreciation for:				
Land improvements	(1,091,718)	(94,064)	-	(1,185,782)
Water distribution system	(3,227,213)	(138,917)	-	(3,366,130)
Buildings	(7,902)	(13,557)	-	(21,459)
Equipment	(231,632)	(21,744)	-	(253,376)
Vehicles	(153,954)	(14,384)	-	(168,338)
Total	<u>(4,712,419)</u>	<u>(282,666)</u>	<u>-</u>	<u>(4,995,085)</u>
Total capital assets being depreciated, net	<u>6,273,460</u>	<u>6,366</u>	<u>-</u>	<u>6,279,826</u>
Water Fund capital assets, net	<u>\$ 6,914,105</u>	<u>\$ 6,366</u>	<u>\$ -</u>	<u>\$ 6,920,471</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Golf Fund:				
Capital assets not being depreciated:				
Land	\$ 306,130	\$ -	\$ -	\$ 306,130
Total	<u>306,130</u>	<u>-</u>	<u>-</u>	<u>306,130</u>
Capital assets, being depreciated:				
Land improvements	834,766	-	-	834,766
Buildings	484,523	-	-	484,523
Furniture and fixtures	18,172	-	-	18,172
Equipment	234,695	-	-	234,695
Vehicles and motorized equipment	295,927	-	-	295,927
Total	<u>1,868,083</u>	<u>-</u>	<u>-</u>	<u>1,868,083</u>
Less accumulated depreciation for:				
Land improvements	(799,364)	(1,718)	-	(801,082)
Buildings	(206,786)	(8,917)	-	(215,703)
Furniture and fixtures	(15,395)	(709)	-	(16,104)
Equipment	(136,276)	(4,626)	-	(140,902)
Vehicles and motorized equipment	(256,527)	(39,400)	-	(295,927)
Total	<u>(1,414,348)</u>	<u>(55,370)</u>	<u>-</u>	<u>(1,469,718)</u>
Total capital assets being depreciated, net	<u>453,735</u>	<u>(55,370)</u>	<u>-</u>	<u>398,365</u>
Golf Fund capital assets, net	<u>\$ 759,865</u>	<u>\$ (55,370)</u>	<u>\$ -</u>	<u>\$ 704,495</u>

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

Governmental activities:	
General government	\$ 27,789
Public safety	145,607
Transportation	133,106
Environmental protection	130,387
Culture and recreation	<u>82,915</u>
Total depreciation expense - governmental activities	<u>\$ 519,804</u>
Business-type activities	
Water	\$ 282,666
Golf	<u>55,370</u>
Total depreciation expense - business-type activities	<u>\$ 338,036</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment notes - direct borrowing	\$ 1,884,000	\$ 434,150	\$ (176,000)	\$ 2,142,150	\$ 326,977
Compensated absences	335,298	186,958	(162,547)	359,709	162,547
Net pension liability (LGERS)	842,255	734,894	(279,015)	1,298,134	-
Law enforcement officers' SSA total pension liability	680,380	127,904	(82,563)	725,721	-
Net OPEB liability	6,613,016	120,442	(1,307,607)	5,425,851	-
Governmental activity Long-term liabilities	<u>\$ 10,354,949</u>	<u>\$ 1,604,348</u>	<u>\$ (2,007,732)</u>	<u>\$ 9,951,565</u>	<u>\$ 489,524</u>
Business-type activities:					
Installment notes - direct borrowing	\$ 1,391,826	\$ -	\$ (123,234)	\$ 1,268,592	\$ 125,131
Revolving loans - direct borrowing	746,449	-	(58,144)	688,305	58,144
Net pension liability (LGERS)	126,474	101,381	(41,140)	186,715	-
Net OPEB liability	993,018	18,316	(209,409)	801,925	-
Compensated absences	60,602	15,240	(24,925)	50,917	24,925
Business-type activity Long-term liabilities	<u>\$ 3,318,369</u>	<u>\$ 134,937</u>	<u>\$ (456,852)</u>	<u>\$ 2,996,454</u>	<u>\$ 208,200</u>

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability (LGERS), total pension liability (LEOSSA), and net OPEB liability are liquidated by the General Fund. The compensated absences for the business-type activities are liquidated by the respective fund carrying the liability. For the business-type activities, the compensated absences, the net pension liability (LGERS) and net OPEB liability are liquidated by the Water Fund and Golf Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Notes

The Town has various direct borrowing installment notes outstanding for buildings, equipment, and vehicle financing arrangements. The outstanding notes from direct borrowings include a provision that in an event of default, outstanding amounts become immediately due and payable if the Town is unable to make payments. The notes issued below are all secured by the underlying equipment or improvements acquired through the financing. The outstanding balances for the notes as of June 30, 2019 are as follows:

	Balance as of June 30, 2019
<i>Governmental activities</i>	
A note issued for \$434,150 was issued in April, 2019 with annual payments of \$150,977, including interest, for acquisition of communication equipment for the police department. The note bears an interest rate of 4.39% and matures in 2022.	\$ 434,150
A note issued for \$2,100,000 was issued in June 2012 with annual payments of \$126,000, plus interest, for the acquisition and construction of the Town Hall. The note bears an interest rate of 3.07% and matures in 2027.	1,008,000
A note issued for \$750,000 was issued in February 2018 with annual payments of \$50,000, plus interest, for the acquisition recreation equipment and community development projects. The note bears an interest rate of 3.49% and matures in 2033.	700,000
Total outstanding installment notes payable	<u>\$ 2,142,150</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Notes (Continued)

The debt service to maturity on the installment notes is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2020	\$ 326,977	\$ 55,376	\$ 382,353
2021	314,545	62,194	376,739
2022	320,628	50,498	371,126
2023	176,000	38,536	214,536
2024	176,000	32,923	208,923
2025-2029	628,000	84,284	712,284
2030-2033	200,000	17,450	217,450
Total	<u>\$ 2,142,150</u>	<u>\$ 341,261</u>	<u>\$ 2,483,411</u>

Business-type activities

A note issued for \$782,795 was issued in June 2016 with annual payments of \$89,858 for the refinancing of a water revolving loan. The note bears an interest rate of 2.59% and matures in 2026.

Balance as of
June 30, 2019

\$ 568,592

A note issued for \$750,000 was issued in February 2018 with annual payments of \$50,000, plus interest, for water system improvement projects. The note bears an interest rate of 3.49% and matures in 2033.

700,000

Total outstanding installment notes payable \$ 1,268,592

The debt service to maturity on the installment notes is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2020	\$ 125,131	\$ 39,157	\$ 164,288
2021	127,077	35,466	162,543
2022	129,073	31,724	160,797
2023	131,121	27,931	159,052
2024	133,222	24,085	157,307
2025-2029	422,968	67,823	490,791
2030-2033	200,000	17,450	217,450
Total	<u>\$ 1,268,592</u>	<u>\$ 243,636</u>	<u>\$ 1,512,228</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revolving Loans

In June 2010, the Town issued \$974,345 of direct borrowing Clean Water Drink Revolving Loans from the North Carolina Department of Environmental Quality for water system improvements. Principal installments are due annually on May 1 with semiannual interest payments due on November 1 and May 1. The loan is secured with pledged revenues from the water system. The loan bears an interest rate of 2.22%. At June 30, 2019, \$584,607 of the loan was outstanding. The loan matures in 2031.

In June 2011, the Town issued \$188,542 of direct borrowing Clean Water Drink Revolving Loans from the North Carolina Department of Environmental Quality for wastewater system improvements. Principal installments are due annually on May 1. The loan is secured with pledged revenues from the water system. The loan bears a zero percent interest rate. At June 30, 2019, \$103,698 of the loan was outstanding. The loan matures in 2030.

The debt service to maturity on the revolving loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2020	\$ 58,144	\$ 12,978	\$ 71,122
2021	58,144	11,897	70,041
2022	58,144	10,851	68,995
2023	58,144	9,734	67,878
2024	58,144	8,652	66,796
2025-2029	290,722	27,038	317,760
2030-2031	106,863	3,245	110,108
Total	<u>\$ 688,305</u>	<u>\$ 84,395</u>	<u>\$ 772,700</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Commerce Park Infrastructure Improvement Fund	\$ 377,542

These balances relate to the timing of short-term cash loans between the funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 80,000
Golf Fund	General Fund	\$ 125,000

Transfers are used to move revenues from the (1) General Fund for grant matching purposes, and (2) General Fund to support the operations of the golf course.

NOTE 9. PENSION PLANS

The Town of Black Mountain participates in two defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS) and the Law Enforcement Officers Special Separation Allowance (LEOSSA). Only the LGERS is funded with a qualifying trust and accounted for by the Town under GASB Statement No. 68. The LEOSSA is reported in accordance with GASB Statement No. 73. The net pension liability, total pension liability, and related deferred outflows of resources and deferred inflows of resources for the LGERS and LEOSSA are summarized as follows:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Net pension liability	\$ 1,484,849	\$ -	\$ 1,484,849
Total pension liability	-	725,721	725,721
Pension expense	389,034	67,586	456,620
Deferred outflows of resources	1,115,228	152,272	1,267,500
Deferred inflows of resources	76,411	26,305	102,716

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$285,191 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$1,484,849 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the Town's proportion was 0.06259%, which was an decrease of 0.00082% from its proportion measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$389,034. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 229,077	\$ 7,686
Changes in plan assumptions	394,022	-
Net difference between projected and actual earnings on pension plan investments	203,826	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,112	68,725
Town contributions subsequent to the measurement date	285,191	-
Total	<u>\$ 1,115,228</u>	<u>\$ 76,411</u>

Town contributions made subsequent to the measurement date of \$285,191 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2020	\$ 372,207
2021	235,841
2022	33,937
2023	111,641
	<u>\$ 753,626</u>

Actuarial Assumptions. The total pension liability as of June 30, 2018 was determined by the December 31, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 - 8.10%, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%, which was a decrease from the rate of 7.20% used in the prior year. 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 liability to changes in the discount rate.

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 3,566,736	\$ 1,484,849	\$ (254,808)

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 of Black Mountain administers a public employee retirement system (the "Separation Allowance"), an single employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .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. A separate report is not issued for the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
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 meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 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 productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index. The current year rate of 3.64 is a change from the prior year rate of 3.16%

Mortality Rate. Deaths After Retirement (Healthy): Mortality rates are based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The RP-2014 annuitant tables have no rates prior to age 50. The RP-2014 Total Data Set Employee Mortality Table is used for ages less than 50.

Deaths After Retirement (Disabled): Mortality rates are based on the RP-2014 Total Data Set for Disabled Annuitants Mortality Table. Rates for male members are multiplied by 103% for all ages. Rates for female members are multiplied by 99% for all ages.

Deaths Before Retirement: Mortality rates are based on the RP-2014 Total Data Set Employee Mortality Table.

Mortality Projection: All mortality rates are projected from 2014 using generational improvement with Scale MP-2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$58,644 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, 2019, the Town reported a total pension liability of \$725,721. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$67,586.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience differences	\$ 101,809	\$ -
Change in assumptions	21,141	26,305
Town benefit payments made subsequent to the measurement date.	29,322	-
Total	<u>\$ 152,272</u>	<u>\$ 26,305</u>

The town reported \$29,322 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2020	\$ 24,172
2021	24,172
2022	24,172
2023	19,333
2024	4,796
	<u>\$ 96,645</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2019 were as follows:

	Total Pension Liability
Balance at June 30, 2018	\$ 680,380
Service Cost	22,841
Interest	20,573
Experience differences	84,490
Assumption changes	(23,919)
Benefit payments	(58,644)
Balance at June 30, 2019	<u>\$ 725,721</u>

The required schedule of changes in the Town's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 776,589	\$ 725,721	\$ 678,749

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Supplemental Retirement Income Plan for Law Enforcement Officers

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 employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 consisted of \$45,351 from the Town.

D. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement income Plan, a defined contribution pension plan as described previously. The Plan is a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town contributes each month an amount equal to 3% of each employee's salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 consisted of \$129,490 from the Town.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT 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. The Town participates in the RHBF.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 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 postretirement 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 6.5% of covered payroll which amounted to \$225,443. Active employees are not required to contribute to the RHBF.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 the Town reported a liability of \$6,227,776 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.02186%, which was a decrease from the prior year proportion by 0.00134%.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2019, Town recognized OPEB expense of \$17,091. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 425,883
Changes in assumptions	-	2,698,016
Net difference between projected and actual earnings on OPEB plan investments	670	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	802,297	502,791
Contributions paid subsequent to measurement date	225,443	-
Total	<u>\$ 1,028,410</u>	<u>\$ 3,626,690</u>

The amount reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, of \$225,443, will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2020	\$ (624,275)
2021	(624,275)
2022	(624,275)
2023	(623,609)
2024	(327,289)
Total	<u>\$ (2,823,723)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions. The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of December 31, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Discount Rate:	3.87%
Long-term expected rate of return on OPEB investments	7.00%, net of investment expenses, including inflation
Healthcare Cost Trend Rate:	6.50% - 5.00%, Ultimate Trend in 2024 (Pre-Medicare) 5.00% (Medicare)
Inflation Rate:	3.00%
Salary increase:	3.50% to 7.55% (Teachers), including inflation 3.50% to 8.10% (Law Enforcement), including inflation 3.50% to 5.50% (General Employees), including inflation
Participation rate:	100%

Mortality rates were based on the RP-2014 Employee table without adjustment.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study which covered the period from January 1, 2010 through December 31, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.87%. 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 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018. This is a change from the prior year's rate of 3.58%.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 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 (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Net OPEB liability	\$ 7,358,180	\$ 6,227,776	\$ 5,321,636

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 healthcare trend rate that is 1-percentage-point lower (5.50% decreasing to 4.00%) or 1-percentage point higher (7.50% decreasing to 6.00%) than the current discount rate:

	<u>1% Decrease (5.5% to 4.0%)</u>	<u>Current (6.5% to 5.0%)</u>	<u>1% increase (7.5% to 6.0%)</u>
Net OPEB liability	\$ 5,137,753	\$ 6,227,776	\$ 7,658,762

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.

NOTE 11. 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 in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grant Contingencies:

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

Construction Commitments:

The Town has entered into construction commitments for various Town projects including sewer improvement, civic center improvements and general repair contracts with outstanding construction commitments of \$600,321 as of June 30, 2019.

NOTE 13. RESTATEMENTS

The Town has determined a restatement to beginning net position was required in the Town's governmental activities for an error in the calculation of the depreciation expense on a fire truck put into service in the prior year. The effect of the restatement resulted in a change to beginning net position of the governmental activities as follows:

	Governmental Activities
Net Position, governmental activities, as previously reported	\$ 5,515,964
Restatement for over depreciated fire vehicle put in service in prior year	84,763
Net Position, governmental activities, as restated	<u>\$ 5,600,727</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY JUNE 30, 2019

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018	2017
Total pension liability, beginning balance	\$ 680,380	\$ 617,615	\$ 622,334
Service Cost	22,841	18,731	22,710
Interest on the total pension liability	20,573	22,626	21,577
Difference between expected and actual experience	84,490	51,299	-
Changes of assumptions or other inputs	(23,919)	32,985	(13,136)
Benefit payments	(58,644)	(62,876)	(35,870)
Total pension liability, ending balance	<u>\$ 725,721</u>	<u>\$ 680,380</u>	<u>\$ 617,615</u>

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL LAST THREE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 725,721	\$ 680,380	\$ 617,615
Town's covered-employee payroll	\$ 841,967	\$ 793,755	\$ 870,676
Total pension liability as a percentage of covered-employee payroll	86.19%	85.72%	70.94%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF BLACK MOUNTAIN'S PROPORTIONATE SHARE OF NET
PENSION LIABILITY (ASSET) LAST SIX FISCAL YEARS***

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.06259%	0.06341%	0.06118%	0.06448%	-0.05754%	0.05840%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,484,849	\$ 968,729	\$ 1,298,446	\$ 289,384	\$ (339,399)	\$ 703,944
Town's covered payroll	\$ 3,519,343	\$ 3,481,154	\$ 3,231,703	\$ 3,130,403	\$ 2,985,663	\$ 2,796,230
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.19%	27.83%	40.18%	9.24%	(11.37%)	25.17%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	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.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN OF BLACK MOUNTAIN'S CONTRIBUTIONS LAST SIX FISCAL YEARS

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 285,191	\$ 267,003	\$ 253,360	\$ 219,788	\$ 217,328	\$ 212,607
Contributions in relation to the contractually required contribution	285,191	267,003	253,360	219,788	217,328	212,607
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154	\$ 3,231,703	\$ 3,130,403	\$ 2,985,663
Contributions as a percentage of covered payroll	7.91%	7.59%	7.28%	6.80%	6.94%	7.12%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION TOWN OF BLACK MOUNTAIN'S PROPORTIONATE SHARE OF NET OPEB LIABILITY LAST THREE FISCAL YEARS*

RETIREE HEALTH BENEFIT FUND

	2019	2018	2017
Town's proportion of the net OPEB liability (%)	0.02186%	0.02320%	0.02039%
Town's proportion of the net OPEB liability (\$)	\$ 6,227,776	\$ 7,606,034	\$ 8,868,324
Town's covered payroll	\$ 3,519,343	\$ 3,481,154	\$ 3,231,703
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	176.96%	218.49%	274.42%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	3.52%	2.41%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

RETIREE HEALTH BENEFIT FUND

	2019	2018	2017
Contractually required contribution	\$ 225,443	\$ 211,619	\$ 199,971
Contributions in relation to the contractually required contribution	225,443	211,619	199,971
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154
Contributions as a percentage of covered payroll	6.25%	6.01%	5.74%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Local Government Employers' Retirement System

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2018 reported in that schedule:

Valuation date	December 31, 2017
Actuarial cost method	Entry Age Method
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Assets return in excess of or less than the expected return on market value of assets reflected over a five-year period and not less than 80% of market value)
Inflation rate	3.00%
Salary increases	3.50 - 8.10%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Fund

Watershed Restoration Capital Project Fund – To account for the capital improvements which are funded primarily through grants.

Riverwalk Greenway Capital Project Fund – To account for the capital improvements which are funded primarily through grants.

Tomahawk Stream Capital Project Fund – To account for the capital improvements which are funded primarily through grants.

Veteran's Park Improvement Capital Project Fund – To account for the capital improvements which are funded primarily through grants.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

ASSETS	Capital Project Funds				Total Nonmajor Governmental Funds
	Watershed Restoration Capital Project Fund	Riverwalk Greenway Capital Project Fund	Tomahawk Stream Capital Project Fund	Veteran's Park Improvements Capital Project Fund	
Cash and cash equivalents	\$ -	\$ 80,000	\$ 35,000	\$ 2,913	\$ 117,913
Due from other governments	-	44,925	-	-	44,925
Restricted cash and cash equivalents	6,703	236,093	-	-	242,796
Total assets	<u>\$ 6,703</u>	<u>\$ 361,018</u>	<u>\$ 35,000</u>	<u>\$ 2,913</u>	<u>\$ 405,634</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 9,521	\$ -	\$ -	\$ 9,521
Total liabilities	-	9,521	-	-	9,521
FUND BALANCES					
Restricted:					
Capital projects	6,703	271,497	-	-	278,200
Assigned for capital projects	-	80,000	35,000	2,913	117,913
Total fund balances	<u>6,703</u>	<u>351,497</u>	<u>35,000</u>	<u>2,913</u>	<u>396,113</u>
Total liabilities and fund balances	<u>\$ 6,703</u>	<u>\$ 361,018</u>	<u>\$ 35,000</u>	<u>\$ 2,913</u>	<u>\$ 405,634</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	Capital Project Funds				Total
	Watershed Restoration Capital Project Fund	Riverwalk Greenway Capital Project Fund	Tomahawk Stream Capital Project Fund	Veteran's Park Improvements Capital Project Fund	Nonmajor Governmental Funds
REVENUES					
Intergovernmental	\$ 26,399	\$ 220,718	\$ -	\$ -	\$ 247,117
Total revenues	26,399	220,718	-	-	247,117
EXPENDITURES					
Capital outlay	43,999	109,647	-	-	153,646
Total expenditures	43,999	109,647	-	-	153,646
Excess (deficiency) of revenues over expenditures	(17,600)	111,071	-	-	93,471
OTHER FINANCING SOURCES					
Transfers in	-	80,000	-	-	80,000
Total other financing sources	-	80,000	-	-	80,000
Net change in fund balances	(17,600)	191,071	-	-	173,471
FUND BALANCES, beginning of year	24,303	160,426	35,000	2,913	222,642
FUND BALANCES, end of year	\$ 6,703	\$ 351,497	\$ 35,000	\$ 2,913	\$ 396,113

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 3,750,000	\$ 3,750,000	\$ 3,843,188	\$ 93,188
Prior year	-	-	4,872	4,872
DMV taxes	210,000	210,000	221,034	11,034
Penalties and interest	10,000	10,000	8,877	(1,123)
Total ad valorem taxes	3,970,000	3,970,000	4,077,971	107,971
Other taxes and licenses:				
Local option sales taxes	1,651,000	1,651,000	1,637,327	(13,673)
Business registration fees	8,000	8,000	9,015	1,015
Rental taxes	2,000	2,000	1,803	(197)
Automobile licenses	32,000	32,000	33,185	1,185
Total other taxes and licenses	1,693,000	1,693,000	1,681,330	(11,670)
Unrestricted intergovernmental:				
Utilities sales tax	490,000	490,000	488,808	(1,192)
Beer and wine tax	38,000	38,000	36,602	(1,398)
Telecommunications tax	70,000	70,000	55,271	(14,729)
Piped natural gas sales tax	20,000	20,000	22,542	2,542
NC fire tax	20,000	20,000	20,999	999
ABC profit distribution	54,000	54,000	91,500	37,500
Video franchise fees	125,000	125,000	113,890	(11,110)
Solid waste disposal tax	5,500	5,500	5,881	381
Controlled substances tax	8,500	8,500	8,852	352
Total unrestricted intergovernmental	831,000	831,000	844,345	13,345
Restricted intergovernmental:				
Powell Bill allocation	235,000	235,000	235,457	457
ABC revenue for law enforcement	15,000	15,000	16,385	1,385
Federal grants	-	27,123	26,427	(696)
State and local grants	65,000	93,000	57,894	(35,106)
Total restricted intergovernmental	315,000	370,123	336,163	(33,960)
Permits and fees:				
Building and zoning permits	311,000	311,000	248,383	(62,617)
Court costs and fees	1,000	1,000	710	(290)
Total permits and fees	312,000	312,000	249,093	(62,907)
Sales and service:				
Rents	84,500	84,500	91,217	6,717
Fire protection charges	1,155,000	1,155,000	1,178,813	23,813
Recreation admissions and concessions	164,750	164,750	144,916	(19,834)
Total sales and service	1,404,250	1,404,250	1,414,946	10,696
Investment earnings	54,100	54,100	91,364	37,264
Miscellaneous	88,500	113,988	133,392	19,404
Total revenues	8,667,850	8,748,461	8,828,604	80,143

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Operating expenditures	122,200	136,200	135,546	654
Total	122,200	136,200	135,546	654
Administration:				
Salaries and employee benefits	436,155	437,385	411,297	26,088
Operating expenditures	185,700	198,214	201,692	(3,478)
Capital outlay	27,000	27,000	13,745	13,255
Total	648,855	662,599	626,734	35,865
Public Buildings:				
Operating expenditures	351,055	351,055	345,928	5,127
Capital outlay	40,000	90,000	80,367	9,633
Total	391,055	441,055	426,295	14,760
Total general government	1,162,110	1,239,854	1,188,575	51,279
Public Safety:				
Police:				
Salaries and employee benefits	1,631,400	1,637,548	1,636,257	1,291
Operating expenditures	233,100	275,462	265,810	9,652
Capital outlay	177,500	210,000	625,281	(415,281)
Total	2,042,000	2,123,010	2,527,348	(404,338)
Fire Department:				
Salaries and employee benefits	1,509,800	1,514,718	1,434,395	80,323
Operating expenditures	200,300	200,300	232,464	(32,164)
Capital Outlay	100,000	-	15,008	(15,008)
Total	1,810,100	1,715,018	1,681,867	33,151
Inspections:				
Salaries and employee benefits	315,100	305,715	301,218	4,497
Operating expenditures	65,900	114,000	112,970	1,030
Capital Outlay	93,500	121,737	40,938	80,799
Total	474,500	541,452	455,126	86,326
Total public safety	4,326,600	4,379,480	4,664,341	(284,861)

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Public Works:				
Garage:				
Salaries and employee benefits	220,700	221,315	224,752	(3,437)
Operating expenditures	32,700	32,700	28,979	3,721
Total	253,400	254,015	253,731	284
Street Repair and Construction:				
Salaries and employee benefits	355,600	357,752	333,644	24,108
Operating expenditures	429,500	429,500	382,501	46,999
Capital Outlay	266,000	266,000	144,097	121,903
Total	1,051,100	1,053,252	860,242	193,010
Total public works	1,304,500	1,307,267	1,113,973	193,294
Environmental Protection:				
Operating expenditures	8,700	8,700	2,074	6,626
Contracted services	621,000	621,000	624,716	(3,716)
Tipping fees	132,000	132,000	133,757	(1,757)
Total environmental protection	761,700	761,700	760,547	1,153
Culture and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	493,400	469,671	416,901	52,770
Operating expenditures	183,800	192,200	179,690	12,510
Capital Outlay	55,000	85,500	91,762	(6,262)
Total culture and recreation	732,200	747,371	688,353	59,018
Debt Service:				
Principal	176,000	176,000	176,000	-
Interest	61,000	61,000	60,989	11
Total debt service	237,000	237,000	236,989	11
Total expenditures	8,524,110	8,672,672	8,652,778	19,894
Excess of revenues over expenditures	143,740	75,789	175,826	100,037
Other financing sources (uses)				
Fund balance appropriation	59,260	352,211	-	(352,211)
Transfers out	(208,000)	(433,000)	(425,000)	8,000
Proceeds from sale of capital assets	5,000	5,000	3,463	(1,537)
Issuance of note payable	-	-	434,150	434,150
Total other financing sources (uses)	(143,740)	(75,789)	12,613	88,402
Net change in fund balances	\$ -	\$ -	188,439	\$ 188,439
Fund balance, beginning of year			4,027,350	
Capital Reserve Fund fund balance, end of year			395,000	
Fund balance, end of year			\$ 4,610,789	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

GENERAL FUND - CAPITAL RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources				
Transfers in	\$ -	\$ -	\$ 220,000	\$ 220,000
Total other financing sources	-	-	220,000	220,000
Net change in fund balances	-	-	220,000	220,000
Fund balance, beginning of year	175,000	175,000	175,000	-
Fund balance, end of year	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ 395,000</u>	<u>\$ 220,000</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
COMMERCE PARK INFRASTRUCTURE CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**
PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 1,602,580	\$ -	\$ 875,848	\$ 875,848
Miscellaneous	52,580	-	12,990	12,990
Total revenues	<u>1,655,160</u>	<u>-</u>	<u>888,838</u>	<u>888,838</u>
EXPENDITURES				
Capital outlay	1,655,160	-	995,690	995,690
Total expenditures	<u>1,655,160</u>	<u>-</u>	<u>995,690</u>	<u>995,690</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(106,852)	<u>\$ (106,852)</u>
FUND BALANCE, beginning of year			-	
FUND BALANCE, end of year			<u>\$ (106,852)</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
WATERSHED RESTORATION CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**
PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 103,775	\$ 67,322	\$ 26,399	\$ 93,721
Total revenues	<u>103,775</u>	<u>67,322</u>	<u>26,399</u>	<u>93,721</u>
EXPENDITURES				
Capital outlay	138,775	78,019	43,999	122,018
Total expenditures	<u>138,775</u>	<u>78,019</u>	<u>43,999</u>	<u>122,018</u>
Deficiency of revenues over expenditures	(35,000)	(10,697)	(17,600)	(28,297)
OTHER FINANCING SOURCES				
Transfers in	<u>35,000</u>	<u>35,000</u>	-	<u>35,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 24,303</u>	(17,600)	<u>\$ 6,703</u>
FUND BALANCE, beginning of year			<u>24,303</u>	
FUND BALANCE, end of year			<u>\$ 6,703</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
RIVERWALK GREENWAY CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2019**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 1,860,000	\$ 118,297	\$ 220,718	\$ 339,015
Total revenues	1,860,000	118,297	220,718	339,015
EXPENDITURES				
Capital outlay	2,158,750	147,871	109,647	257,518
Total expenditures	2,158,750	147,871	109,647	257,518
Excess (deficiency) of revenues over expenditures	(298,750)	(29,574)	111,071	81,497
OTHER FINANCING SOURCES				
Transfers in	298,750	190,000	80,000	270,000
Total other financing sources	298,750	190,000	80,000	270,000
Net change in fund balances	\$ -	\$ 160,426	191,071	\$ 351,497
FUND BALANCE, beginning of year			160,426	
FUND BALANCE, end of year			\$ 351,497	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
TOMAHAWK STREAM CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**
PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 46,075	\$ 46,075	\$ -	\$ 46,075
Total revenues	46,075	46,075	-	46,075
EXPENDITURES				
Capital outlay	92,150	92,150	-	92,150
Total expenditures	92,150	92,150	-	92,150
Deficiency of revenues over expenditures	(46,075)	(46,075)	-	(46,075)
OTHER FINANCING SOURCES				
Transfers in	46,075	81,075	-	81,075
Total other financing sources	46,075	81,075	-	81,075
Net change in fund balances	\$ -	\$ 35,000	-	\$ 35,000
FUND BALANCE, beginning of year			35,000	
FUND BALANCE, end of year			\$ 35,000	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
VETERAN'S PARK IMPROVEMENTS CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**
PROJECT LIFE AS OF JUNE 30, 2019

	Project Budget	Prior Years	Actual Current Year	Total
EXPENDITURES				
Capital outlay	\$ 90,000	\$ 87,087	\$ -	\$ 87,087
Total expenditures	90,000	87,087	-	87,087
Deficiency of revenues over expenditures	(90,000)	(87,087)	-	(87,087)
OTHER FINANCING SOURCES				
Transfers in	90,000	90,000	-	90,000
Total other financing sources	90,000	90,000	-	90,000
Net change in fund balances	\$ -	\$ 2,913	-	\$ 2,913
FUND BALANCE, beginning of year			2,913	
FUND BALANCE, end of year			\$ 2,913	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
WATER FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Water charges	\$ 1,283,000	\$ 1,283,000	\$ 1,284,713	\$ 1,713
Penalties	30,000	30,000	27,753	(2,247)
Other operating revenues	140,000	140,000	140,063	63
Nonoperating revenues - interest	24,000	24,000	34,010	10,010
Total revenues	1,477,000	1,477,000	1,486,539	9,539
EXPENDITURES				
Water administration				
Salaries and benefits	145,045	173,060	157,632	15,428
Other operating expenditures	109,045	109,045	107,222	1,823
Total water administration	254,090	282,105	264,854	17,251
Water operations				
Salaries and benefits	386,100	358,252	297,136	61,116
Other operating expenditures	825,900	855,900	755,085	100,815
Total water operations	1,212,000	1,214,152	1,052,221	161,931
Debt service				
Principal	181,380	181,380	181,378	2
Interest	71,859	71,859	56,858	15,001
Total debt service	253,239	253,239	238,236	15,003
Total expenditures	1,719,329	1,749,496	1,555,311	194,185
Deficiency of revenues over expenditures	(242,329)	(272,496)	(68,772)	203,724
OTHER FINANCING SOURCES				
Budgeted use of net position	242,329	272,496	-	(272,496)
Total other financing sources	242,329	272,496	-	(272,496)
Change in net position	\$ -	\$ -	(68,772)	\$ (68,772)
Adjustments to full accrual:				
Capital outlays			289,032	
Payments of debt service - principal			181,378	
Decrease in compensated absences			10,240	
Decrease in net pension liability and related deferrals			(8,172)	
Increase in net OPEB liability and related deferrals			43,520	
Depreciation expense			(282,666)	
Change in net position			\$ 164,560	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
GOLF COURSE FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Memberships and initiation fees	\$ 133,000	\$ 133,000	\$ 88,393	\$ (44,607)
Golf cart rentals	228,300	228,300	174,024	(54,276)
Green fees	226,700	226,700	187,908	(38,792)
Miscellaneous revenues	7,000	7,000	4,252	(2,748)
Total revenues	595,000	595,000	454,577	(140,423)
EXPENDITURES				
Operating expenditures				
Golf Course administration:				
Salaries and employee benefits	338,100	339,023	312,967	26,056
Other departmental expenses	259,400	258,477	254,507	3,970
Total operating expenditures	597,500	597,500	567,474	30,026
Deficiency of revenues over expenditures	(2,500)	(2,500)	(112,897)	(110,397)
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	(125,000)	-	125,000
Proceeds from sale of capital assets	2,500	2,500	-	(2,500)
Transfers in	-	125,000	125,000	-
Total other financing sources (uses)	2,500	2,500	125,000	122,500
Change in net position	\$ -	\$ -	12,103	\$ 12,103
Adjustments to full accrual:				
Increase in compensated absences			(555)	
Increase in net pension liability and related deferrals			(5,716)	
Increase in net OPEB liability and related deferrals			(2,316)	
Depreciation expense			(55,370)	
Change in net position			\$ (51,854)	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
METROPOLITAN SEWERAGE DISTRICT AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
ASSETS				
Cash and cash equivalents	\$ 102,174	\$ 1,167,209	\$ 1,166,424	\$ 102,959
Accounts receivable	168,718	848,848	830,339	187,227
Total assets	<u>\$ 270,892</u>	<u>\$ 2,016,057</u>	<u>\$ 1,996,763</u>	<u>\$ 290,186</u>
LIABILITIES				
Due to Metropolitan Sewerage District	<u>\$ 270,892</u>	<u>\$ 2,016,057</u>	<u>\$ 1,996,763</u>	<u>\$ 290,186</u>
Total liabilities	<u>\$ 270,892</u>	<u>\$ 2,016,057</u>	<u>\$ 1,996,763</u>	<u>\$ 290,186</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE JUNE 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 4,067,428	\$ 4,064,255	\$ 3,173
2017-2018	6,260	-	5,455	805
2016-2017	1,642	-	1,053	589
2015-2016	1,036	-	497	539
2014-2015	608	-	-	608
2013-2014	868	-	-	868
2012-2013	957	-	128	829
2011-2012	308	-	-	308
2010-2011	2,393	-	-	2,393
2009-2010	613	84	-	697
2008-2009	82	-	82	-
	<u>\$ 14,767</u>	<u>\$ 4,067,512</u>	<u>\$ 4,071,470</u>	<u>10,809</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>8,361</u>
Ad valorem taxes receivable - net				<u>\$ 2,448</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 4,077,971
Reconciling items:				
Releases and write-offs				2,376
Interest collected				(8,877)
Total collections and credits				<u>\$ 4,071,470</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY TOWN-WIDE LEVY JUNE 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real and personal property	\$ 1,222,488,722	0.3325	\$ 4,064,775	\$ 3,845,144	\$ 219,631
Penalties	-		572	-	-
Total	<u>1,222,488,722</u>		<u>4,065,347</u>	<u>3,845,144</u>	<u>219,631</u>
Discoveries:					
Current year taxes	489,855		2,805	2,805	-
Penalties	-		6,564	-	-
Total	<u>489,855</u>		<u>9,369</u>	<u>2,805</u>	<u>-</u>
Adjustments	(889,323)		(2,957)	(2,957)	-
Total property valuation	<u>\$ 1,222,089,253</u>				
Net levy			4,067,428	3,847,797	219,631
Uncollected taxes at June 30, 2019			<u>3,173</u>	<u>3,173</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,064,255</u>	<u>\$ 3,844,624</u>	<u>\$ 219,631</u>
Current levy collection percentage			<u>99.92%</u>	<u>99.92%</u>	<u>100.00%</u>

STATISTICAL SECTION

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	<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 - Restated</u>	<u>2019</u>
Governmental activities										
Net investment in capital assets	\$ 4,093,611	\$ 5,732,742	\$ 5,892,731	\$ 6,062,891	\$ 6,682,269	\$ 7,480,903	\$ 8,195,626	\$ 9,268,098	\$ 10,598,818	\$ 11,718,680
Restricted	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	1,381,594
Unrestricted	<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>(5,775,493)</u>	<u>(5,432,828)</u>
Total governmental activities	<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>\$ 5,927,838</u>	<u>\$ 7,667,446</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 5,668,069
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<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>	<u>259,769</u>
Total business-type activities	<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>	<u>\$ 5,927,838</u>
Primary government										
Net investment in capital assets	\$ 8,181,486	\$ 9,875,281	\$ 9,554,378	\$ 9,747,804	\$ 10,385,030	\$ 12,363,601	\$ 13,037,349	\$ 14,477,106	\$ 16,134,513	\$ 17,386,749
Restricted	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	1,381,594
Unrestricted	<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>(5,496,056)</u>	<u>(5,173,059)</u>
Total primary government	<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>\$ 11,742,970</u>	<u>\$ 13,595,284</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,114,182
Public safety	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	3,949,196
Public works	757,932	309,097	728,318	747,995	878,050	898,225	900,103	943,152	1,125,163	1,095,937
Environmental protection	694,331	741,528	699,720	650,060	693,266	675,672	670,546	737,418	761,484	890,934
Cultural and recreation	793,141	964,477	677,420	698,246	772,137	745,206	856,205	856,816	770,493	765,911
Economic and physical development	846,303	103,567	-	-	-	83,243	969,884	562,254	1,786	-
Interest on long term debt	56,910	149,196	141,765	98,531	76,196	69,614	52,601	47,856	38,862	66,392
Total governmental activities expenses	<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>	<u>7,882,552</u>
Business-type activities:										
Water and Sewer	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	1,321,979
Golf	644,132	650,364	185,127	130,905	192,572	598,508	585,951	598,817	635,955	631,431
Total business-type activities	<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>	<u>1,953,410</u>
 Total primary government expenses	 <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>	 <u>\$ 9,835,962</u>
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 21,113	\$ 28,191	\$ -	\$ 127,090	\$ 127,090	\$ 157,090	\$ 3,633	\$ -	\$ -	\$ 343,676
Public safety	974,675	930,317	950,840	969,637	1,026,845	1,040,675	1,211,299	1,263,285	1,271,710	1,178,813
Environmental Protection	-	-	-	-	-	7,956	1,492	-	-	-
Cultural and recreational	144,548	130,792	169,502	148,880	168,708	178,605	198,629	250,572	265,806	144,916
Economic and physical development	-	4,426	397	1,520	-	-	-	-	-	-
Operating grants and contributions	292,707	284,401	251,579	296,504	274,624	324,682	311,013	274,683	312,075	100,706
Capital grants and contributions	688,235	165,444	58,526	2,339	213,222	-	-	169,132	23,787	1,465,264
Total governmental activities program revenues	<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>	<u>3,233,375</u>
Business-type activities:										
Charge for services										
Water	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	1,420,559
Golf	594,000	423,475	129,673	-	100,882	500,854	543,564	543,326	476,570	454,577
Capital grants and contributions	-	108,172	46,913	-	-	-	-	-	-	30,100
Total business-type activities	<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>	<u>1,905,236</u>
 Total primary government program revenues	 <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>	 <u>5,138,611</u>
Net (Expense) Revenue										
Governmental activities	(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)	(4,649,177)
Business-type activities	153,839	(224,991)	(13,097)	(161,185)	(11,236)	5,111	(14,095)	78,844	(107,023)	(48,174)
 Total primary government expense	 <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>	 <u>\$ (4,697,351)</u>

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 4,087,583	\$ 4,721,019	\$ 4,718,044	\$ 4,932,087	\$ 5,164,154	\$ 5,248,097	\$ 5,414,866	\$ 5,464,694	\$ 5,597,622	\$ 5,755,342
Grants and unrestricted contributions	451,956	515,103	616,003	679,023	709,687	1,118,485	836,255	799,505	803,413	844,345
Investment earnings	10,957	6,677	2,799	3,339	2,112	2,302	13,402	24,425	52,392	91,364
Gain on disposal of assets	-	-	-	1,860	3,797	4,825	41,600	-	-	3,463
Surety bond settlement	-	-	-	-	-	1,533,505	-	-	-	-
Miscellaneous	67,515	384,075	66,928	46,437	132,884	125,783	153,817	89,420	135,340	146,382
Transfers	161,805	(92,910)	184,846	-	(335,000)	(82,591)	(246,018)	(71,997)	(130,530)	(125,000)
Total government activities	<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>6,458,237</u>	<u>6,715,896</u>
Business-type activities:										
Pro shop	32,971	30,114	6,084	-	-	-	-	-	-	-
Investment earnings	146	702	1,122	1,432	1,124	741	4,614	12,334	22,847	34,010
Gain (loss) on disposal of assets	-	-	-	100,800	18,184	-	(8,907)	-	2,952	-
Grants and contributions, not restricted	-	-	-	-	-	1,197,500	-	-	-	-
Miscellaneous	(24,315)	130,251	22,919	80,256	75,408	3,975	2,791	1,167	2,488	1,870
Special Item - Billy Casper	-	-	-	-	(410,000)	-	-	-	-	-
Transfers	(161,805)	92,910	(184,846)	-	335,000	82,591	246,018	71,997	130,530	125,000
Total business-type activities	<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>	<u>160,880</u>
Total primary government	<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>\$ 6,617,054</u>	<u>\$ 6,876,776</u>
Change in Net Position										
Governmental activities	\$ (298,860)	\$ 567,091	\$ 644,789	\$ 609,186	\$ 456,972	\$ 2,747,946	\$ (59,331)	\$ 370,903	\$ 375,833	\$ 2,066,719
Business activities	<u>836</u>	<u>28,986</u>	<u>(167,818)</u>	<u>21,303</u>	<u>8,480</u>	<u>1,289,918</u>	<u>230,421</u>	<u>164,342</u>	<u>51,794</u>	<u>112,706</u>
Total primary government	<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>\$ 427,627</u>	<u>\$ 2,179,425</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 645,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,511,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>3,156,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	<u>38,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other governmental funds	<u>38,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total combined governmental fund balances	<u>\$ 3,195,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund										
Nonspendable	\$ -	\$ 7,124	\$ 19,195	\$ 33,089	\$ 62,074	\$ 59,245	\$ 16,165	\$ 25,708	\$ 77,902	\$ 66,315
Restricted	-	847,017	1,057,295	1,135,561	1,184,478	1,115,787	942,700	885,476	884,784	1,103,394
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	663,074
Unassigned	<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>2,822,575</u>	<u>2,778,006</u>
Total general fund	<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>	<u>\$ 4,610,789</u>
Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	18,062	155,738	3,858	-	1,492,787	564,260	127,611	-	278,200
Committed	-	-	-	-	-	-	30,000	2,913	-	-
Assigned	-	-	-	-	-	-	-	-	-	117,913
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,475)</u>	<u>-</u>	<u>-</u>	<u>(106,852)</u>
Total other governmental funds	<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>\$ -</u>	<u>\$ 289,261</u>
Total combined governmental fund balances	<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>\$ 4,202,350</u>	<u>\$ 4,900,050</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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Ad valorem taxes	\$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	\$ 4,077,971
Other taxes and licenses	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	1,681,330
Unrestricted intergovernmental revenues	611,806	671,593	616,003	679,023	709,687	846,418	836,255	799,505	803,413	844,345
Restricted intergovernmental revenues	943,356	421,049	303,518	298,843	487,846	324,682	311,013	443,815	335,862	1,459,128
Permits and fees	219,607	112,646	144,815	151,958	165,285	183,689	294,689	335,606	279,238	249,093
Sales and services	920,730	976,240	975,924	1,095,169	1,157,358	1,200,637	1,120,364	1,178,251	1,258,278	1,414,946
Investment earnings	10,957	6,677	2,799	3,339	2,112	2,302	13,402	89,420	129,340	91,364
Other revenues	88,249	366,508	66,928	46,437	132,884	1,659,288	153,817	24,425	52,392	146,382
Total Revenue	6,813,385	7,118,692	6,854,510	7,216,202	7,837,246	9,483,867	8,149,876	8,338,427	8,453,785	9,964,559
Expenditures										
Current										
General government	3,207,601	1,191,337	1,203,305	1,151,178	1,175,458	1,249,134	1,203,593	1,141,725	2,142,043	1,188,575
Public safety	2,813,207	3,125,399	2,844,461	3,309,705	3,291,394	3,268,182	3,373,520	3,961,552	3,872,049	4,664,341
Public works	705,132	735,720	711,560	776,707	952,357	1,067,353	1,066,048	1,044,851	1,214,789	1,113,973
Environmental protection	694,331	741,528	693,100	639,757	652,963	665,301	659,476	730,010	757,714	760,547
Cultural and recreational	778,895	877,559	621,039	634,726	732,495	868,160	1,117,776	925,412	822,305	688,353
Capital outlay	846,303	179,995	90,227	4,219	217,080	83,243	969,884	889,362	39,244	1,149,336
Debt Service										
Principal retirement	76,853	228,132	254,753	280,079	480,422	381,121	294,361	159,791	382,219	176,000
Interest and fees	56,910	149,196	141,765	117,147	83,152	69,791	58,271	50,789	43,060	60,989
Total expenditures	9,179,232	7,228,866	6,560,210	6,913,518	7,585,321	7,652,285	8,742,929	8,903,492	9,273,423	9,802,114
Excess of revenues over (under) expenditures	(2,365,847)	(110,174)	294,300	302,684	251,925	1,831,582	(593,053)	(565,065)	(819,638)	162,445
Other Financing Sources (uses)										
Sale of capital assets	-	-	-	1,860	3,797	4,825	41,600	-	6,000	3,463
Transfers in	182,090	172,090	199,846	150,000	-	-	29,980	258,500	107,575	80,000
Transfers out	(20,285)	(265,000)	(15,000)	(150,000)	(335,000)	(82,591)	(275,998)	(330,497)	(238,105)	(205,000)
Proceeds from debt	2,291,987	244,557	-	150,000	-	-	-	-	750,000	434,150
Total other financing sources (uses)	2,453,792	151,647	184,846	151,860	(331,203)	(77,766)	(204,418)	(71,997)	625,470	312,613
Net change in fund balances	\$ 87,945	\$ 41,473	\$ 479,146	\$ 454,544	\$ (79,278)	\$ 1,753,816	\$ (797,471)	\$ (637,062)	\$ (194,168)	\$ 475,058
 Debt service as a percentage of non capital expenditures	 1.46%	 5.22%	 6.04%	 6.13%	 7.96%	 6.34%	 4.43%	 2.78%	 5.35%	 3.13%

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>
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	1,031,605	97,210	14,451	1,143,266	0.3325	98.73%	1,128,747
2019	1,036,504	100,423	14,522	1,151,449	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>
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	3,940,654	1,609,566	679,403	6,229,623
2019	4,077,971	1,681,330	680,511	6,439,812

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>	
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
2019	0.3325	0.529	0.862

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, 2019 and June 30, 2010
(in thousands)

Taxpayers	2019			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.	\$ 169,269	1	13.91%	\$ 60,292	1	6.79%
Shopping Center Financing LLC	10,429	2	0.88%	10,791	3	1.21%
Kearfott Guidance Corp.	9,219	3	0.78%	8,537	5	0.96%
Duke Energy Progress, Inc.	8,758	4	0.75%	8,340	6	0.94%
Divya Jiyoti Inc	6,857	5	0.58%	3,172	10	0.36%
Tyson Furniture Co, Inc.	6,382	6	0.54%	4,210	8	0.47%
Bi Lo LLC	4,790	7	0.41%	4,305	7	0.48%
National Retail Properties	2,443	8	0.21%	-	-	-
Bell South	1,924	9	0.16%			
Blue Ridge Apartments	1,805	10	0.15%			
Bi Lo LLC	4,790	-	-	4,305	7	0.48%
Valley Fitness	2,625	-	-	3,956	9	0.45%
Settings of Black Mountain, LLC	-	-	-	10,064	4	1.13%
Highland Farms, Inc.	-	-	-	16,077	2	1.81%
Total	<u>\$ 229,291</u>		<u>18.37%</u>	<u>\$ 134,049</u>		<u>15.09%</u>

Source: Buncombe County Tax Department

Data not available for years prior to 2010

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	4,548	3,609,685	99.96%
2017	3,629,750	3,626,230	99.90%	2,543	3,628,773	99.97%
2018	3,719,662	3,715,303	99.88%	3,486	3,718,789	99.98%
2019	3,845,144	3,841,971	99.92%	-	3,841,971	99.92%

Source: Buncombe County Tax Department

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Capital Lease Payable	Installment Purchase Contracts	Capital Lease Payable	Revolving Loan	Installment Purchase Contracts			
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	-	746,449	1,391,827	4,022,276	1.20%	475
2019	-	2,142,150	-	688,305	1,268,592	4,099,047	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, 2019

	<u>Outstanding Debt</u>	<u>Percentage Applicable to Town</u>	<u>Amount Applicable to Town</u>
Direct debt			
Town of Black Mountain	\$ 2,142,150	100.00%	\$ 2,142,150
Overlapping debt			
Buncombe County	<u>435,278,753</u>	3.39%	<u>14,747,387</u>
Total direct and overlapping debt	\$ 437,420,903		\$ 16,889,537

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed value of property (excluding motor vehicle)	\$888,226	\$896,618	\$896,202	\$925,195	\$936,185	\$979,047	\$984,691	\$988,841	\$1,119,267	\$1,151,449
Debt limit, 8% of assessed value	71,058	71,729	71,696	74,016	74,895	78,324	78,775	79,107	89,541	92,116
Amount of debt applicable to limit										
Gross debt	4,570	5,327	5,194	5,067	4,383	3,805	3,322	3,034	4,022	4,099
Less: Debt related to business-like activities	1,373	2,110	2,231	2,235	2,032	1,835	1,646	1,518	2,138	1,957
Total net debt applicable to limit	3,197	3,217	2,963	2,832	2,351	1,970	1,676	1,516	1,884	2,142
Legal debt margin available	67,861	68,511	68,732	71,183	72,543	76,353	77,098	77,590	87,656	89,974
Total net debt applicable to the limit as a percentage of limit	4.50%	4.48%	4.13%	3.83%	3.14%	2.52%	2.13%	1.92%	2.10%	2.33%

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 Six 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	1,572	1	1,203	1
Black Mountain Neuro-Medical	465	2	432	3
Kearfott Guidance and Navigation Corp.	349	3	450	2
NC State Alcohol and Drug Abuse Treatment Center	200	4	220	6
Buncombe County Schools	198	5	223	5
Highland Farms Retirement Community	144	6	250	4
Pentair Valve (Tyco)	125	7	155	7
Town of Black Mountain Government	78	8	76	8
Blue Ridge Assembly	44	9	-	-
Tyson Furniture	43	10	59	9
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)

Customer	Consumption	Revenue from water consumption
Ingles Market	6,258,900	\$ 39,107
Mountain Ridge Wellness Center	4,790,900	48,286
Creekview Professional Center	2,444,100	24,887
Super 8 Motel	1,818,500	11,408
Comfort Inn	1,555,300	9,752
RJC, LLC	1,385,600	8,690
Monte Vista Hotel	1,353,600	8,493
Southern Resort Group	1,273,900	7,992
YMCA of WNC	1,051,800	6,603
Board of Education	980,100	6,166

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 15
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (a)	Per Capita Personal Income (b)	Personal Income (in thousands)	Unemployment Rate (c)
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	8,460	39,537	334,483	3.2%
2019	N/A	N/A	N/A	3.4%

(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

Department	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Finance										
Checks issued	7,849	4,545	2,034	1,987	2,145	2,229	2,156	2,497	2,351	2,400
Police										
Calls logged	23,348	19,475	21,913	20,827	20,862	21,062	24,542	27,698	24,813	26,144
Training hours	n/a	n/a	2,109	2,947	1,528	1,940	2,633	2,369	3,964	2,935
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Total calls	1,255	1,628	1,875	1,848	1,887	2,065	2,198	2,240	2,530	2,351
Training hours	12,378	10,398	11,780	13,010	11,398	8,383	14,886	14,428	12,331	9,597
Public Services										
Sanitation tonnage	2,829	2,898	2,670	2,574	2,639	2,635	2,758	2,603	2,488	2,631
Recycling tonnage	694	536	641	637	650	602	613	583	562	637
Work orders	1,717	3,019	4,600	4,935	5,464	4,812	5,152	4,998	4,957	5,221
Planning										
Building permits	420	497	404	514	500	525	654	732	659	682
Inspections performed	1,522	1,681	1,686	1,744	2,150	2,383	3,020	3,546	3,838	3,094
Recreation services										
Athletic programs	18	16	18	16	13	11	9	8	9	11
Senior programs	26	23	25	30	34	35	33	34	42	31
Pool attendance	11,891	20,673	20,467	16,005	13,414	14,135	17,005	20,048	17,303	15,567

Sources - Various Town departments.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

Department	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	6	6	5	5	5	5	5	5	5	5
Planning Services	5	5	4	4	4	4	4	4	4	4
Fire	18	18	18	19	19	19	19	19	20	21
Police	21	22	22	22	22	22	22	22	22	23
Recreation Services	7	7	5	5	5	5	5	5	5	5
Public Services	8	8	7	7	9	9	9	10	10	10
Water	12	12	9	9	8	8	8	8	8	9
Golf	8	8	8	-	3	3	3	3	3	4
TOTAL	84	85	78	71	75	75	75	76	77	81

Source - Human Resources Department

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

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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 Board of Aldermen
Town of 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 the aggregate remaining fund information of the Town of Black Mountain, North Carolina (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 28, 2019. Our report includes a reference to other auditors who audited the financial statements of the Black Mountain ABC Board as described in our report on the Town's financial statements. 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'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'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2019-001, 2019-002, and 2019-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Black Mountain, North Carolina's Responses to Findings

The Town's responses to the findings 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 them.

Purpose of this 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 28, 2019

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

☒ yes ☐ no

Significant deficiencies identified?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2019 due to the total amount expended being less than \$750,000.

State Awards

There was not an audit of major state award programs for the year ended June 30, 2019 due to the total amount expended being less than \$500,000.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the Town.

Condition: Internal controls were not sufficient to timely detect material misstatements in the Town's financial statements for the fiscal year ended June 30, 2018.

Context/Cause: During the audit for the fiscal year ended June 30, 2019, a material misstatement was identified in the calculation of the depreciation of a fire truck which was put into service in the prior year. The Town's subsidiary ledger was utilizing a twenty year life to calculate the annual depreciation for the truck, however, the audit subsidiary ledger from the prior year utilized a five year life. The final financial statements over-depreciated the truck causing the net position to be understated.

Effects: As a result of the issue identified, the total restatement to the beginning net position of governmental activities was \$84,763.

Recommendation: We recommend the Town carefully review the financial statements and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that all information and financial data is being properly reported.

Auditee's Response: We concur with the finding related to the prior year. We will take necessary steps in the future to ensure that items are properly reported in accordance with GAAP.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-002 Revenue Recognition

Criteria: Internal controls should be in place to ensure that amounts reported as revenues and related balance sheet accounts are appropriate, are properly valued, and are recorded in the proper period in accordance with generally accepted accounting principles.

Condition: Internal controls surrounding the year-end close out and accruals did not allow for management to capture all the eligible grant revenues as of June 30, 2019.

Context/Cause: During our audit for the year ended June 30, 2019, we identified eligible grant funded project expenditures which were incurred as of June 30, 2019, however, were not included in the accrued receivables as of June 30, 2019.

Effects: Audit adjustments of approximately \$107,000 were needed to accrue the intergovernmental receivables for which the Town had incurred the eligible expenditures, but had not requested the reimbursement. These revenues, while accrued as a receivable in the fund, are also considered unavailable and had no effect on the Commerce Park Infrastructure Improvements Fund's fund balance.

Recommendation: We recommend management carefully review all open grant agreements and accrue the receivables for eligible grant reimbursements, regardless of the timing of the actual reimbursement requests.

Auditee's Response: We concur with the finding. We will review and amend the year-end close-out process to ensure all eligible reimbursement grants are accrued within the Town's recognition policies.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-003 Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The size of the Town's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the Town: cash reconciliation process; journal entry review; and accounts payable and expense/expenditure recording.

Context/Cause: Although the small size of the Town's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. During the course of our test-work, we noted the following areas where the Town's control procedures were not sufficient to mitigate risks created due to insufficient oversight:

- Governing the expenditures and accounts payable process, we noted the accounts payable position has access and authority over all stages of the disbursement process. This position has the ability to create purchase orders, is responsible for reconciling the purchase orders to the incoming invoices, is responsible for generating and printing the checks, has access to and the ability to the signature stamps for two of the authorized signers (the Finance Director and Mayor), and is responsible for reconciling the cleared checks from the bank statements each month.
- The manual journal entries can be initiated, approved, and posted by one individual.
- The monthly bank reconciliations can be performed and reviewed by the same individual.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-003 Segregation of Duties (Continued)

Recommendation: We recommend the Town segregate duties and/or implement compensating controls in the key areas noted above.

Auditee's Response: We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties. The Town has started evaluating where the Board could help with implementing the necessary compensating controls.