

**BLACK
MOUNTAIN**
NORTH CAROLINA



TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021



Prepared by:
Finance Department

Submitted by:
Finance Director
Tammy Holland

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION



TOWN OF BLACK MOUNTAIN

March 7, 2022

The Honorable Mayor,
Members of the Town Council,
and Citizens of the Town of Black Mountain, North Carolina

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) for the Town of Black Mountain, North Carolina, for the fiscal year ended June 30, 2021. 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 for the fiscal year ended June 30, 2021.

As a comprehensive annual financial report this document provides financial detail and historical trends beyond the basic financial statements in the Financial Section. The Supplementary Information provides details on capital project activity and enterprise funds. The Statistical Section provides trend information on financial performance, revenue capacity, debt capacity, demographic, and economic indicators as well as operating information. A Compliance Section includes documentation on federal and state grants and awards compliance.

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. To provide a reasonable basis for making these representations, management of the Town 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's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh the benefits, the Town's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. 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, CPAs and Advisors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town, for the fiscal year ended June 30, 2021, 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, 2021, 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.

The Annual Comprehensive Financial Report (ACFR) has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. Additionally, the financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and financial reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA), and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among the other resources used in the preparation of the ACFR, the Finance Department Staff has given particular attention to Governmental Accounting, Auditing, and Financial Reporting (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements

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 is presented immediately following the report of the independent auditors.

Profile of the Government

The Town of Black Mountain, incorporated in 1893, and is located 15 miles east of Asheville on the eastern edge of Buncombe County within Western North Carolina.

The Town was named for the Black Mountain range, part of the Blue Ridge province of the Southern Appalachians and presently covers 6.5 miles. The U.S. Department of Commerce, Bureau of the Census estimates that the April 1, 2020, population of the Town is 8,426.

The Town has operated under the council/manager form of government since 1986. Policy-making and legislative authority are vested in the Town Council, consisting of the mayor and five council members. The Mayor and Town Council serve four-year staggered terms, with all elections being non-partisan. The Town Council 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 responsible for carrying out the policies and ordinances of the Town Council, for overseeing the daily operations of the government, and for appointing heads of the Town's departments.

The Town provides numerous services for its citizens including cultural and recreational activities, general administration, planning, zoning, economic development, building inspections, police, fire, sanitation, public works, stormwater, and construction and maintenance of highways, streets, and other infrastructures. The Town also provides and maintains water utilities for the benefit of its citizens and businesses. This report includes the fiscal activities of the Town in the provision of these services. The Town takes pride in the services offered to our citizens, and the mission of Town staff is to provide reliable, responsive, quality service to our customers at the lowest reasonable cost.

The Town is empowered to levy a property tax on real and certain personal properties located within its boundaries. Subject to various stipulations set by the North Carolina General Assembly, it is also empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

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 1 of each year. An annual or project budget ordinance, as adopted and amended by the governing body, creates the legal limit on spending authorizations. The annual budget serves as the foundation for the Town's financial planning and control. The Town of Black Mountain annual budgets are adopted for the General, Capital Reserve, and Enterprise Funds. The appropriated budget is prepared by fund, and department (e.g., police, public works). Department heads may approve budget transfers within a department, while transfers within the same fund between different departments require approval from the Town Manager or designee. Transfers of appropriations between funds require approval of the Town Council. Project and grant ordinances (multi-year budgets) are adopted for all Capital Project Funds. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

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. Governmental Fund types, such as the Town's General Fund and Capital Project Funds are reported on the modified accrual basis in the fund financial statements. The Town's Proprietary Funds 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.

Local Economy

The Town of Black Mountain is part of the Asheville Metropolitan Statistical Area "MSA". Economic activity in the Town continues to grow, as well as its population, as evidenced by the results from the 2020 census. Black Mountain grew by almost 7.5% in residents since the last census and numerous residential projects have been completed or underway in the last few years. Commercial construction activity included 90 permits with an estimated appraisal value of over \$80,000 thousand and 355 residential permits with an estimated appraisal value of over \$35 million in fiscal year 2020-2021. The median property value in 2019 was \$226,700 a growth of 3.9% over the prior year reports.

Despite the ongoing global pandemic and financial crisis which continues to impact world economies, The Town of Black Mountain continues to attract businesses and people to the area. This is in large part to the varied business environment, proximity to two colleges, large faith-based conference centers, and picturesque downtown. The Town remains financially sound despite the COVID-19 pandemic with property tax and sales tax revenue growth over the past year. The Town's continued commitment to conservative financial policies and practices has served Black Mountain well and puts it in the best position to lead the region to economic strength and security.

Locally, Buncombe County's unemployment rate of 2.8% as of November 2021 which was one of the lowest county unemployment rates in North Carolina, well below the statewide rate of 3.9%. The unemployment rates have continued to decline throughout this year. Median family income has continued an upward trend, rising to \$62,702 in 2021 which was a 24% growth from the 2019 Census report. This is in part due to the diversity of the local economy with professional services, trade and distribution, health care, and service-oriented businesses. Ingles Markets, a Fortune 1000 company with over 200 stores throughout the Southeast, is based in Black Mountain. Other major employers include the Buncombe County Board of Education, Kearfott Corporation, and the Black Mountain Neuro-Medical Treatment Center.

Sales tax is a revenue source highly dependent upon consumer spending and consumer confidence. Despite the global pandemic, retail sales for Black Mountain experienced unprecedented sales tax collections presumed to be largely due to the Federal government's direct stimulus payments to U.S. households and other programs such as expanded unemployment benefits. Overall, the Town's distributions increased by 40% from the previous fiscal year and significantly exceeded the budgeted figure.

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

- The Settings of Black Mountain, located off 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 Blue Ridge Assembly Road, is half completed and includes ten single family residences.
- Sweet Birch subdivision sits on nine acres on Blue Ridge Road was approved in 2017 and is approximately 50% complete at this time. When complete, the development will add 60 residential units (30 duplexes).
- Magnolia Creek Commons, Blue Ridge Road sitting on 2.66 acres is currently around 25% complete. This development will have up to 10 Townhomes
- Padgett Place subdivision sits on almost nine acres off Padgettown Road and is currently 45% complete. 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.

Long-Term Financial Planning

The Town seeks to maintain a strong financial position. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the Town relies on key financial policies and procedures for dealing with future events in financially responsible way.

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 Town Council 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 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. Black Mountain's long-range forecasting and planning provides a framework to strategically develop subsequent annual operating and capital budgets to achieve a long-term financial goal of sustainability, including main goals of flexibility, efficiency, risk management, sufficiency, and credibility.

Major Initiatives and Projects

The Town continues to invest in its vital capital infrastructure and completed several projects and initiatives within the year. The Town Council and staff has identified and addressed key issues that are of importance to the future of the Town. Staff continues to monitor economic conditions and growth potential to adjust strategic capital project to match growth projections.

General Initiatives and Projects

The Town has recently undertaken multi-year projects that are intended to improve the Town for future generations.

- Greenway connection project -This project is included in the State Transportation Improvement Plan (EB-5547). Once started this is Scheduled to be a five-year project and 80% grant funded. The project will connect the Flat Creek Greenway with the Oaks Trail at Veterans Park.
- Cragmont Park Loop- Connecting Cragmont Park to State Street scheduled to be completed in 3 years
- Bicycle Blvd Project- Flat Creek Greenway to Lake Tomahawk scheduled completion Spring of 2022
- The Town also has several smaller capital projects ongoing.

Water Initiatives and Projects

The Town of Black Mountain provides quality water services to approximately 4,000 customers while protecting natural resources and ensuring capacity for sustainable growth. Current initiatives are focusing on system sustainability and asset management programs, while ensuring adequate water capacity to meet the economic development demands.

Several major construction projects were started, continued, or completed during the fiscal year ended June 30, 2021, including the following:

- The renewal and replacement of aging water pipeline infrastructure is a priority, and the Town continues to invest in work toward this ongoing process.
- Replacement of 2-inch water lines with 6-inch water lines to create increased water volume
 1. Terry Estates
 2. Brandon Road
 3. Tomahawk Ave-also added a new fire hydrant to increase fire protection.
- The Advanced Metering Infrastructure (AMI) project is 50% complete. This project is replacing current manual read meters with “smart water meters” that will allow for greater accuracy in water usage, availability to provide invaluable information to customers and employees regarding reads, leak detection, and history of water accounts.
- Multi-Year project transitioning residents that previously on Asheville’s water system to the Town of Black Mountains water system. This project included the transfer of 52,829 ft (44,329 active ft) of waterlines and 493 (409 active) water accounts. North Fork Daniel Drive located near the golf course is still in process of being transferred and has an anticipated completion within 2022.
- Replacement of two wells within the watershed. This replacement was needed for to ensure adequate water supply and pressure to citizens
- 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 is starting a water rate study to identify areas in our rate structure that need to be addressed and updated. This will determine if the Town’s operating revenues are sufficient to meet the expenses, cost of operations and maintenance, upcoming or needed replacements, and debt service.

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 Council priorities.

The Town Council has designated the minimum unassigned General Fund balance to be maintained at 30% of General Fund expenditures. This fund balance policy is to provide continued financial stability to the government. An adequate unreserved fund balance ensures consistent cash flow, generates interest income, eliminates the need for short term borrowings and provides flexibility for unanticipated opportunities and needs during emergencies. The Town's current unassigned fund balance is 37.45% of General Fund expenditures.

Awards

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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the ninth consecutive year that the Town has received this award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. These reports must satisfy both generally accepted accounting principles and applicable legal requirements.

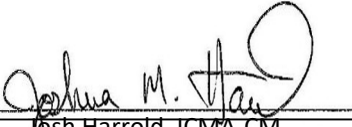
A Certificate of Achievement is valid for a period of one year only. The Finance Department believes that our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

Acknowledgements

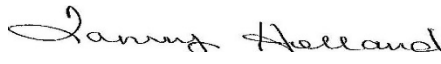
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated efforts of the entire staff of Finance, the various department heads, and coworkers who assisted and contributed to its preparation, and our independent auditors, Mauldin & Jenkins CPAs and Advisors. Each of them has our sincerest thanks.

In closing, appreciation is extended to the Mayor and Town Council for the encouragement, assistance, and stewardship they have provided. It is a distinct pleasure to be associated with individuals who respect the principles of financial and budgetary restraint of the Town and whose vision and leadership contribute to the strong financial position of the Town of Black Mountain.

Respectively submitted,



Josh Harrold, ICMA-CM,
AICP, CZO
Town Manager



Tammy Holland, CPFO
Finance Director

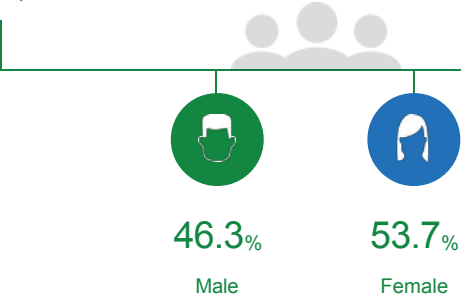
People



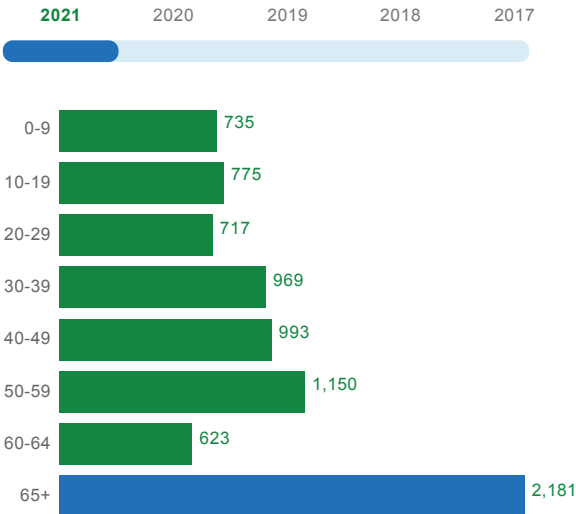
The total population of Black Mountain is 8,143. The median age is 47.83

8,143

Total Population



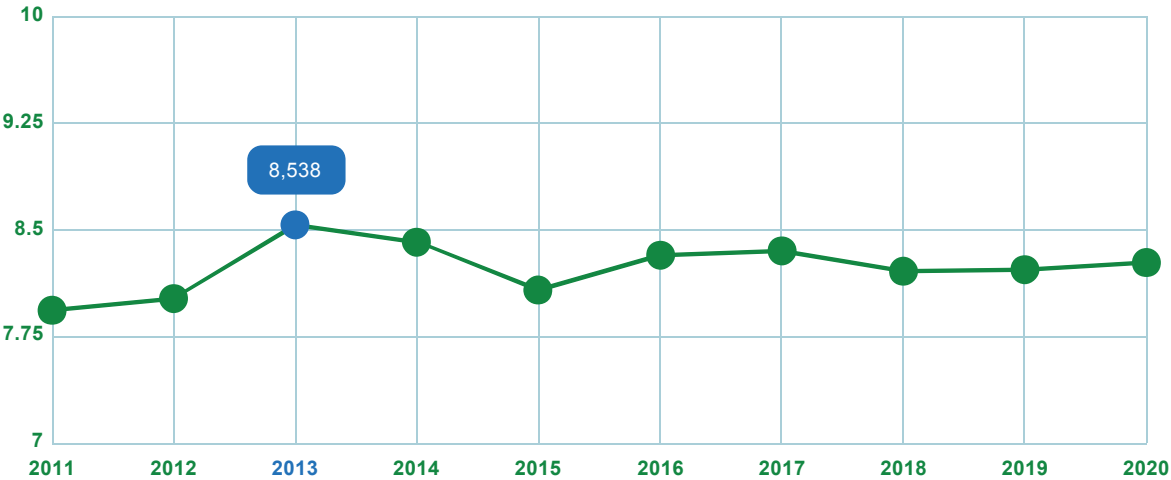
Age Distribution



Median Age

48

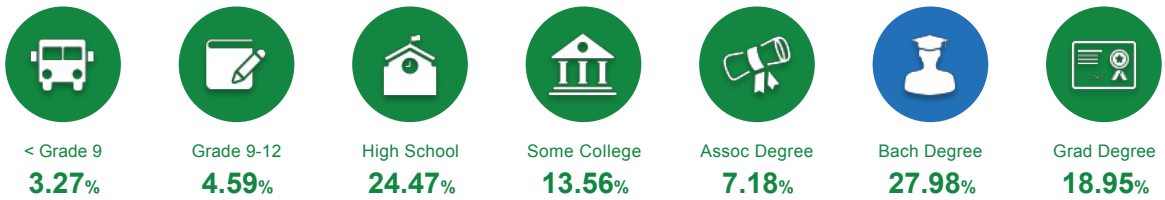
Population Growth (in thousands)



Educational Attainment



54.11% of the population in Black Mountain have an Associate's degree or higher. 46.93% have a Bachelor's degree or higher.



Labor Force



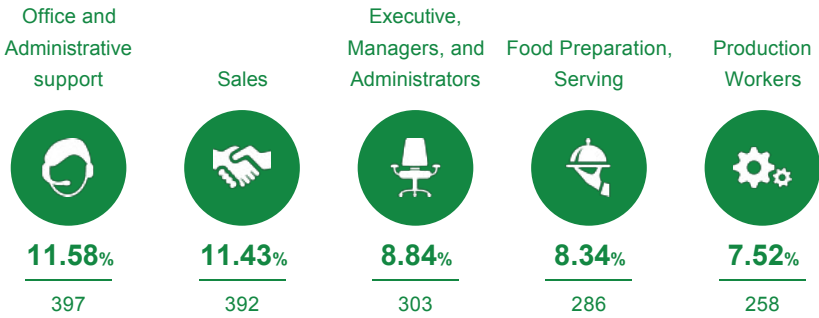
Black Mountain has a labor force of 3,667 people.

3,667

Labor Force

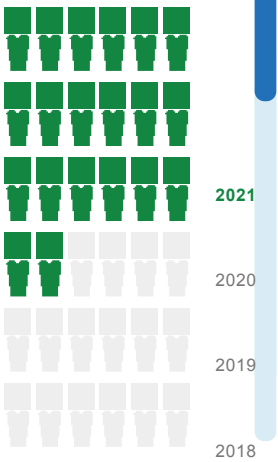
Talent

Where are the top jobs by occupation?



Total Employees

3,429



The work distribution of total employees in Black Mountain is:



Total Establishments

493



Businesses and Jobs



Black Mountain has a total of 493 businesses. In 2021, the leading industries in Black Mountain were Public Administration, Retail, Health Care and Social Services, and Manufacturing.

What are the top industries by jobs?



How many employees do businesses in Black Mountain have?



1-4 Employees	70.18%
5-9 Employees	18.05%
10-19 Employees	7.3%
20-49 Employees	2.64%
50-99 Employees	0.81%
100+ Employees	0.81%

Income and Spending



Households in Black Mountain earn a median yearly income of \$54,502. 35.2% of the households earn more than the national average each year. Household expenditures average \$54,660 per year. The majority of earnings get spent on Shelter, Transportation, Food and Beverages, Health Care, and Utilities.



\$54,502

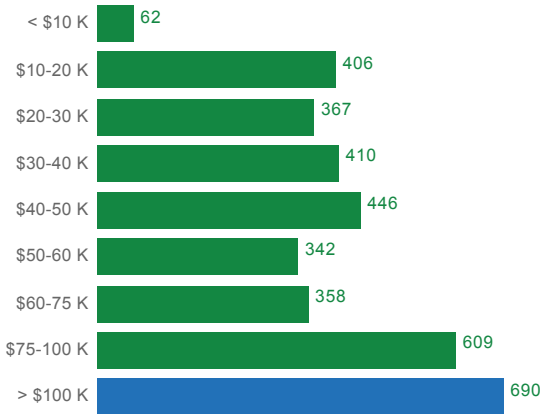
Median Household Income

4% less than the county

7% less than the state

19% less than the nation

Income Distribution



How do people spend most of their money?
PER HOUSEHOLD



\$54,660

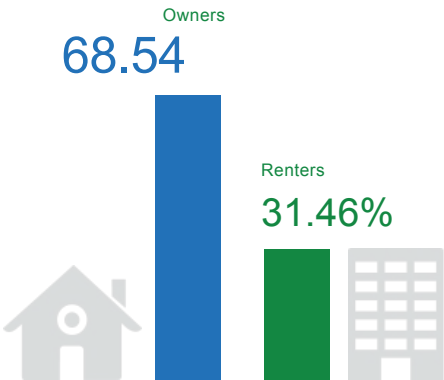
Median Household Expenditure

Housing



There are 118% more households who own their homes than there are renters.

Owners vs. Renters



Transportation



Residents spend an average of 19 minutes commuting to work. Black Mountain is served by 8 airports within 50 miles. Rail can be accessed within the community. Interstates can be accessed within the community.



19_{min}

Commute Travel Time



0 + 8_(+50 miles)

Airports in Community



Interstate

In Community



Freight Rail

In Community

Taxes



Top State Corporate Income Tax

2.5%

Top State Corporate Capital Gains Tax

5%

Top State Personal Income Tax

5.25%

Top State Personal Capital Gains Tax

5.8%

State Sales Tax

4.75%

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

TOWN COUNCIL MEMBERS AND OFFICIALS JUNE 30, 2021

MAYOR AND TOWN COUNCIL

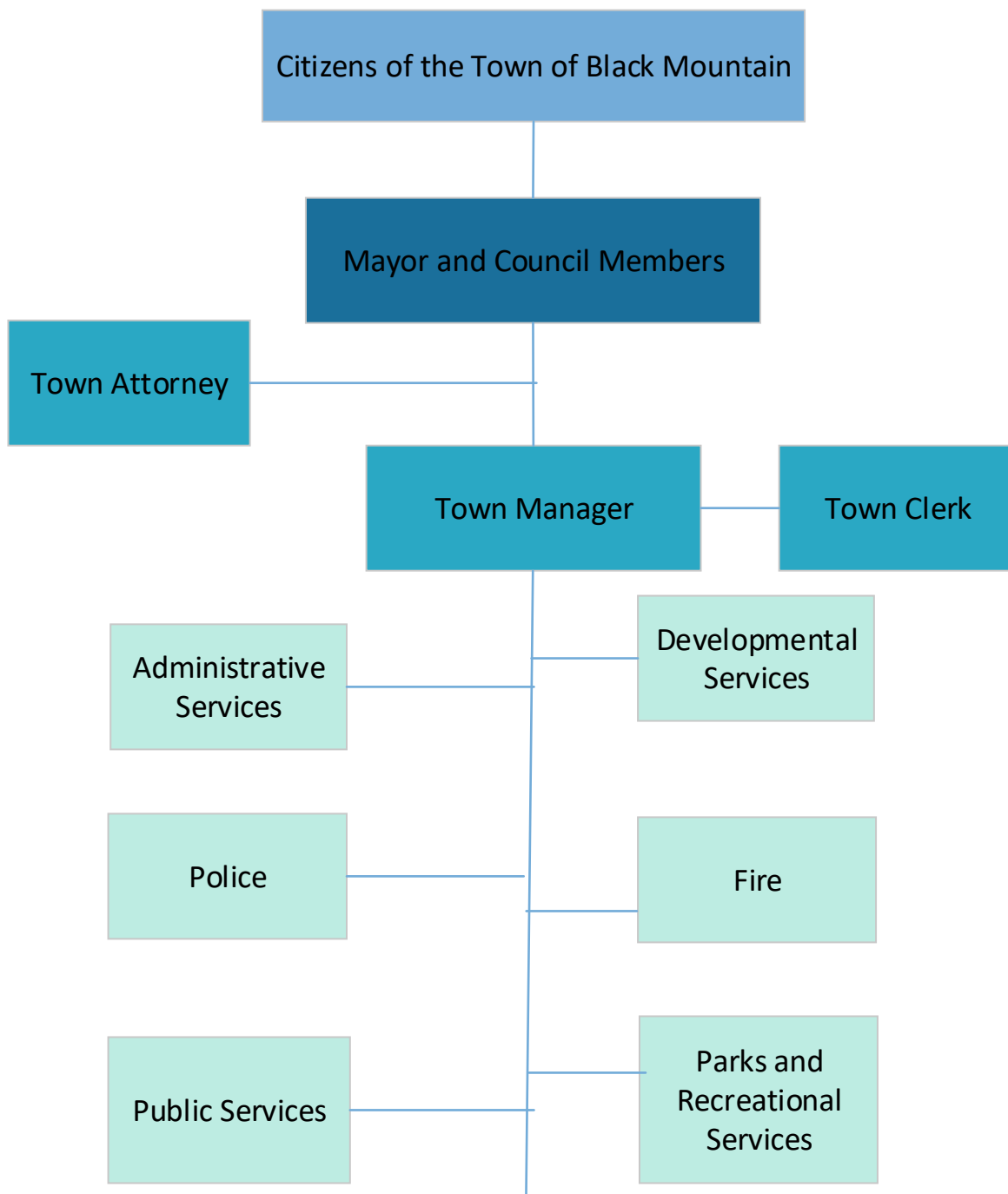
Larry B. Harris.....Mayor
Ryan Stone.....Vice Mayor
Doug Hay.....Council Member
Bill Christy.....Council Member
Archie Pertiller, Jr.....Council Member
Pam King.....Council Member

TOWN OFFICIALS

Josh Harrold.....Town Manager
Savannah Parrish.....Assistant to the Town Manager
Ron Sneed.....Town Attorney
Tammy Holland.....Finance Officer
Shawn Freeman.....Police Chief
Scottie Harris.....Fire Chief
Jamey Matthews.....Public Services Director
Josh Henderson.....Parks and Recreation Director
Jessica Trotman.....Developmental Services Director



TOWN OF BLACK MOUNTAIN ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Black Mountain
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of Town Council
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, 2021, 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 (the "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 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 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, 2021, 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 - LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - LEOSSA, the Schedule of the Town's Proportionate Share of Net Pension Liability (Asset) - LGERS, the Schedule of the Town's Contributions - LGERS, Schedule of the Town's Proportionate Share of Net OPEB Liability - RHBF, and the Schedule of the Town's Contributions - RHBF, as listed in the table of contents, 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, as listed in the table of contents, 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 March 7, 2022 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Columbia, South Carolina
March 7, 2022

Management's Discussion and Analysis

As management of the Town of Black Mountain (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, notes, and letter of transmittal for a more in depth understanding of the Town's financial standing.

Financial Highlights

- The assets and deferred outflows of the Town of Black Mountain exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$17,300,678 (*Primary Government net position*). The unrestricted net position, which may be used to meet the government's ongoing obligations to its citizens and creditors, was a deficit of \$4,859,828. This is mostly due to the liabilities arising from the Town's pension and OPEB benefits provided to employees.
- The government's total net position represents an increase of \$1,890,790 over the prior year's net position. This is primarily due to an increase in capital assets.
- As of the close of the current fiscal year, the Town of Black Mountain's governmental funds reported combined ending fund balances of \$7,202,869, an increase of \$815,095, in comparison with the prior fiscal year. The unassigned portion of the General Fund balance is \$3,550,454.
- At the end of the current fiscal year, unassigned fund balance (the amount that is available to use at the Town's discretion) for the general fund was \$3,550,454 or 37% of total general fund expenditures for the current fiscal year and 33% of the total general fund budgeted expenditures for the upcoming fiscal year.
- The Town of Black Mountain's total long-term debt decreased by \$119,005, which includes unfunded law enforcement officers' pension, other post-employment benefits (OPEB) and compensated absences liabilities. Also factoring into the change in debt was the additional notes for sanitation vehicles and equipment and a decrease in the Public Works Building Note due to refinancing and a pay down of \$500,000. The Town's total long-term debt (aside from pension, OPEB, and compensated absences liabilities) is \$3,414,449.
- North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The Town's legal debt limit is \$119,703,023 (8% of assessed valuation), and the Town's legal debt margin is \$117,626,974. The Town's total debt applicable to the debt limit is \$2,076,049 which represents .14% of assessed valuation and 1.73% of the Town's debt limit.

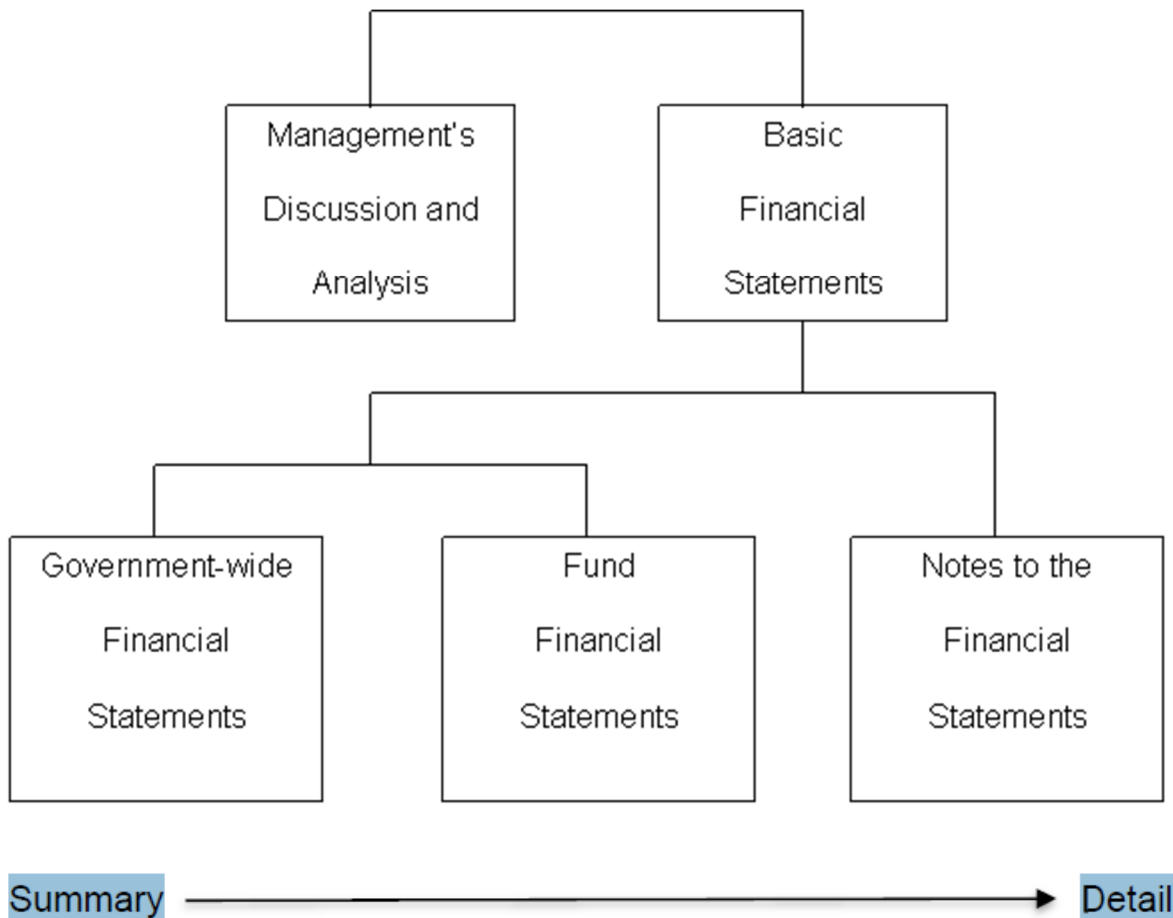
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Black Mountain's basic financial statements. The Annual Comprehensive Financial Report consists of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The Financial section of the report has three components: management's discussion and analysis, the basic financial statements, and required supplementary information.

The Town of Black Mountain's ACFR has been prepared in accordance with Governmental Accounting Standards Board and presents two types of statements, each with a different picture of the Town's financial operations. These statements focus on the Town government-wide and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Town's overall financial health. The fund financial statements focus on the individual components of Town government and report the Town's operations in greater detail than the government-wide presentations.

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 statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided. Within this section is the required supplemental information showing funding information about the Town's pension plans and post-employment healthcare benefits and 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 *statement of net position* presents financial information on the Town's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Black Mountain is improving or deteriorating.

The *statement of activities* presents information on how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items which result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units:

Governmental Activities- include most of the Town's basic services such as general government, public safety, highways and streets, sanitation, and parks and recreation. Property taxes, sales taxes, and state and federal grant funds finance most of these activities.

Business-type Activities- The Town of Black Mountain charges fees to recover all or some of the costs associated with providing certain services. These include the water services and operation of a municipal golf course.

Component Units- Although legally separate from the Town, the Black Mountain Board of Alcoholic Beverage Control (ABC Board) is important to the Town because the Town exercises control over the ABC Board by appointing its members. The ABC Board is required by North Carolina General Statute 18B to distribute 50 percent of its profits to the Town.

Fund Financial Statements

The *fund financial statements* 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 demonstrate compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds within the Town of Black Mountain can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the *government-wide financial statements*, *governmental fund financial statements* focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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. Most of the Town of Black Mountain's basic services are accounted for in governmental funds.

Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the *governmental fund financial statements* give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Black Mountain adopts an annual budget for its General Fund, as required by North Carolina 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, only in more detail. The Town of Black Mountain uses the enterprise funds to account for its water system operations and for its golf course operations, all of which are considered to be major funds of the Town of Black Mountain. 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. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds *are not* available to support the Town’s own programs. Furthermore, fiduciary funds are properly used only for resources over which the government maintains some meaningful degree of ongoing responsibility. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains one fiduciary fund: a custodial fund.

Notes to the Financial Statements – The notes provide additional information that is essential to acquire a full understanding of the data provided in the government-wide and fund financial statements. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental and business-type activities, major funds and nonmajor funds in the aggregate. The Notes to the Financial Statements can be found as listed in the table of contents 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 other post-employment benefits (OPEB) to its employees. Required supplementary information can be found immediately after the notes to the financial statements.

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 Overall Financial Analysis

Government-wide Financial Analysis The Town of Black Mountain's Net Position *Figure 2*

Town of Black Mountain, North Carolina Statement of Net Position

	June 30, 2021		June 30, 2020 (Restated)		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2021	June 30, 2020
Assets:						
Current assets	\$ 7,615,267	\$ 1,295,548	\$ 7,157,649	\$ 1,215,148	\$ 8,910,815	\$ 8,372,797
Capital assets, net	15,095,922	7,935,440	14,584,156	7,519,452	23,031,362	22,103,608
Total assets	22,711,189	9,230,988	21,741,805	8,734,600	31,942,177	30,476,405
 Deferred outflows of resources	 2,466,474	 294,704	 2,252,423	 312,980	 2,761,178	 2,565,403
Liabilities:						
Current liabilities	430,460	273,719	645,791	300,361	704,179	946,152
Long-term liabilities	11,033,428	2,453,526	10,613,837	3,030,348	13,486,954	13,644,185
Total liabilities	11,463,888	2,727,245	11,259,628	3,330,709	14,191,133	14,590,337
 Deferred inflows of resources	 2,808,356	 403,188	 2,616,126	 425,397	 3,211,544	 3,041,523
Net position:						
Net investment in capital assets	13,019,873	6,597,040	12,725,713	5,745,831	19,616,913	18,471,544
Restricted	2,543,593	-	1,821,570	-	2,543,593	1,821,570
Unrestricted	(4,658,047)	(201,781)	(4,428,809)	(454,357)	(4,859,828)	(4,883,166)
Total net position	\$ 10,905,419	\$ 6,395,259	\$ 10,118,474	\$ 5,291,474	\$ 17,300,678	\$ 15,409,948

As noted earlier, net position may serve over time as a 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 \$17,300,678 at the close of the most recent fiscal year. The Town's net position increased by \$1,890,730 over the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Current and other assets increased in governmental activities by \$457,000 from the prior year. In an effort to keep tax increases to a minimum, the Town of Black Mountain continues to use cash reserves to pay for operations whenever possible. The increase is mostly due to an increase in intergovernmental receivables that will be received after the fiscal year end. Intergovernmental receivables are accounts receivables due from other governmental agencies such as State sales tax distributions and property tax collections from Buncombe County.

The largest portion of the Town's net position, \$19,616,913 reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment) net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The capital assets is also responsible for the majority of the change in net position from the prior year. The Town of Black Mountain uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences, and postemployment benefit obligations, decreased slightly by \$119,005 from the previous year for governmental and business-type activities combined. The Town of Black Mountain's net OPEB liability decreased \$815,188 due to the decrease in the Town's proportionate share of the State's other postemployment benefits healthcare plan liability. The OPEB decrease was offset by an increase of \$871,546 in the Town's employees' pension benefits. This increase was caused by an increase in the employer retirement percentage rate from 9.7% law enforcement and 8.95% general employees to 10.84% and 10.20%. Also factoring into the change in debt was the additional notes for sanitation vehicles and equipment and a decrease in the Public Works Building Note due to refinancing and a pay down of \$500,000.

An additional portion of the Town of Black Mountain's net position, \$2,543,593 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, The Town of Black Mountain's unrestricted net position was a deficit balance of \$4,859,828. The deficit is caused primarily by the approximately \$2.7 million in postemployment liabilities for the Town's pension plans (\$1.5 million) and postemployment benefit plans for retiree healthcare (\$1.2 million).

Town of Black Mountain Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,721,068	\$ 1,694,806	\$ 2,375,050	\$ 1,973,457	\$ 4,096,118	\$ 3,668,263
Operating grants & cont.	193,370	155,394	-	-	193,370	155,394
Capital grants & cont.	829,395	1,476,379	443,920	-	1,273,315	1,476,379
General revenues:						
Property taxes	4,514,385	4,176,874	-	-	4,514,385	4,176,874
Sales taxes	1,941,830	1,698,215	-	-	1,941,830	1,698,215
Other taxes	49,282	7,974	-	-	49,282	7,974
Unrestricted interest	2,047	68,846	520	22,622	2,567	91,468
Unrestricted intergovernmental	959,736	882,376	-	-	959,736	882,376
Miscellaneous	182,997	643,474	61,877	12,453	244,874	655,927
Total revenues	10,394,110	10,804,338	2,881,367	2,008,532	13,275,477	12,812,870
Expenses:						
General government	1,540,168	1,371,115	-	-	1,540,168	1,371,115
Public safety	4,481,181	4,360,322	-	-	4,481,181	4,360,322
Transportation	1,219,898	1,216,069	-	-	1,219,898	1,216,069
Environmental protection	1,552,709	862,488	-	-	1,552,709	862,488
Culture and recreation	314,851	679,414	-	-	314,851	679,414
Economic development	19,269	-	-	-	19,269	-
Interest on long-term debt	61,108	52,493	-	-	61,108	52,493
Water	-	-	1,580,521	1,414,080	1,580,521	1,414,080
Golf Course	-	-	615,042	604,023	615,042	604,023
Total expenses	9,189,184	8,541,901	2,195,563	2,018,103	11,384,747	10,560,004
Increase in net position						
before transfers	1,204,926	2,262,437	685,804	(9,571)	1,890,730	2,252,866
Transfers	(417,981)	626,793	417,981	(626,793)	-	-
Change in net position	786,945	2,889,230	1,103,785	(636,364)	1,890,730	2,252,866
Net position, beginning	10,556,676	7,667,446	5,291,474	5,927,838	15,848,150	13,595,284
Restatements	(438,202)	-	-	-	(438,202)	-
Net position, ending	<u>\$ 10,905,419</u>	<u>\$ 10,556,676</u>	<u>\$ 6,395,259</u>	<u>\$ 5,291,474</u>	<u>\$ 17,300,678</u>	<u>\$ 15,848,150</u>

Governmental activities. During the current fiscal year, net position for governmental activities increased \$786,945 from the prior fiscal year for an ending balance of \$10,905,419. The following items were the largest changes during the fiscal year:

The General Fund recorded operating revenues of approximately \$7,650,277, which was an increase of \$172,518, over the prior fiscal year.

- Grants and Contributions decreased by \$646,984 from prior fiscal year amounts, primarily related to an adjustment to capital assets recorded incorrectly in the prior year and completion of projects receiving grant revenues in the prior year. Current year project funding consisted of the following:
 - Cares Act Fund \$122,497
 - Commerce Park \$147,969
 - Powell Bill \$221,898
 - Senior Center-Division of Aging \$10,515
 - Tomahawk Stream Stabilization \$62,894
- Program revenues decreased by \$21,209. This is mostly due to slow return of normal activity for facility rentals and programs offered from COVID-19 pandemic.
- Permits and Fees increased by approximately \$48,419 over the prior fiscal year. Building and Fire inspections were impacted in the prior year due to COVID-19. We have also experienced a growth in new subdivisions, structures, and building improvements.
- Sales and Use tax collections increased by approximately \$202,022 in the current fiscal year. Sales tax revenues are distributed on a proportional ad valorem tax levy basis in Buncombe County. Increase in sales tax revenue was driven by stimulus money distributed by the federal government and the collection of sales tax from major online vendors such as Amazon.
- Property taxes increased by \$257,326 from prior fiscal year amounts, driven by a 18% increase in the assessed properties.
- Investment earnings decreased by \$66,872 from the prior fiscal year. This is due to drastic decreases in rate of return.
- ABC Revenues increased \$135,000 over the prior fiscal year. NC ABC stores experienced an increase in sales during the COVID-19 pandemic.

Total expenses reported in the governmental activities increased \$26,262 from prior year amounts. Several departments' expenses decreased mostly due to higher levels of vacancies and the limited amount of services provided during COVID-19. Overall, there was an increase due to the Town deciding to provide sanitation services inhouse instead of paying an outside agency for these services. In the current fiscal year new employee positions were needed and sanitation trucks were purchased to provide these services to the residents.

Also included within the net position for governmental activities is transfers. The transfers usually consists of the following type of items:

- allocation of wages to the appropriate department or fund within the fiscal year.
- Transfers from the general fund may also be made to fund capital projects
- Provide resources to other governmental funds

These transactions will be seen as a Transfer out in the General Fund and a Transfer In within the receiving Fund.

Within the current fiscal year, the general fund had an increase in transfer outs within governmental activities due to the reimbursement of the water fund for a 500,000 payment to pay down the note payable on the public works building location which is used for governmental and business purposes.

Business-type activities: For the Town of Black Mountain's business-type activities, the results for the current fiscal year were positive in that overall net position ending balance \$6,395,259 was an increase of \$1,103,785 over the prior fiscal year.

Water Fund-The Water Fund reported an increase in net position of \$978,807 in the current fiscal year over the prior fiscal year.

- Growth of the system and increase of customers was a primary reason. The town has transitioned 409 active water accounts from the City of Asheville's water system. This combined with the overall growth of the town resulted in an increase of approximately \$196,700 of water sales within the current fiscal year.
- Approximate increase of \$17,434 in revenue due to return to normal operating procedures of applying late fees and non-payment fees after the end of NC Executive Order prohibiting these fees during COVID.
- Increase in Water Tap charges by approximately \$26,223 due to growth in new subdivisions.
- Investment earnings decreased by \$22,103 from the prior fiscal year. This is due to drastic decreases in rate of return.

Golf Fund-The Golf Fund reported an increase in net position of \$124,978 from prior fiscal year.

- The Golf Fund received a \$130,470 transfer from the General Fund to cover a cash deficit.
- The Golf Fund continued to show growth during Covid due to the increased usage of outdoor activities. This resulted in an increase in overall revenues for the golf course of approximately \$133,950.

Financial Analysis of 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 spendable resources. Such information is useful in assessing the Town of Black Mountain's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Black Mountain's Council.

At the end of the current fiscal year, the Town of Black Mountain's governmental funds reported combined fund balances of \$7,202,869, an increase of \$815,095 in comparison with the prior year. Of this amount, \$3,432,629, or 36%, constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. The remainder of the fund balance is broken down as follows:

- Non-spendable: \$62,921 – resources not in spendable form, for example inventories and prepaid items.
- Restricted: \$2,543,593 – resources specifically restricted by the provider.
- Assigned: \$1,172,726 – resources assigned by the intent of use, not by formal enactment.

Analysis of Individual Funds

The **General Fund** is the chief operating fund of the Town of Black Mountain. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,550,454, while total fund balance increased to \$6,253,951. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 37.4% of total general fund expenditures, while total fund balance represents 65.9% of that same amount.

The General Fund recorded operating revenues of \$9,792,724 during the fiscal year, which was an increase of approximately \$786,557, or 8.7% over the \$9,006,167 recorded in the prior fiscal year, primarily due to the following:

- Program revenues decreased by \$21,209. This is mostly due to slow return of normal activity for facility rentals and programs offered from COVID-19 pandemic.
- Permits and Fees increased by approximately \$48,419 over the prior fiscal year. Building and Fire inspections were impacted in the prior year due to COVID-19. We have also experienced a growth in new subdivisions, structures, and building improvements.
- Sales and Use tax collections increased by approximately \$202,022 in the current fiscal year. Sales tax revenues are distributed on a proportional ad valorem tax levy basis in Buncombe County. Increase in sales tax revenue was driven by stimulus money distributed by the federal government and the collection of sales tax from major online vendors such as Amazon.
- Property taxes increased by \$257,326 from prior fiscal year amounts, driven by a 18% increase in the assessed properties.

- Investment earnings decreased by \$66,872 from the prior fiscal year. This is due to drastic decreases in rate of return.
- ABC Revenues increased \$135,000 over the prior fiscal year. NC ABC stores experienced an increase in sales during the COVID-19 pandemic.

Expenditures in the General Fund were \$9,480,590 for the current fiscal year, which was an increase of \$758,185, or 8% over the \$8,722,405 recorded in the prior fiscal year, primarily due to the conservative approach to the first half of the year to determine the impact of COVID-19. The majority of the increase in expenditures was due to the purchasing of equipment needed to perform sanitation services for the community.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the year was \$292,341 and for the Golf Fund was a deficit of \$494,122. The total growth in net position for each of the funds was \$978,807 and \$124,978, respectively. As noted earlier in the discussion of business-type activities, the increase for the Water Fund mostly results from growth within the Town and an increase in water customers due to the transition of utility accounts from the City of Asheville Water System. The Golf Fund experienced an increase in usage during COVID-19 and residents partaking in more outdoor activities during this time.

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.

Revenue: Final budget compared to actual. Several factors contributed to the General Fund Actual revenues exceeding the Budgeted revenues by \$559,939. The most significant differences between estimated revenues and actual revenues that contribute were as follows:

- Ad Valorem Tax collections exceeded budgeted amounts by \$324,456. The Town continues to show a very good collection rate through the collection of taxes through the County.
- Local option sales taxes were \$331,767 over budgeted amounts. COVID was originally expected to have a significant negative impact on sales tax, so amounts were budgeted conservatively less than prior years. Sales tax was not negatively impacted and exceeded budgeted expectations.
- Revenues from the ABC Board exceeded the budgeted revenues by \$190,000. ABC Stores across the state experienced an increase in sales during COVID-19
- Investment earnings failed to meet budgeted amounts by \$60,853. This was due to a drastic drop in the rate of return due to COVID-19.
- Revenues resulting from facility rentals and programs were \$67,162 below budgeted amounts due to slow return of normal activity from the COVID-19 pandemic.
- Permits and Fees exceeded budgeted revenue by \$130,703. The Town budgeted conservatively in these areas based on the prior year Building and Fire inspections impacts due to COVID-19. We have also experienced a growth in new subdivisions, structures, and building improvements.

Expenses: All General Fund departments stayed within the appropriated budgets for the fiscal year. In total, the General Fund actual expenditures ended the year at approximately \$9,480,590, which is \$1,347,384 below the \$10,827,974 revised expenditures budget for the fiscal year. The following factors contributed to the reduction of expenditures during the

- Approximately \$420,500 of the variance is due to reduced costs of salary and benefits because of vacancies within several departments.
- Variety of programs experienced decrease in activities due to COVID-19 and reduce of operational costs during the fiscal year, contributing to approximately \$45,300 of the difference in budgeted amount.
- Approximately \$153,590, is the result of capital equipment and vehicles, which were not delivered before June 30th.
- Operating expenditures experienced a decrease of approximately \$405,000 over the budgeted amount due to failure to procure the products or services during the current fiscal year.

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 fiscal year end amounts to \$23,031,359 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, intangibles, and water facilities and infrastructure. The total increase in capital assets for the current fiscal year was \$489,549.

Major capital asset transactions during the year include the following:

- Vehicle Purchases
- Equipment purchases
- Water system infrastructure improvements
- Sidewalk improvements

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,931,623	\$ 3,931,623	\$ 946,775	\$ 946,775	\$ 4,878,398	\$ 4,878,398
Construction in progress	2,685,282	2,567,462	500,067	-	3,185,349	2,567,462
Buildings	3,870,588	4,015,282	873,541	900,296	4,744,129	4,915,578
Other improvements	2,151,397	2,340,199	2,240,058	2,335,671	4,391,455	4,675,870
Distribution system	-	-	2,960,770	2,872,132	2,960,770	2,872,132
Furniture & fixtures	54,637	16,177	650	1,359	55,287	17,536
Equipment	600,959	595,200	334,897	362,614	935,856	957,814
Vehicles	1,801,436	1,118,213	78,682	100,605	1,880,118	1,218,818
Total	<u>\$ 15,095,922</u>	<u>\$ 14,584,156</u>	<u>\$ 7,935,440</u>	<u>\$ 7,519,452</u>	<u>\$ 23,031,362</u>	<u>\$ 22,103,608</u>

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

Long-term Debt. At the end of the current fiscal year, the Town of Black Mountain had total Long-term debt outstanding of \$3,418,450. Of this amount, \$576,017 is debt backed by the full faith and credit of the government. The remainder of the long-term obligations are comprised of notes and leases payable.

The Town of Black Mountain's total debt increased by \$213,614 during the current fiscal year. The following are the reasons for the overall increase.

- Installment purchase agreement for sanitation capital equipment \$571,123
- Installment purchase agreement for sanitation capital equipment \$245,000

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The Town's legal debt limit is \$119,703,023 (8% of assessed valuation), and the Town's legal debt margin is \$117,626,974. The Town's total debt applicable to the debt limit is \$2,076,049 which represents .14% of assessed valuation and 1.73% of the Town's Debt limit.

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 economic factors currently affect the Town of Black Mountain and were considered in developing the Upcoming Fiscal Year budget.

- Buncombe County's unemployment rate of 2.8%, which is one of the lowest in the state, and below the statewide rate of 3.9%.
- Continued growth in population and tourism within the Town
- The Town's property tax rate decreased to 30.60 cents per \$100 of valuation, due to the board's approval to adopt the revenue neutral rate.
- Several new revenue sources were enacted in the new fiscal year budget, including stormwater fees, new breakdown of building inspection fees, changes in water services and fees.
- Interest rates are expected to remain at record low levels throughout the fiscal year.
- Increases are expected in the health insurance premiums, pension, and other employee benefit costs.

At the end of the current fiscal year, the unassigned fund balance in the general fund was \$3,550,454. The Town of Black Mountain operating budget for Fiscal Year 2022 totals approximately \$14,322,248 an increase of 26.57% over the prior year original budget.

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.

Requests for Information

This report is designed to provide a general overview of the Town of Black Mountain's finances for all those with an interest in government's finances. Additional information may be found on the Town's website: <http://www.townofblackmountain.org>

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of Black Mountain, Finance Director, Town of Black Mountain, 160 Midland Avenue, Black Mountain, NC 28711.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Black Mountain ABC Board
ASSETS				
Cash and cash equivalents	\$ 4,917,609	\$ 748,707	\$ 5,666,316	\$ 977,560
Investments	251,012	-	251,012	-
Receivables, net of allowance for uncollectibles	-	289,021	289,021	-
Intergovernmental receivables	1,259,292	-	1,259,292	-
Taxes receivable	11,173	-	11,173	-
Internal balances	14,451	(14,451)	-	-
Inventories	9,799	71,975	81,774	314,200
Prepaid items	53,122	-	53,122	5,613
Restricted cash and cash equivalents	1,098,809	200,296	1,299,105	-
Capital assets:				
Non-depreciable	6,616,905	1,446,842	8,063,747	-
Depreciable, net of accumulated depreciation	8,479,017	6,488,598	14,967,615	697,195
Total assets	22,711,189	9,230,988	31,942,177	1,994,568
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension items	1,396,192	141,038	1,537,230	44,479
Deferred outflows - OPEB items	1,070,282	153,666	1,223,948	-
Total deferred outflows of resources	2,466,474	294,704	2,761,178	44,479
LIABILITIES				
Accounts payable	129,565	25,394	154,959	8,807
Accrued liabilities	87,078	11,505	98,583	473,246
Customer deposits	161,454	199,296	360,750	-
Unearned revenues	23,170	26,040	49,210	-
Interest payable	29,193	11,484	40,677	-
Installment notes, due within one year	451,073	110,891	561,964	-
Installment notes, due in more than one year	1,624,976	655,493	2,280,469	-
Revolving loans payable, due within one year	-	58,144	58,144	-
Revolving loans payable, due in more than one year	-	513,872	513,872	-
Compensated absences, due within one year	297,201	35,480	332,681	3,770
Compensated absences, due in more than one year	93,378	13,519	106,897	-
Total pension liability (LEOSSA), due in more than one year	1,117,171	-	1,117,171	-
Net pension liability (LGERs), due in more than one year	1,892,917	264,003	2,156,920	78,615
Net OPEB liability, due in more than one year	5,556,712	802,124	6,358,836	-
Total liabilities	11,463,888	2,727,245	14,191,133	564,438
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension items	72,350	8,240	80,590	3,882
Deferred inflows - OPEB items	2,736,006	394,948	3,130,954	-
Total deferred inflows of resources	2,808,356	403,188	3,211,544	3,882
NET POSITION				
Net investment in capital assets	13,019,873	6,597,040	19,616,913	697,195
Restricted for:				
Stabilization by State Statute	1,445,022	-	1,445,022	112,295
Streets - Powell Bill	526,295	-	526,295	-
Public safety programs	134,259	-	134,259	-
Capital projects	438,017	-	438,017	-
Unrestricted	(4,658,047)	(201,781)	(4,859,828)	661,237
Total net position	\$ 10,905,419	\$ 6,395,259	\$ 17,300,678	\$ 1,470,727

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, 2021

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	\$ 1,540,168	\$ 391,131	\$ 45,113	\$ 62,894	\$ (1,041,030)	\$ -	\$ (1,041,030)	\$ -
Public safety	4,481,181	1,272,009	148,257	-	(3,060,915)	-	(3,060,915)	-
Transportation	1,219,898	-	-	221,898	(998,000)	-	(998,000)	-
Environmental protection	1,552,709	-	-	369,477	(1,183,232)	-	(1,183,232)	-
Economic development	19,269	-	-	-	(19,269)	-	(19,269)	-
Culture and recreation	314,851	57,928	-	175,126	(81,797)	-	(81,797)	-
Interest on long-term debt	61,108	-	-	-	(61,108)	-	(61,108)	-
Total governmental activities	9,189,184	1,721,068	193,370	829,395	(6,445,351)	-	(6,445,351)	-
Business-type activities:								
Water	1,580,521	1,765,500	-	443,920	-	628,899	628,899	-
Golf Course	615,042	609,550	-	-	-	(5,492)	(5,492)	-
Total business-type activities	2,195,563	2,375,050	-	443,920	-	623,407	623,407	-
Total primary government	\$ 11,384,747	\$ 4,096,118	\$ 193,370	\$ 1,273,315	(6,445,351)	623,407	(5,821,944)	-
Component unit:								
Black Mountain ABC Board	\$ 2,761,326	\$ 2,919,678	\$ -	\$ -	-	-	-	158,352
Total component unit	\$ 2,761,326	\$ 2,919,678	\$ -	\$ -	-	-	-	158,352
General revenues:								
Property taxes, levied for general purposes					4,514,385	-	4,514,385	-
Sales tax					1,941,830	-	1,941,830	-
Unrestricted intergovernmental					959,736	-	959,736	-
Other taxes					49,282	-	49,282	-
Unrestricted investment earnings					2,047	520	2,567	133
Miscellaneous					182,997	61,877	244,874	-
Transfers					(417,981)	417,981	-	-
Total general revenues and transfers					7,232,296	480,378	7,712,674	133
Change in net position					786,945	1,103,785	1,890,730	158,485
Net position, beginning of year, restated					10,118,474	5,291,474	15,409,948	1,312,242
Net position, end of year					\$ 10,905,419	\$ 6,395,259	\$ 17,300,678	\$ 1,470,727

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 4,276,933	\$ 640,676	\$ 4,917,609
Investments	251,012	-	251,012
Taxes receivable, net	11,173	-	11,173
Intergovernmental receivable	1,259,292	-	1,259,292
Due from other funds	135,621	-	135,621
Restricted cash and cash equivalents	660,792	438,017	1,098,809
Inventories	9,799	-	9,799
Prepaid items	53,122	-	53,122
Total assets	<u>\$ 6,657,744</u>	<u>\$ 1,078,693</u>	<u>\$ 7,736,437</u>
LIABILITIES			
Accounts payable	\$ 120,960	\$ 8,605	\$ 129,565
Accrued liabilities	87,078	-	87,078
Unearned revenue	23,170	-	23,170
Due to other funds	-	121,170	121,170
Deposits payable	161,454	-	161,454
Total liabilities	<u>392,662</u>	<u>129,775</u>	<u>522,437</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	11,131	-	11,131
Total deferred inflows of resources	<u>11,131</u>	<u>-</u>	<u>11,131</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	53,122	-	53,122
Inventories	9,799	-	9,799
Restricted:			
Stabilization by State Statute	1,445,022	-	1,445,022
Public safety	134,259	-	134,259
Powell Bill projects	526,295	-	526,295
Capital projects	-	438,017	438,017
Assigned for:			
Capital projects	535,000	637,726	1,172,726
Unassigned	3,550,454	(126,825)	3,423,629
Total fund balances	<u>6,253,951</u>	<u>948,918</u>	<u>7,202,869</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,657,744</u>	<u>\$ 1,078,693</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.	15,095,922
Some receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources for unavailable revenue in the funds.	11,131
The net pension liability for LGERS is not expected to be liquidated with expendable financial resources and therefore, is not reported in the governmental funds.	(1,892,917)
The total pension liability for the LEOSSA is also not expected to be liquidated with expendable financial resources and thus is also not reported in the governmental funds.	(1,117,171)
The net OPEB liability is also not expected to be liquidated with expendable financial resources and therefore, is also not reported in the governmental funds.	(5,556,712)
Deferred outflows and inflows of resources related to pensions and OPEB which are not current financial resources are not reported in the governmental funds.	(341,882)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(2,495,821)
Net position of governmental activities	<u>\$ 10,905,419</u>

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, 2021**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 4,517,456	\$ -	\$ 4,517,456
Other taxes	1,991,112	-	1,991,112
Unrestricted intergovernmental	959,736	-	959,736
Restricted intergovernmental	415,268	344,862	760,130
Permits and fees	348,436	369,477	717,913
Sales and services	1,375,672	-	1,375,672
Investment earnings	2,047	-	2,047
Miscellaneous	182,997	-	182,997
Total revenues	<u>9,792,724</u>	<u>714,339</u>	<u>10,507,063</u>
Expenditures			
Current:			
General government	1,466,649	-	1,466,649
Public safety	4,334,531	-	4,334,531
Transportation	1,037,960	-	1,037,960
Environmental protection	1,483,866	-	1,483,866
Culture and recreation	499,811	-	499,811
Capital outlay	-	822,430	822,430
Debt service:			
Principal retirements	599,117	-	599,117
Interest	58,656	-	58,656
Total expenditures	<u>9,480,590</u>	<u>822,430</u>	<u>10,303,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>312,134</u>	<u>(108,091)</u>	<u>204,043</u>
Other financing sources (uses)			
Transfers in	118,134	178,954	297,088
Transfers out	(517,101)	-	(517,101)
Proceeds from sale of capital assets	14,342	-	14,342
Issuance of installment note	816,723	-	816,723
Total other financing sources (uses)	<u>432,098</u>	<u>178,954</u>	<u>611,052</u>
Net change in fund balances	744,232	70,863	815,095
Fund balances, beginning of year	<u>5,509,719</u>	<u>878,055</u>	<u>6,387,774</u>
Fund balances, end of year	<u>\$ 6,253,951</u>	<u>\$ 948,918</u>	<u>\$ 7,202,869</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, 2021

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

Net change in fund balances - total governmental funds	\$	815,095
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.		764,545
Governmental funds report the proceeds from sales and disposals of capital assets whereas the statement of activities reports the gain or loss resulting from the transaction. Therefore, the change in fund balances will differ from the change in net position by the net book value of the capital assets sold.		(252,779)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(112,953)
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.		(217,606)
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.		(209,357)
Change in net position - governmental activities	\$	<u>786,945</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, 2021

	Budget		Actual	Variance with Actual
	Original	Final	Amounts	and Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 4,193,000	\$ 4,193,000	\$ 4,517,456	\$ 324,456
Other taxes	1,574,000	1,645,063	1,991,112	346,049
Unrestricted intergovernmental	832,000	832,000	959,736	127,736
Restricted intergovernmental	264,000	492,997	415,268	(77,729)
Permits and fees	275,800	275,800	348,436	72,636
Sales and services	1,385,225	1,385,225	1,375,672	(9,553)
Investment earnings	62,900	62,900	2,047	(60,853)
Miscellaneous	88,950	345,800	182,997	(162,803)
Total revenues	8,675,875	9,232,785	9,792,724	559,939
Expenditures				
Current:				
General government	1,404,300	1,550,243	1,466,649	83,594
Public safety	4,413,242	4,682,527	4,334,531	347,996
Transportation	1,100,600	1,336,565	1,037,960	298,605
Environmental protection	1,256,745	1,504,795	1,483,866	20,929
Culture and recreation	622,550	625,360	499,811	125,549
Debt service:				
Principal retirements	315,763	802,852	599,117	203,735
Interest	151,765	202,676	58,656	144,020
Total expenditures	9,264,965	10,705,018	9,480,590	1,224,428
Excess (deficiency) of revenues over (under) expenditures	(589,090)	(1,472,233)	312,134	1,784,367
Other financing sources (uses)				
Fund balance appropriation	-	727,500	-	(727,500)
Transfers in	157,090	177,090	118,134	(58,956)
Transfers out	(150,000)	(259,357)	(517,101)	(257,744)
Proceeds from sale of capital assets	10,000	10,000	14,342	4,342
Issuance of installment note	572,000	817,000	816,723	(277)
Total other financing sources	589,090	1,472,233	432,098	(1,040,135)
Net change in fund balances	-	-	744,232	744,232
Fund balances, beginning of year	5,509,719	5,509,719	5,509,719	-
Fund balances, end of year	\$ 5,509,719	\$ 5,509,719	6,253,951	\$ 744,232
Net change in fund balance from consolidated funds:				
Capital Reserve Fund:			-	
			\$ 6,253,951	

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, 2021

	Water Fund	Golf Course Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 748,707	\$ -	\$ 748,707
Restricted cash	199,296	1,000	200,296
Accounts receivable, net of allowances	289,021	-	289,021
Inventories	69,058	2,917	71,975
Total current assets	1,306,082	3,917	1,309,999
CAPITAL ASSETS			
Nondepreciable	1,140,712	306,130	1,446,842
Depreciable, net of accumulated depreciation	6,102,989	385,609	6,488,598
Total capital assets	7,243,701	691,739	7,935,440
Total assets	8,549,783	695,656	9,245,439
DEFERRED OUTFLOWS OF RESOURCES			
Pension items	90,863	50,175	141,038
OPEB items	98,501	55,165	153,666
Total deferred outflows of resources	189,364	105,340	294,704
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	19,642	5,752	25,394
Due to other funds	-	14,451	14,451
Accrued liabilities	15,163	7,826	22,989
Customer deposits	199,296	-	199,296
Unearned memberships	-	26,040	26,040
Installment contracts, current	110,891	-	110,891
Revolving loans payable, current	58,144	-	58,144
Compensated absences payable, current	22,673	12,807	35,480
Total current liabilities	425,809	66,876	492,685
NONCURRENT LIABILITIES			
Installments contracts	655,493	-	655,493
Revolving loans payable	513,872	-	513,872
Compensated absences payable	4,488	9,031	13,519
Net pension liability	169,228	94,775	264,003
Net OPEB liability	514,168	287,956	802,124
Total noncurrent liabilities	1,857,249	391,762	2,249,011
Total liabilities	2,283,058	458,638	2,741,696
DEFERRED INFLOWS OF RESOURCES			
Pension items	5,282	2,958	8,240
OPEB items	253,165	141,783	394,948
Total deferred inflows of resources	258,447	144,741	403,188
NET POSITION			
Net investment in capital assets	5,905,301	691,739	6,597,040
Unrestricted	292,341	(494,122)	(201,781)
Total net position	\$ 6,197,642	\$ 197,617	\$ 6,395,259

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, 2021

	Water Fund	Golf Course Fund	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 1,637,853	\$ 604,798	\$ 2,242,651
Other operating income	127,647	4,752	132,399
Total operating revenues	1,765,500	609,550	2,375,050
OPERATING EXPENSES			
Salaries and benefits	384,722	309,474	694,196
General operating expenses	823,923	287,586	1,111,509
Depreciation	322,964	17,982	340,946
Total operating expenses	1,531,609	615,042	2,146,651
Operating income (loss)	233,891	(5,492)	228,399
NON-OPERATING REVENUES (EXPENSES)			
Miscellaneous other revenues	61,877	-	61,877
Interest income	520	-	520
Interest and fiscal charges	(48,912)	-	(48,912)
Total non-operating revenue (expenses)	13,485	-	13,485
Income (loss) before capital contributions and transfers	247,376	(5,492)	241,884
Capital contributions	641,888	-	641,888
Transfers in	257,745	130,470	388,215
Transfers out	(168,202)	-	(168,202)
Change in net position	978,807	124,978	1,103,785
Net position, beginning of year	5,218,835	72,639	5,291,474
Net position, end of year	\$ 6,197,642	\$ 197,617	\$ 6,395,259

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, 2021

	Water Fund	Golf Course Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,777,744	\$ 603,782	\$ 2,381,526
Payments to suppliers	(847,291)	(381,128)	(1,228,419)
Payments to employees	(476,565)	(352,124)	(828,689)
Net cash provided by (used in) operating activities	453,888	(129,470)	324,418
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	257,745	130,470	388,215
Transfers to other funds	(168,202)	-	(168,202)
Net cash provided by non-capital financing activities	89,543	130,470	220,013
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(115,046)	-	(115,046)
Principal payments on installment loans	(377,077)	-	(377,077)
Principal payments on notes payable	(58,144)	-	(58,144)
Interest paid	(48,912)	-	(48,912)
Net cash used in capital and related financing activities	(599,179)	-	(599,179)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	520	-	520
Net cash provided by investing activities	520	-	520
Net increase (decrease) in cash and cash equivalents	(55,228)	1,000	(54,228)
Cash and cash equivalents, beginning of year	1,003,231	-	1,003,231
Cash and cash equivalents, end of year	\$ 948,003	\$ 1,000	\$ 949,003
CASH AND CASH EQUIVALENTS AS REPORTED ON STATEMENT OF NET POSITION			
Cash and cash equivalents	\$ 748,707	\$ -	\$ 748,707
Restricted cash	199,296	1,000	200,296
Total cash and cash equivalents	\$ 948,003	\$ 1,000	\$ 949,003

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Water Fund	Golf Course Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 233,891	\$ (5,492)	\$ 228,399
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	322,964	17,982	340,946
Miscellaneous other non-operating receipts	61,877	-	61,877
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in accounts receivable	(74,775)	1,000	(73,775)
Decrease in inventories	2,345	-	2,345
Decrease in deferred outflows of resources	10,897	7,379	18,276
Decrease in accounts payable	(25,713)	(30,344)	(56,057)
Increase in accrued liabilities	(2,967)	2,524	(443)
Decrease in due to other funds	-	(63,198)	(63,198)
Increase (decrease) in customer deposits	25,142	(6,768)	18,374
Increase in compensated absences payable	1,221	5,684	6,905
Decrease in deferred inflows of resources	(14,172)	(8,037)	(22,209)
Increase in net pension liability	50,120	26,494	76,614
Decrease in net OPEB liability	(136,942)	(76,694)	(213,636)
Net cash provided by (used in) operating activities	<u>\$ 453,888</u>	<u>\$ (129,470)</u>	<u>\$ 324,418</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets	<u>\$ 641,888</u>	<u>\$ -</u>	<u>\$ 641,888</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 JUNE 30, 2021

	Metropolitan Sewerage District Billing Fund
ASSETS	
Accounts receivable	\$ 217,304
Total assets	<u>\$ 217,304</u>
LIABILITIES	
Due to Metropolitan Sewerage District	\$ 217,304
Total liabilities	<u>\$ 217,304</u>

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2021

	Metropolitan Sewerage District Billing Fund
ADDITIONS	
Sewer treatment and maintenance fees	\$ 1,317,372
Total additions	1,317,372
DEDUCTIONS	
Remittances to Metropolitan Sewerage District	1,317,372
Total deductions	1,317,372
Change in fiduciary net position	-
NET POSITION, beginning of year	-
NET POSITION, end of year	\$ -

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 Town Council. 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 Town of Black Mountain ABC Board's (the "ABC Board") 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 all revenues to be available if they are collected within 60 days of the end of the current fiscal 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 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 Course 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 Funds** account for financial resources to be used for the acquisition and construction of major capital projects.

The **Custodial Fund** is used to account for assets the Town is holding in a fiduciary capacity. The Town maintains the Metropolitan Sewerage District Billing Fund, which accounts for sewer treatment and sewer maintenance fees billed and collected 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 and the enterprise funds. During the fiscal year ended June 30, 2021, 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 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, 2020.

An estimated amount has been recorded for utility services provided but not billed as of the end of the fiscal year. This amount is included in accounts receivable in the Water Fund, net of uncollectible amounts.

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

The Town’s inventories and prepaid items are accounted for using the consumption method. An asset for the inventory or prepaid item is recorded at the time of purchase and an expenditure / expense is recorded in the year in which the items are consumed.

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, 2021, 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 and an estimated useful life in excess of one year. 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:

Land Improvements	25 years
Buildings	40 years
Building Improvements	25 years
Vehicles and Motorized Equipment	5 years
Equipment and Furniture	5 years
Computer Equipment and Software	3 years
Infrastructure	50 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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, 2021, 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 and OPEB plan assets, (3) changes in proportion and the difference between the Town's actual contributions towards the pension plan and OPEB plan and the Town's proportionate share of contributions, and (4) changes in pension and OPEB plan assumptions. The net difference between projected and actual investment earnings on the OPEB and 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

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 for property taxes that are not collected within the Town's revenue recognition window. 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

The vacation policy of the Town provides for the accumulation of up to sixty (60) days earned vacation leave, with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 determined by the adoption of an ordinance committing fund balance by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Town Council adopts another ordinance to remove to revise the limitation.

Assigned – Fund balances are reported as assigned when amounts are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Council has, by resolution, authorized the Finance Director to assign fund balance. The Town Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

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 – As previously mentioned, sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned or unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance and lastly, unassigned fund balance.

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. 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 \$2,495,821 difference are as follows:

Accrued interest payable	\$ (2,076,049)
Compensated absences (i.e., vacation)	(39,193)
	<u>\$ (2,495,821)</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 \$764,545 are as follows:

Capital outlay	\$ 1,524,778
Depreciation expense	<u>(760,233)</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>\$ 764,545</u>

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 \$217,606 difference are as follows:

Issuance of installment note	\$ (816,723)
Principal payments on long-term borrowings	<u>599,117</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>\$ (217,606)</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 \$209,357 difference are as follows:

Compensated absences (i.e., vacation)	\$ (35,346)
Change in accrued interest	(2,452)
Net pension liability - LGERS and related deferred outflows and inflows of resources	(275,106)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(82,143)
Net OPEB liability - and related deferred outflows and inflows of resources	<u>185,690</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>\$ (209,357)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance. The Tomahawk Stream Project Fund is reporting a deficit fund balance of (\$5,655) as of June 30, 2021. This shortfall will be recouped in future years through the future recognition of accrued intergovernmental revenues which are considered unavailable as of June 30, 2021.

The Veteran’s Park Improvements Project Fund is reporting a deficit fund balance of (\$109,719) as of June 30, 2021. This shortfall will be recouped in future years through the combination of intergovernmental grant revenues and general fund appropriations, as needed.

The Watershed Restoration Project Fund is reporting a deficit fund balance of (\$11,751) as of June 30, 2021. This shortfall will be recouped in future years through the combination of intergovernmental grant revenues and general fund appropriations, as needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021, are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 5,666,316
Investments	251,012
Restricted cash and cash equivalents	1,299,105
	<u>\$ 7,216,433</u>

Deposits with financial institutions	\$ 1,144,769
Deposits with NCCMT	6,071,664
	<u>\$ 7,216,433</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 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 NCCMT - Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021.

Fair value measurements. As of June 30, 2021, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>June 30, 2021 Balance</u>	<u>Duration</u>	<u>Rating</u>
North Carolina Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 6,071,664 <u>\$ 6,071,664</u>	N/A	AAAm
Certificate of deposit	Cost	251,012 <u>\$ 6,322,676</u>	12 months	Unrated

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair value measurements (continued). 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.

The Town's certificate of deposit is considered a nonparticipating interest earning investment contract and as such, is valued at cost.

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, 2021, the Town's deposits are insured or collateralized as required by state law.

NOTE 5. RECEIVABLES

Receivables at June 30, 2021, for the Town's individual major funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Water
Receivables:		
Taxes	\$ 19,510	\$ -
Intergovernmental	1,259,292	-
Accounts	-	353,110
Less allowance for uncollectibles	8,337	64,089
Net total receivables	<u>\$ 1,270,465</u>	<u>\$ 289,021</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2021, is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 3,931,623	\$ -	\$ -	\$ 3,931,623
Construction in progress	2,567,462	315,788	(197,968)	2,685,282
Total	<u>6,499,085</u>	<u>315,788</u>	<u>(197,968)</u>	<u>6,616,905</u>
Capital assets, being depreciated:				
Buildings	6,194,406	-	-	6,194,406
Land improvements	4,203,753	21,531	-	4,225,284
Furniture and fixtures	254,491	44,848	-	299,339
Equipment	1,580,694	105,403	-	1,686,097
Vehicles	3,603,055	1,037,208	(123,916)	4,516,347
Total	<u>15,836,399</u>	<u>1,208,990</u>	<u>(123,916)</u>	<u>16,921,473</u>
Less accumulated depreciation for:				
Buildings	(2,179,124)	(144,694)	-	(2,323,818)
Land improvements	(1,863,554)	(210,333)	-	(2,073,887)
Furniture and fixtures	(238,314)	(6,388)	-	(244,702)
Equipment	(985,494)	(99,644)	-	(1,085,138)
Vehicles	(2,484,842)	(299,174)	69,105	(2,714,911)
Total	<u>(7,751,328)</u>	<u>(760,233)</u>	<u>69,105</u>	<u>(8,442,456)</u>
Total capital assets being depreciated, net	<u>8,085,071</u>	<u>448,757</u>	<u>(54,811)</u>	<u>8,479,017</u>
Governmental activities capital assets, net	<u>\$ 14,584,156</u>	<u>\$ 764,545</u>	<u>\$ (252,779)</u>	<u>\$ 15,095,922</u>

The beginning balances of the Town's capital assets for governmental activities were restated to correct errors in the ending balances reported as of June 30, 2020; see Note 13 for additional information.

Depreciation expense was charged to functions/programs of the Town's governmental activities as follows:

Governmental activities:	
General government	\$ 143,421
Public safety	236,205
Transportation	169,571
Environmental protection	68,843
Economic development	19,269
Culture and recreation	122,924
Total depreciation expense - governmental activities	<u>\$ 760,233</u>

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
Construction in progress	-	500,067	-	500,067
Total	<u>640,645</u>	<u>500,067</u>	<u>-</u>	<u>1,140,712</u>
Capital assets, being depreciated:				
Land improvements	3,583,383	-	-	3,583,383
Water distribution system	6,381,238	256,867	-	6,638,105
Buildings	656,480	-	-	656,480
Equipment	551,788	-	-	551,788
Vehicles	238,915	-	-	238,915
Total	<u>11,411,804</u>	<u>256,867</u>	<u>-</u>	<u>11,668,671</u>
Less accumulated depreciation for:				
Land improvements	(1,279,123)	(93,341)	-	(1,372,464)
Water distribution system	(3,509,106)	(168,229)	-	(3,677,335)
Buildings	(37,838)	(16,381)	-	(54,219)
Equipment	(278,341)	(23,090)	-	(301,431)
Vehicles	(138,310)	(21,923)	-	(160,233)
Total	<u>(5,242,718)</u>	<u>(322,964)</u>	<u>-</u>	<u>(5,565,682)</u>
Total capital assets being depreciated, net	<u>6,169,086</u>	<u>(66,097)</u>	<u>-</u>	<u>6,102,989</u>
Water Fund capital assets, net	<u>\$ 6,809,731</u>	<u>\$ 433,970</u>	<u>\$ -</u>	<u>\$ 7,243,701</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Golf Course 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	506,395	-	-	506,395
Furniture and fixtures	18,172	-	-	18,172
Equipment	234,695	-	-	234,695
Vehicles and motorized equipment	295,927	-	-	295,927
Total	<u>1,889,955</u>	<u>-</u>	<u>-</u>	<u>1,889,955</u>
Less accumulated depreciation for:				
Land improvements	(803,355)	(2,272)	-	(805,627)
Buildings	(224,741)	(10,374)	-	(235,115)
Furniture and fixtures	(16,813)	(709)	-	(17,522)
Equipment	(145,528)	(4,627)	-	(150,155)
Vehicles and motorized equipment	(295,927)	-	-	(295,927)
Total	<u>(1,486,364)</u>	<u>(17,982)</u>	<u>-</u>	<u>(1,504,346)</u>
Total capital assets being depreciated, net	403,591	(17,982)	-	385,609
Golf Course Fund capital assets, net	<u>\$ 709,721</u>	<u>\$ (17,982)</u>	<u>\$ -</u>	<u>\$ 691,739</u>

Depreciation expense was charged to functions/programs of the Town's business-type activities as follows:

Business-type activities	
Water	\$ 332,964
Golf Course	<u>17,982</u>
Total depreciation expense - business-type activities	<u>\$ 350,946</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment notes - direct borrowing	\$ 1,858,443	\$ 816,723	\$ (599,117)	\$ 2,076,049	\$ 451,073
Compensated absences	355,233	305,652	(270,306)	390,579	297,201
Net pension liability (LGERS)	1,409,109	872,155	(388,347)	1,892,917	-
Law enforcement officers' SSA total pension liability	806,047	359,840	(48,716)	1,117,171	-
Net OPEB liability	6,158,264	222,027	(823,579)	5,556,712	-
Governmental activity Long-term liabilities	<u>\$ 10,587,096</u>	<u>\$ 2,576,397</u>	<u>\$ (2,130,065)</u>	<u>\$ 11,033,428</u>	<u>\$ 748,274</u>
Business-type activities:					
Installment notes - direct borrowing	\$ 1,143,461	\$ -	\$ (377,077)	\$ 766,384	\$ 110,891
Revolving loans - direct borrowing	630,160	-	(58,144)	572,016	58,144
Net pension liability (LGERS)	187,388	130,778	(54,163)	264,003	-
Net OPEB liability	1,015,760	(94,751)	(118,885)	802,124	-
Compensated absences	42,094	40,815	(33,910)	48,999	35,480
Business-type activity Long-term liabilities	<u>\$ 3,018,863</u>	<u>\$ 76,842</u>	<u>\$ (642,179)</u>	<u>\$ 2,453,526</u>	<u>\$ 204,515</u>

For governmental funds, compensated absences, the net pension liability (LGERS), total pension liability (LEOSSA), and net OPEB liability are liquidated by the General Fund. 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 Course Fund.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Notes (Continued)

<i>Governmental activities</i>	Balance as of June 30, 2021
A note 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.	\$ 131,408
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 Square. The note bears an interest rate of 3.07% and matures in 2027.	756,000
A note issued for \$43,270 was issued in November 2019 with annual payments of \$22,500, plus interest, for the acquisition of new land for the Town. The note bears an interest rate of 3.65% and matures in 2022.	21,918
A note issued for \$750,000 was issued in February 2018 with annual payments of \$50,000, plus interest, for the acquisition of a building. The note bears an interest rate of 3.49% and matures in 2033.	350,000
A note issued for \$571,123 was issued in August 2020 with annual payments of \$94,975, plus interest, for the acquisition of sanitation vehicles and equipment. The note bears an interest rate of 1.61% and matures in 2028.	571,723
A note issued for \$245,000 was issued in November 2020 with annual payments of \$37,580, plus interest, for the acquisition of sanitation rear loaders and a truck. The note bears an interest rate of 1.81% and matures in 2028.	245,000
Total outstanding installment notes payable	<u>\$ 2,076,049</u>

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 451,073	\$ 51,915	\$ 502,988
2023	278,757	37,416	316,173
2024	280,012	31,647	311,659
2025	282,048	25,094	307,142
2026	284,118	18,508	302,626
2027-2031	481,441	22,997	504,438
2032-2036	18,600	645	19,245
Total	<u>\$ 2,076,049</u>	<u>\$ 188,222</u>	<u>\$ 2,264,271</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Notes (Continued)

<i>Business-type activities</i>	Balance as of June 30, 2021
A note 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.	\$ 416,384
A note for \$750,000 was issued in February 2018 with annual payments of \$50,000, plus interest, for the acquisition of a public works, water, and parks and recreation facility. The note bears an interest rate of 3.49% and matures in 2033.	350,000
Total outstanding installment notes payable	<u>\$ 766,384</u>

The debt service to maturity on the installment notes for business-type activities is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 110,891	\$ 17,889	\$ 128,780
2023	112,939	15,195	128,134
2024	115,040	12,448	127,488
2025	117,196	9,647	126,843
2026	119,407	6,790	126,197
2027-2031	159,090	12,968	172,058
2032-2033	31,821	645	32,466
Total	<u>\$ 766,384</u>	<u>\$ 75,582</u>	<u>\$ 841,966</u>

Revolving Loans

In June 2010, the Town entered into a direct borrowing agreement with the North Carolina Department of Environmental Quality for a loan in the amount of \$974,345 from the Clean Water State Revolving Fund. The proceeds of the loan were used 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, 2021, \$487,172 of the loan was outstanding. The loan matures in 2031.

In June 2011, the Town entered into a direct borrowing agreement with the North Carolina Department of Environmental Quality for a loan in the amount of \$188,542 from the Clean Water State Revolving Fund. The proceeds of the loan were used 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, 2021, \$84,844 of the loan was outstanding. The loan matures in 2030.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revolving Loans (Continued)

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,			
2022	\$ 58,144	\$ 10,815	\$ 68,959
2023	58,144	9,734	67,878
2024	58,144	8,652	66,796
2025	58,144	7,571	65,715
2026	58,144	6,489	64,633
2027-2031	281,296	16,223	297,519
Total	<u>\$ 572,016</u>	<u>\$ 59,484</u>	<u>\$ 631,500</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 121,170
General Fund	Water Fund	14,451
		<u>\$ 135,621</u>

The Town utilizes pooled cash to facilitate transactions and these balances result from timing differences.

Interfund Transfers

The composition of interfund transfers that occurred between the Town's funds during the year ended June 30, 2021, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water Fund	\$ 118,134
Water Fund	General Fund	\$ 257,745
Nonmajor governmental funds	General Fund	\$ 128,886
Nonmajor governmental funds	Water Fund	50,068
		<u>\$ 178,954</u>
Golf Course Fund	General Fund	<u>\$ 130,470</u>

Transfers are used to move revenues from the (1) General Fund for grant matching purposes, (2) General Fund to support the operations of the Golf Course Fund and Water Fund (3) Water Fund for grant matching purposes and (4) for the Water Fund to reimburse the General Fund for central administrative costs.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

The Town 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	\$ 2,156,920	\$ -	\$ 2,156,920
Total pension liability	-	1,117,171	1,117,171
Pension expense	711,538	115,042	826,580
Deferred outflows of resources	1,131,374	405,856	1,537,230
Deferred inflows of resources	67,325	13,265	80,590

A. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide 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. LGERS is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR 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).

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Benefits Provided (Continued). 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town 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's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.20% 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 were \$394,947 for the year ended June 30, 2021.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

At June 30, 2021, the Town reported a liability of \$2,156,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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 the June 30, 2020 measurement date, the Town's proportion was 0.06036%, which was an increase of 0.00190% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$711,538. At June 30, 2021, 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	\$ 272,381	\$ -
Changes in assumptions	160,517	-
Net difference between projected and actual earnings on pension plan investments	303,529	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	67,325
Town contributions subsequent to the measurement date	394,947	-
Total	<u>\$ 1,131,374</u>	<u>\$ 67,325</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

Town contributions made subsequent to the measurement date of \$394,947 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 179,761
2023	252,015
2024	147,497
2025	89,829
	<u>\$ 669,102</u>

Actuarial Assumptions. The total pension liability as of June 30, 2020, was determined by the December 31, 2019 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

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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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 3.05%. 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%. 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	\$ 4,376,156	\$ 2,156,920	\$ 312,579

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

B. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least thirty years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 2019, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>20</u>
Total	<u><u>22</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, 2019 valuation. The total pension liability in the December 31, 2019 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	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20-Year Municipal Bond High Grade Rate Index. The current year rate of 1.93% is a change from the prior year rate of 3.26% due to a change in the Municipal Bond Rate.

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, 2018 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 \$65,798 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, 2021, the Town reported a total pension liability of \$1,117,171. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$115,042.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 122,677	\$ -
Change in assumptions	250,280	13,265
Town benefit payments made subsequent to the measurement date.	32,899	-
Total	<u>\$ 405,856</u>	<u>\$ 13,265</u>

The town reported \$32,899 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 86,607
2023	81,768
2024	67,231
2025	57,285
2026	47,718
Thereafter	19,083
	<u>\$ 359,692</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, 2021, were as follows:

	Total Pension Liability
Balance at June 30, 2020	\$ 806,047
Service Cost	28,966
Interest	25,483
Experience differences	35,466
Assumption changes	269,925
Benefit payments	(48,716)
Balance at June 30, 2021	<u>\$ 1,117,171</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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,199,982	\$ 1,117,171	\$ 1,040,701

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan for LEO (the "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 Plan is included in the ACFR for the state of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

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, 2021, consisted of \$46,948 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, 2021, consisted of \$143,827 from the Town.

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 RHBF are presented in the State of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 6.68% of covered payroll which amounted to \$245,338. 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, 2021, the Town reported a liability of \$6,358,836 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020, 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, 2020, the Town’s proportion was 0.02292%, which was an increase from the prior year proportion by 0.00025%.

For the year ended June 30, 2021, Town recognized OPEB expense of \$13,861. At June 30, 2021, 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	\$ 5,761	\$ 248,765
Changes in assumptions	278,871	2,580,515
Net difference between projected and actual earnings on OPEB plan investments	13,396	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	680,582	301,674
Contributions paid subsequent to measurement date	245,338	-
Total	<u>\$ 1,223,948</u>	<u>\$ 3,130,954</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The amount reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, of \$245,338, will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. 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:	
2022	\$ 734,233
2023	733,535
2024	413,090
2025	75,825
2026	195,661
Total	<u>\$ 2,152,344</u>

Actuarial Assumptions. The total OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of December 31, 2019, 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, 2020:

Discount Rate:	2.21%
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, 2019 valuation were based on the results of an actuarial experience study which covered the period from January 1, 2010 through December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued). 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 2.21%, which was a decrease from the rate utilized in the prior year of 3.50%. 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 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020. This is a change from the prior year's rate of 3.50%.

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 (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 7,541,177	\$ 6,358,836	\$ 5,406,263

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:

	1% Decrease (5.5% to 4.0%)	Current (6.5% to 5.0%)	1% increase (7.5% to 6.0%)
Net OPEB liability	\$ 5,126,372	\$ 6,358,836	\$ 8,006,191

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

NOTES TO FINANCIAL STATEMENTS

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 property and casualty insurance administered by the Interlocal Risk Financing Fund of North Carolina. Through this insurance program, the Town has general liability coverage of \$5 million and auto liability coverage of \$5 million per occurrence; blanket property coverage up to \$23,674,300; law enforcement liability insurance of \$5 million; and public officials' liability insurance of \$5 million. The Town also carries workers compensation coverage up to statutory limits.

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. There is coverage of \$50,000 for employee dishonesty which covers the finance officer and other employees. The financial officer is also individually bonded for \$50,000 in accordance with North Carolina General Statute 159-29.

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

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.

NOTE 13. RESTATEMENT TO BEGINNING BALANCES

During the year ended June 30, 2021, management of the Town identified errors in the ending balances of capital assets for governmental activities that were reported in the prior year (June 30, 2020) financial statements. In the Town's non-depreciable capital assets, land and construction-in-progress balances were overstated at the end of the prior year due to items that had been disposed improperly remaining in the year-end balances. In the Town's depreciable capital assets, a vehicle that was purchased at the end of the prior year was improperly omitted from the capital asset listings.

As a result of the above errors, beginning net position for the Town's governmental activities has been restated as follows:

Net position, governmental activities, as previously reported	\$ 10,556,676
Restatement for errors in capital assets reporting	(438,202)
Net position, governmental activities, as restated	<u>\$ 10,118,474</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2021**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2021	2020	2019	2018	2017
Total pension liability, beginning balance	\$ 806,047	\$ 725,721	\$ 680,380	\$ 617,615	\$ 622,334
Service cost	28,966	25,016	22,841	18,731	22,710
Interest on the total pension liability	25,483	25,446	20,573	22,626	21,577
Difference between expected and actual experience	35,466	62,668	84,490	51,299	-
Changes of assumptions or other inputs	269,925	20,484	(23,919)	32,985	(13,136)
Benefit payments	(48,716)	(53,288)	(58,644)	(62,876)	(35,870)
Total pension liability, ending balance	<u>\$ 1,117,171</u>	<u>\$ 806,047</u>	<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 FIVE FISCAL YEARS**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,117,171	\$ 806,047	\$ 725,721	\$ 680,380	\$ 617,615
Town's covered-employee payroll	\$ 1,057,257	\$ 974,085	\$ 841,967	\$ 793,755	\$ 870,676
Total pension liability as a percentage of covered-employee payroll	105.67%	82.75%	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
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST EIGHT FISCAL YEARS***

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018
Town's proportion of the net pension liability (asset) (%)	0.06036%	0.05846%	0.06259%	0.06341%
Town's proportion of the net pension liability (asset) (\$)	\$ 2,156,920	\$ 1,596,497	\$ 1,484,849	\$ 968,729
Town's covered payroll	\$ 3,760,967	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	57.35%	44.28%	42.19%	27.83%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	91.63%	94.18%
	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.06118%	0.06448%	-0.05754%	0.05840%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,298,446	\$ 289,384	\$ (339,399)	\$ 703,944
Town's covered payroll	\$ 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	40.18%	9.24%	(11.37%)	25.17%
Plan fiduciary net position as a percentage of the total pension liability	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 THE TOWN'S CONTRIBUTIONS
LAST EIGHT FISCAL YEARS**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2021	2020	2019	2018
Contractually required contribution	\$ 394,947	\$ 348,731	\$ 285,191	\$ 267,003
Contributions in relation to the contractually required contribution	394,947	348,731	285,191	267,003
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,879,880	\$ 3,760,967	\$ 3,605,449	\$ 3,519,343
Contributions as a percentage of covered payroll	10.18%	9.27%	7.91%	7.59%
	2017	2016	2015	2014
Contractually required contribution	\$ 253,360	\$ 219,788	\$ 217,328	\$ 212,607
Contributions in relation to the contractually required contribution	253,360	219,788	217,328	212,607
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,481,154	\$ 3,231,703	\$ 3,130,403	\$ 2,985,663
Contributions as a percentage of covered payroll	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
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST FIVE FISCAL YEARS***

RETIREE HEALTH BENEFIT FUND

	2021	2020	2019	2018	2017
Town's proportion of the net OPEB liability (%)	0.02292%	0.02267%	0.02186%	0.02320%	0.02039%
Town's proportion of the net OPEB liability (\$)	\$ 6,358,836	\$ 7,174,024	\$ 6,227,776	\$ 7,606,034	\$ 8,868,324
Town's covered payroll	\$ 3,760,967	\$ 3,605,449	\$ 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	169.07%	198.98%	176.96%	218.49%	274.42%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	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 THE TOWN'S CONTRIBUTIONS
LAST FIVE FISCAL YEARS**

RETIREE HEALTH BENEFIT FUND

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 245,338	\$ 240,927	\$ 225,443	\$ 211,619	\$ 199,971
Contributions in relation to the contractually required contribution	245,338	240,927	225,443	211,619	199,971
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,879,880	\$ 3,760,967	\$ 3,605,449	\$ 3,519,343	\$ 3,481,154
Contributions as a percentage of covered payroll	6.32%	6.41%	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, 2021

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, 2020 reported in that schedule:

Valuation date	December 31, 2019
Actuarial cost method	Entry Age Method
Amortization method	Level dollar, closed
Remaining amortization period	11 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 to restore watershed which are funded primarily through grants and General Fund transfers.

Riverwalk Greenway Capital Project Fund – To account for the capital improvements to the greenway system, with multiple bridges and tunnels, which are funded primarily through grants and the County.

Tomahawk Stream Capital Project Fund – To account for the capital improvements for stream restoration in the Town, which are funded primarily through grants and General Fund transfers.

Water Capacity Improvements Capital Project Fund – To account for the capital improvements to help increase capacity in the water system, which are funded primarily through the EDA and Golden Leaf grants.

Automated Meter Infrastructure Capital Project Fund – To account for the capital improvements to help install meters which are funded primarily through transfers from the General Fund.

The **Commerce Park Infrastructure Capital Project Fund** – To account for state and local grants used to fund the infrastructure improvements for the economic development of Commerce Park.

Veteran's Park Improvements Capital Project Fund – To account for the capital improvements which are used to build public park amenities and are funded primarily through grants and transfers from the General Fund.

Lake Tomahawk Dam Repair Capital Project Fund – To account for the capital improvements for Lake Tomahawk dam repair and restoration in the Town, which are funded primarily through transfers from the General Fund.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Capital Projects Funds								Total Nonmajor Governmental Funds
	Watershed Restoration Project	Riverwalk Greenway Project	Tomahawk Stream Project	Water Capacity Improvements	Automated Meter Infrastructure	Commerce Park Infrastructure Project	Veteran's Park Improvements Project	Lake Tomahawk Dam Repair Project	
ASSETS									
Cash and cash equivalents	\$ -	\$ 50,000	\$ 2,950	\$ 479,204	\$ -	\$ 48,574	\$ -	\$ 59,948	\$ 640,676
Restricted cash and cash equivalents	-	438,017	-	-	-	-	-	-	438,017
Total assets	<u>\$ -</u>	<u>\$ 488,017</u>	<u>\$ 2,950</u>	<u>\$ 479,204</u>	<u>\$ -</u>	<u>\$ 48,574</u>	<u>\$ -</u>	<u>\$ 59,948</u>	<u>\$ 1,078,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 8,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,605
Due to other funds	11,451	-	-	-	-	-	109,719	-	121,170
Total liabilities	<u>11,451</u>	<u>-</u>	<u>8,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,719</u>	<u>-</u>	<u>129,775</u>
FUND BALANCES (DEFICITS)									
Restricted:									
Capital projects	-	438,017	-	-	-	-	-	-	438,017
Assigned for capital projects	-	50,000	-	479,204	-	48,574	-	59,948	637,726
Unassigned	(11,451)	-	(5,655)	-	-	-	(109,719)	-	(126,825)
Total fund balances (deficits)	<u>(11,451)</u>	<u>488,017</u>	<u>(5,655)</u>	<u>479,204</u>	<u>-</u>	<u>48,574</u>	<u>(109,719)</u>	<u>59,948</u>	<u>948,918</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 488,017</u>	<u>\$ 2,950</u>	<u>\$ 479,204</u>	<u>\$ -</u>	<u>\$ 48,574</u>	<u>\$ -</u>	<u>\$ 59,948</u>	<u>\$ 1,078,693</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, 2021**

	Capital Projects Funds								Total Nonmajor Governmental Funds
	Watershed Restoration Project	Riverwalk Greenway Project	Tomahawk Stream Project	Water Capacity Improvements	Automated Meter Infrastructure	Commerce Park Infrastructure Project	Veteran's Park Improvements Project	Lake Tomahawk Dam Repair Project	
REVENUES									
Intergovernmental	\$ -	\$ 134,000	\$ 62,894	\$ -	\$ -	\$ 147,968	\$ -	\$ -	\$ 344,862
Permits and fees	-	-	-	369,477	-	-	-	-	369,477
Total revenues	-	134,000	62,894	369,477	-	147,968	-	-	714,339
EXPENDITURES									
Capital outlay	62,238	177,310	70,250	84,400	357,327	35,523	16,443	18,939	822,430
Total expenditures	62,238	177,310	70,250	84,400	357,327	35,523	16,443	18,939	822,430
Excess (deficiency) of revenues over expenditures	(62,238)	(43,310)	(7,356)	285,077	(357,327)	112,445	(16,443)	(18,939)	(108,091)
OTHER FINANCING SOURCES									
Transfers in	-	50,000	-	-	50,067	-	-	78,887	178,954
Total other financing sources	-	50,000	-	-	50,067	-	-	78,887	178,954
Net change in fund balances	(62,238)	6,690	(7,356)	285,077	(307,260)	112,445	(16,443)	59,948	70,863
FUND BALANCES (DEFICITS), beginning of year	50,787	481,327	1,701	194,127	307,260	(63,871)	(93,276)	-	878,055
FUND BALANCES (DEFICITS), end of year	<u>\$ (11,451)</u>	<u>\$ 488,017</u>	<u>\$ (5,655)</u>	<u>\$ 479,204</u>	<u>\$ -</u>	<u>\$ 48,574</u>	<u>\$ (109,719)</u>	<u>\$ 59,948</u>	<u>\$ 948,918</u>

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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 3,965,000	\$ 3,965,000	\$ 4,210,238	\$ 245,238
Prior year	5,000	5,000	-	(5,000)
DMV taxes	215,000	215,000	297,224	82,224
Penalties and interest	8,000	8,000	9,994	1,994
Total ad valorem taxes	4,193,000	4,193,000	4,517,456	324,456
Other taxes and licenses:				
Local option sales taxes	1,539,000	1,610,063	1,941,830	331,767
Business registration fees	-	-	2,445	2,445
Rental taxes	2,000	2,000	2,957	957
Automobile licenses	33,000	33,000	43,880	10,880
Total other taxes and licenses	1,574,000	1,645,063	1,991,112	346,049
Unrestricted intergovernmental:				
Utilities sales tax	505,000	505,000	468,112	(36,888)
Beer and wine tax	37,000	37,000	35,563	(1,437)
Telecommunications tax	45,000	45,000	43,639	(1,361)
Piped natural gas sales tax	20,000	20,000	21,820	1,820
NC fire tax	21,000	21,000	-	(21,000)
ABC profit distribution	80,000	80,000	270,000	190,000
Video franchise fees	110,000	110,000	103,587	(6,413)
Solid waste disposal tax	6,000	6,000	7,902	1,902
Controlled substances tax	8,000	8,000	9,113	1,113
Total unrestricted intergovernmental	832,000	832,000	959,736	127,736
Restricted intergovernmental:				
Powell Bill allocation	235,000	235,000	221,898	(13,102)
ABC revenue for law enforcement	13,000	13,000	18,226	5,226
Federal grants	-	206,997	148,257	(58,740)
State and local grants	16,000	38,000	26,887	(11,113)
Total restricted intergovernmental	264,000	492,997	415,268	(77,729)
Permits and fees:				
Building and zoning permits	275,000	275,000	348,094	73,094
Court costs and fees	800	800	342	(458)
Total permits and fees	275,800	275,800	348,436	72,636
Sales and service:				
Rents	71,325	71,325	45,735	(25,590)
Fire protection charges	1,214,400	1,214,400	1,272,009	57,609
Recreation admissions and concessions	99,500	99,500	57,928	(41,572)
Total sales and service	1,385,225	1,385,225	1,375,672	(9,553)
Investment earnings	62,900	62,900	2,047	(60,853)
Miscellaneous	88,950	345,800	182,997	(162,803)
Total revenues	8,675,875	9,232,785	9,792,724	559,939

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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Operating expenditures	\$ 165,600	\$ 183,941	\$ 183,941	\$ -
Total	165,600	183,941	183,941	-
Administration:				
Salaries and employee benefits	509,400	514,040	497,458	16,582
Operating expenditures	190,800	190,800	206,079	(15,279)
Capital outlay	-	-	-	-
Total	700,200	704,840	703,537	1,303
Public Buildings:				
Operating expenditures	483,500	589,814	483,195	106,619
Capital outlay	55,000	71,648	95,976	(24,328)
Total	538,500	661,462	579,171	82,291
Total general government	1,404,300	1,550,243	1,466,649	83,594
Public Safety:				
Police:				
Salaries and employee benefits	1,799,595	1,815,485	1,665,997	149,488
Operating expenditures	246,547	279,562	259,003	20,559
Capital outlay	-	175,704	168,678	7,026
Total	2,046,142	2,270,751	2,093,678	177,073
Fire Department:				
Salaries and employee benefits	1,586,600	1,618,672	1,509,352	109,320
Operating expenditures	211,400	264,661	217,864	46,797
Capital Outlay	-	35,000	72,289	(37,289)
Total	1,798,000	1,918,333	1,799,505	118,828
Inspections:				
Salaries and employee benefits	363,700	366,930	355,093	11,837
Operating expenditures	85,400	85,400	86,255	(855)
Capital Outlay	120,000	41,113	-	41,113
Total	569,100	493,443	441,348	52,095
Total public safety	4,413,242	4,682,527	4,334,531	347,996
Public Works:				
Garage:				
Salaries and employee benefits	243,900	246,150	247,988	(1,838)
Operating expenditures	23,800	23,800	20,770	3,030
Total	267,700	269,950	268,758	1,192
Street Repair and Construction:				
Salaries and employee benefits	376,900	380,070	320,520	59,550
Operating expenditures	436,000	616,545	418,610	197,935
Capital Outlay	20,000	70,000	30,072	39,928
Total	832,900	1,066,615	769,202	297,413
Total public works	1,100,600	1,336,565	1,037,960	298,605

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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued):				
Environmental Protection:				
Salaries and employee benefits	\$ 201,595	\$ 204,645	\$ 242,089	\$ (37,444)
Operating expenditures	65,000	65,000	86,147	(21,147)
Contracted services	197,650	197,650	174,791	22,859
Tipping fees	168,000	168,000	148,369	19,631
Capital outlay	624,500	869,500	832,470	37,030
Total environmental protection	<u>1,256,745</u>	<u>1,504,795</u>	<u>1,483,866</u>	<u>20,929</u>
Culture and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	454,900	457,710	373,441	84,269
Operating expenditures	157,650	157,650	112,303	45,347
Capital Outlay	10,000	10,000	14,067	(4,067)
Total culture and recreation	<u>622,550</u>	<u>625,360</u>	<u>499,811</u>	<u>125,549</u>
Debt Service:				
Principal	315,763	802,852	599,117	203,735
Interest	151,765	202,676	58,656	144,020
Total debt service	<u>467,528</u>	<u>1,005,528</u>	<u>657,773</u>	<u>347,755</u>
Total expenditures	<u>9,264,965</u>	<u>10,705,018</u>	<u>9,480,590</u>	<u>1,224,428</u>
Excess (deficiency) of revenues over (under) expenditures	(589,090)	(1,472,233)	312,134	1,784,367
Other financing sources (uses)				
Fund balance appropriation	-	727,500	-	(727,500)
Transfers in	157,090	177,090	118,134	(58,956)
Transfers out	(150,000)	(259,357)	(517,101)	(257,744)
Proceeds from sale of capital assets	10,000	10,000	14,342	4,342
Issuance of note payable	572,000	817,000	816,723	(277)
Total other financing sources	<u>589,090</u>	<u>1,472,233</u>	<u>432,098</u>	<u>(1,040,135)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>744,232</u>	<u>\$ 744,232</u>
Fund balance, beginning of year			<u>4,974,719</u>	
Capital Reserve Fund fund balance, end of year			535,000	
Fund balance, end of year			<u>\$ 6,253,951</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

CAPITAL RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
Other financing sources				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	535,000	535,000	535,000	-
Fund balance, end of year	<u>\$ 535,000</u>	<u>\$ 535,000</u>	<u>\$ 535,000</u>	<u>\$ -</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, 2021**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 1,602,580	\$ 1,454,611	\$ 147,968	\$ 1,602,579
Miscellaneous	107,928	107,928	-	107,928
Total revenues	<u>1,710,508</u>	<u>1,562,539</u>	<u>147,968</u>	<u>1,710,507</u>
EXPENDITURES				
Capital outlay	1,752,086	1,667,988	35,523	1,703,511
Total expenditures	<u>1,752,086</u>	<u>1,667,988</u>	<u>35,523</u>	<u>1,703,511</u>
Excess (deficiency) of revenues over (under) expenditures	(41,578)	(105,449)	112,445	6,996
OTHER FINANCING SOURCES				
Transfers in	41,578	41,578	-	41,578
Total other financing sources	<u>41,578</u>	<u>41,578</u>	<u>-</u>	<u>41,578</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (63,871)</u>	112,445	<u>\$ 48,574</u>
FUND DEFICIT, beginning of year			<u>(63,871)</u>	
FUND BALANCE, end of year			<u>\$ 48,574</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, 2021

	<u>Project Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>
REVENUES				
Intergovernmental	\$ 103,775	\$ 152,596	\$ -	\$ 152,596
Total revenues	<u>103,775</u>	<u>152,596</u>	<u>-</u>	<u>152,596</u>
EXPENDITURES				
Capital outlay	<u>138,775</u>	<u>136,809</u>	<u>62,238</u>	<u>199,047</u>
Total expenditures	<u>138,775</u>	<u>136,809</u>	<u>62,238</u>	<u>199,047</u>
Excess (deficiency) of revenues over (under) expenditures	(35,000)	15,787	(62,238)	(46,451)
OTHER FINANCING SOURCES				
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 50,787</u>	(62,238)	<u>\$ (11,451)</u>
FUND BALANCE, beginning of year			<u>50,787</u>	
FUND BALANCE, end of year			<u>\$ (11,451)</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, 2021**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 2,127,000	\$ 659,557	\$ 134,000	\$ 793,557
Total revenues	<u>2,127,000</u>	<u>659,557</u>	<u>134,000</u>	<u>793,557</u>
EXPENDITURES				
Capital outlay	<u>2,425,750</u>	<u>528,230</u>	<u>177,310</u>	<u>705,540</u>
Total expenditures	<u>2,425,750</u>	<u>528,230</u>	<u>177,310</u>	<u>705,540</u>
Excess (deficiency) of revenues over (under) expenditures	(298,750)	131,327	(43,310)	88,017
OTHER FINANCING SOURCES				
Transfers in	<u>298,750</u>	<u>350,000</u>	<u>50,000</u>	<u>400,000</u>
Total other financing sources	<u>298,750</u>	<u>350,000</u>	<u>50,000</u>	<u>400,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 481,327</u>	6,690	<u>\$ 488,017</u>
FUND BALANCE, beginning of year			<u>481,327</u>	
FUND BALANCE, end of year			<u>\$ 488,017</u>	

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, 2021**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 120,075	\$ 49,781	\$ 62,894	\$ 112,675
Total revenues	<u>120,075</u>	<u>49,781</u>	<u>62,894</u>	<u>112,675</u>
EXPENDITURES				
Capital outlay	<u>240,150</u>	<u>168,155</u>	<u>70,250</u>	<u>238,405</u>
Total expenditures	<u>240,150</u>	<u>168,155</u>	<u>70,250</u>	<u>238,405</u>
Deficiency of revenues under expenditures	(120,075)	(118,374)	(7,356)	(125,730)
OTHER FINANCING SOURCES				
Transfers in	<u>120,075</u>	<u>120,075</u>	<u>-</u>	<u>120,075</u>
Total other financing sources	<u>120,075</u>	<u>120,075</u>	<u>-</u>	<u>120,075</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 1,701</u>	(7,356)	<u>\$ (5,655)</u>
FUND BALANCE, beginning of year			<u>1,701</u>	
FUND DEFICIT, end of year			<u>\$ (5,655)</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
WATER CAPACITY IMPROVEMENT CAPITAL PROJECT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Permits and fees	\$ -	\$ 249,355	\$ 369,477	\$ 618,832
Total revenues	<u>-</u>	<u>249,355</u>	<u>369,477</u>	<u>618,832</u>
EXPENDITURES				
Capital outlay	240,000	55,228	84,400	139,628
Total expenditures	<u>240,000</u>	<u>55,228</u>	<u>84,400</u>	<u>139,628</u>
Excess (deficiency) of revenues over (under) expenditures	(240,000)	194,127	285,077	479,204
OTHER FINANCING SOURCES				
Transfers in	240,000	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 194,127</u>	285,077	<u>\$ 479,204</u>
FUND BALANCE, beginning of year			<u>194,127</u>	
FUND BALANCE, end of year			<u>\$ 479,204</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
AUTOMATED METER 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, 2021**

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay	840,000	142,740	357,327	500,067
Total expenditures	840,000	142,740	357,327	500,067
Deficiency of revenues under expenditures	(840,000)	(142,740)	(357,327)	(500,067)
OTHER FINANCING SOURCES				
Transfers in	840,000	450,000	50,067	500,067
Net change in fund balance	\$ -	\$ 307,260	(307,260)	\$ -
FUND BALANCE, beginning of year			307,260	
FUND BALANCE, end of year			\$ -	

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, 2021**

	Project Budget	Prior Years	Actual Current Year	Total
EXPENDITURES				
Capital outlay	\$ 90,000	\$ 183,276	\$ 16,443	\$ 199,719
Total expenditures	90,000	183,276	16,443	199,719
Deficiency of revenues under expenditures	(90,000)	(183,276)	(16,443)	(199,719)
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	<u>\$ -</u>	<u>\$ (93,276)</u>	(16,443)	<u>\$ (109,719)</u>
FUND BALANCE, beginning of year			<u>(93,276)</u>	
FUND BALANCE, end of year			<u>\$ (109,719)</u>	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA
LAKE TOMAHAWK DAM REPAIR FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021**

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay	78,887	-	18,939	18,939
Total expenditures	78,887	-	18,939	18,939
Deficiency of revenues under expenditures	(78,887)	-	(18,939)	(18,939)
OTHER FINANCING SOURCES				
Transfers in	78,887	-	78,887	78,887
Net change in fund balance	\$ -	\$ -	59,948	\$ 59,948
FUND BALANCE, beginning of year			-	
FUND BALANCE, end of year			\$ 59,948	

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, 2021**

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Water charges	\$ 1,629,500	\$ 1,629,500	\$ 1,601,242	\$ (28,258)
Penalties	33,000	33,000	36,611	3,611
Other operating revenues	124,000	175,614	189,524	13,910
Nonoperating revenues - interest	28,000	28,000	518	(27,482)
Total revenues	1,814,500	1,866,114	1,827,895	(38,219)
EXPENDITURES				
Water administration				
Salaries and benefits	113,700	115,991	98,274	17,717
Other operating expenditures	51,926	54,131	51,625	2,506
Total water administration	165,626	170,122	149,899	20,223
Water operations				
Salaries and benefits	373,300	375,179	375,323	(144)
Other operating expenditures	900,900	950,309	887,344	62,965
Total water operations	1,274,200	1,325,488	1,262,667	62,821
Debt service				
Principal	185,221	185,221	435,221	(250,000)
Interest	62,363	62,363	48,912	13,451
Total debt service	247,584	247,584	484,133	(236,549)
Total expenditures	1,687,410	1,743,194	1,896,699	(153,505)
Excess (deficiency) of revenues over (under) expenditures	127,090	122,920	(68,804)	(191,724)
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	4,170	-	(4,170)
Transfers in	-	-	257,745	257,745
Transfers out	(127,090)	(127,090)	(168,202)	(41,112)
Total other financing sources (uses)	(127,090)	(122,920)	89,543	212,463
Change in net position	\$ -	\$ -	20,739	\$ 20,739
Adjustments to full accrual:				
Capital outlays			115,046	
Capital contributions			641,888	
Payments of debt service - principal			435,221	
Increase in compensated absences			(1,221)	
Increase in net pension liability and related deferrals			(46,845)	
Decrease in net OPEB liability and related deferrals			136,942	
Depreciation expense			(322,964)	
Change in net position			\$ 978,806	

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, 2021**

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Memberships and initiation fees	\$ 65,000	\$ 65,000	\$ 85,711	\$ 20,711
Golf cart rentals	200,000	200,000	182,969	(17,031)
Green fees	278,700	278,700	336,118	57,418
Miscellaneous revenues	5,800	5,800	4,752	(1,048)
Total revenues	549,500	549,500	609,550	60,050
EXPENDITURES				
Operating expenditures				
Golf course administration:				
Salaries and employee benefits	367,400	369,870	354,649	15,221
Other departmental expenses	284,100	312,100	309,458	2,642
Total operating expenditures	651,500	681,970	664,107	17,863
Deficiency of revenues under expenditures	(102,000)	(132,470)	(54,557)	77,913
OTHER FINANCING SOURCES (USES)				
Transfers in	-	130,470	130,470	-
Proceeds from sale of capital assets	2,000	2,000	-	(2,000)
Appropriation of net position	100,000	-	-	-
Total other financing sources	102,000	132,470	130,470	(2,000)
Change in net position	\$ -	\$ -	75,913	\$ 75,913
Adjustments to full accrual:				
Capital outlays			21,872	
Increase in compensated absences			(5,684)	
Increase in net pension liability and related deferrals			(14,637)	
Decrease in net OPEB liability and related deferrals			65,496	
Depreciation expense			(17,982)	
Change in net position			\$ 124,978	

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 4,498,166	\$ 4,489,289	\$ 8,877
2019-2020	24,544	-	20,211	4,333
2018-2019	1,065	-	202	863
2017-2018	668	-	6	662
2016-2017	155	-	-	155
2015-2016	537	-	49	488
2014-2015	602	-	430	172
2013-2014	506	-	-	506
2012-2013	801	-	-	801
2011-2012	277	-	16	261
2010-2011	2,392	-	-	2,392
	<u>\$ 31,547</u>	<u>\$ 4,498,166</u>	<u>\$ 4,510,203</u>	<u>19,510</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 19,510</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 4,517,456
Reconciling items:				
Releases and write-offs				2,741
Interest collected				(9,994)
Total collections and credits				<u>\$ 4,510,203</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
JUNE 30, 2021**

				Total Levy	
	Town-wide			Property excluding	
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real and personal property	\$ 1,442,222,556	0.3325	\$ 4,795,390	\$ 4,498,166	\$ 297,224
Penalties	-		572	-	-
Total	<u>1,442,222,556</u>		<u>4,795,962</u>	<u>4,498,166</u>	<u>297,224</u>
Discoveries:					
Current year taxes	489,855		13,126	13,126	-
Penalties	-		6,564	-	-
Total	<u>489,855</u>		<u>19,690</u>	<u>13,126</u>	<u>-</u>
Adjustments	(889,323)		(2,957)	(2,957)	-
Total property valuation	<u>\$ 1,441,823,088</u>				
Net levy			4,805,559	4,508,335	297,224
Uncollected taxes at June 30, 2021			<u>8,877</u>	<u>8,877</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,796,682</u>	<u>\$ 4,499,458</u>	<u>\$ 297,224</u>
Current levy collection percentage			<u>99.82%</u>	<u>99.80%</u>	<u>100.00%</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Black Mountain's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Page

Financial Trends 86-90

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

Revenue Capacity..... 91-95

These schedules contain information to help the reader assess the government's most significant local revenue source, property tax.

Debt Capacity..... 96-98

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 99-101

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 102-103

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

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 - Restated</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities										
Net investment in capital assets	\$ 5,892,731	\$ 6,062,891	\$ 6,682,269	\$ 7,480,903	\$ 8,195,626	\$ 9,268,098	\$ 10,598,818	\$ 11,718,680	\$ 13,163,915	\$ 13,019,873
Restricted	1,213,033	1,139,419	1,184,479	2,608,574	1,506,959	1,013,087	1,104,513	1,381,594	1,821,570	2,543,593
Unrestricted	<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>	<u>(4,428,809)</u>	<u>(4,658,047)</u>
Total governmental activities	<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>	<u>\$ 10,556,676</u>	<u>\$ 10,905,419</u>
Business-type activities										
Net investment in capital assets	\$ 3,661,647	\$ 3,684,913	\$ 3,702,761	\$ 4,882,698	\$ 4,841,723	\$ 5,209,008	\$ 5,535,695	\$ 5,668,069	\$ 5,745,831	\$ 6,597,040
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<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>	<u>(454,357)</u>	<u>(201,781)</u>
Total business-type activities	<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>	<u>\$ 5,291,474</u>	<u>\$ 6,395,259</u>
Primary government										
Net investment in capital assets	\$ 9,554,378	\$ 9,747,804	\$ 10,385,030	\$ 12,363,601	\$ 13,037,349	\$ 14,477,106	\$ 16,134,513	\$ 17,386,749	\$ 18,909,746	\$ 19,616,913
Restricted	1,213,033	1,139,419	1,184,479	2,608,574	1,506,959	1,013,087	1,104,513	1,381,594	1,821,570	2,543,593
Unrestricted	<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>	<u>(4,883,166)</u>	<u>(4,859,828)</u>
Total primary government	<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>	<u>\$ 15,848,150</u>	<u>\$ 17,300,678</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Expenses										
Governmental activities:										
General government	\$ 1,215,145	\$ 1,204,608	\$ 1,264,384	\$ 1,268,752	\$ 1,187,536	\$ 1,198,062	\$ 1,184,619	\$ 1,114,182	\$ 1,371,115	\$ 1,540,168
Public safety	2,912,307	3,200,090	3,347,118	3,170,756	3,362,444	3,547,258	4,073,375	3,949,196	4,360,322	4,481,181
Public works	728,318	747,995	878,050	898,225	900,103	943,152	1,125,163	1,095,937	1,216,069	1,219,898
Environmental protection	699,720	650,060	693,266	675,672	670,546	737,418	761,484	890,934	862,488	1,552,709
Cultural and recreation	677,420	698,246	772,137	745,206	856,205	856,816	770,493	765,911	679,414	314,851
Economic and physical development	-	-	-	83,243	969,884	562,254	1,786	-	-	19,269
Interest on long term debt	141,765	98,531	76,196	69,614	52,601	47,856	38,862	66,392	52,493	61,108
Total governmental activities expenses	<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>	<u>8,541,901</u>	<u>9,189,184</u>
Business-type activities:										
Water and sewer	1,189,843	1,261,307	1,199,074	1,218,696	1,322,647	1,293,069	1,364,891	1,321,979	1,414,080	1,580,521
Golf course	185,127	130,905	192,572	598,508	585,951	598,817	635,955	631,431	604,023	615,042
Total business-type activities	<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>	<u>2,018,103</u>	<u>2,195,563</u>
 Total primary government expenses	 <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>	 <u>\$ 10,560,004</u>	 <u>\$ 11,384,748</u>
 Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ -	\$ 127,090	\$ 127,090	\$ 157,090	\$ 3,633	\$ -	\$ -	\$ 343,676	\$ 359,609	\$ 391,131
Public safety	950,840	969,637	1,026,845	1,040,675	1,211,299	1,263,285	1,271,710	1,178,813	1,256,060	1,272,009
Environmental protection	-	-	-	7,956	1,492	-	-	-	-	-
Cultural and recreational	169,502	148,880	168,708	178,605	198,629	250,572	265,806	144,916	79,137	57,928
Economic and physical development	397	1,520	-	-	-	-	-	-	-	-
Operating grants and contributions	251,579	296,504	274,624	324,682	311,013	274,683	312,075	100,706	155,394	193,370
Capital grants and contributions	58,526	2,339	213,222	-	-	169,132	23,787	1,465,264	1,476,379	829,395
Total governmental activities program revenues	<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>	<u>3,326,579</u>	<u>2,743,833</u>
Business-type activities:										
Charge for services										
Water	1,185,287	1,231,027	1,279,528	1,321,461	1,350,939	1,427,404	1,417,253	1,420,559	1,503,970	1,765,500
Golf course	129,673	-	100,882	500,854	543,564	543,326	476,570	454,577	469,487	609,550
Capital grants and contributions	46,913	-	-	-	-	-	-	30,100	-	443,920
Total business-type activities	<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>	<u>1,973,457</u>	<u>2,818,970</u>
 Total primary government program revenues	 <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>	 <u>5,300,036</u>	 <u>5,562,803</u>
 Net (Expense) Revenue										
Governmental activities	(4,943,831)	(5,053,560)	(5,220,662)	(5,202,460)	(6,273,253)	(5,935,144)	(6,082,404)	(4,649,177)	(5,215,322)	(6,445,351)
Business-type activities	<u>(13,097)</u>	<u>(161,185)</u>	<u>(11,236)</u>	<u>5,111</u>	<u>(14,095)</u>	<u>78,844</u>	<u>(107,023)</u>	<u>(48,174)</u>	<u>(44,646)</u>	<u>623,407</u>
 Total primary government expense	 <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>	 <u>\$ (5,259,968)</u>	 <u>\$ (5,821,944)</u>

continued

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes	\$ 4,718,044	\$ 4,932,087	\$ 5,164,154	\$ 5,248,097	\$ 5,414,866	\$ 5,464,694	\$ 5,597,622	\$ 5,755,342	\$ 5,883,063	\$ 6,505,497
Grants and unrestricted contributions	616,003	679,023	709,687	1,118,485	836,255	799,505	803,413	844,345	882,376	959,736
Investment earnings	2,799	3,339	2,112	2,302	13,402	24,425	52,392	91,364	68,846	2,047
Gain on disposal of assets	-	1,860	3,797	4,825	41,600	-	-	3,463	449,452	-
Surety bond settlement	-	-	-	1,533,505	-	-	-	-	-	-
Miscellaneous	66,928	46,437	132,884	125,783	153,817	89,420	135,340	146,382	194,022	182,997
Transfers	184,846	-	(335,000)	(82,591)	(246,018)	(71,997)	(130,530)	(125,000)	626,793	(417,981)
Total government activities	<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>	<u>8,104,552</u>	<u>7,232,296</u>
Business-type activities:										
Pro shop	6,084	-	-	-	-	-	-	-	-	-
Investment earnings	1,122	1,432	1,124	741	4,614	12,334	22,847	34,010	22,622	520
Gain (loss) on disposal of assets	-	100,800	18,184	-	(8,907)	-	2,952	-	10,902	-
Grants and contributions, not restricted	-	-	-	1,197,500	-	-	-	-	-	-
Miscellaneous	22,919	80,256	75,408	3,975	2,791	1,167	2,488	1,870	1,551	61,877
Special item - Billy Casper	-	-	(410,000)	-	-	-	-	-	-	-
Transfers	(184,846)	-	335,000	82,591	246,018	71,997	130,530	125,000	(626,793)	417,981
Total business-type activities	<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>	<u>(591,718)</u>	<u>480,378</u>
Total primary government	<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>	<u>\$ 7,512,834</u>	<u>\$ 7,712,674</u>
Change in Net Position										
Governmental activities	\$ 644,789	\$ 609,186	\$ 456,972	\$ 2,747,946	\$ (59,331)	\$ 370,903	\$ 375,833	\$ 2,066,719	\$ 2,889,230	\$ 786,945
Business-type activities	(167,818)	21,303	8,480	1,289,918	230,421	164,342	51,794	112,706	(636,364)	1,103,785
Total primary government	<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>	<u>\$ 2,252,866</u>	<u>\$ 1,890,730</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Nondisposable	\$ 19,195	\$ 33,089	\$ 62,074	\$ 59,245	\$ 16,165	\$ 25,708	\$ 77,902	\$ 66,315	\$ 17,772	\$ 62,921
Restricted	1,057,295	1,135,561	1,184,478	1,115,787	942,700	885,476	884,784	1,103,394	1,369,456	2,105,576
Committed	-	250,000	275,000	285,000	275,000	175,000	175,000	-	-	-
Assigned	-	307,110	200,381	256,661	408,248	576,079	242,089	663,074	743,121	535,000
Unassigned	<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>	<u>3,379,370</u>	<u>3,550,454</u>
Total general fund	<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>	<u>\$ 5,509,719</u>	<u>\$ 6,253,951</u>
Other Governmental Funds										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	155,738	3,858	-	1,492,787	564,260	127,611	-	278,200	452,114	438,017
Committed	-	-	-	-	30,000	2,913	-	-	-	-
Assigned	-	-	-	-	-	-	-	117,913	583,088	637,726
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,475)</u>	<u>-</u>	<u>-</u>	<u>(106,852)</u>	<u>(157,147)</u>	<u>(126,825)</u>
Total other governmental funds	<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>	<u>\$ 878,055</u>	<u>\$ 948,918</u>
Total combined governmental fund balances	<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>	<u>\$ 6,387,774</u>	<u>\$ 7,202,869</u>

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Ad valorem taxes	\$3,484,258	\$3,614,786	\$ 3,809,276	\$ 3,799,959	\$ 3,830,394	\$ 3,859,698	\$ 3,940,653	\$ 4,077,971	\$ 4,165,120	\$ 4,517,456
Other taxes and licenses	1,260,265	1,326,647	1,372,798	1,466,892	1,589,942	1,607,707	1,654,609	1,681,330	1,706,189	1,991,112
Unrestricted intergovernmental revenues	616,003	679,023	709,687	846,418	836,255	799,505	803,413	844,345	882,376	959,736
Restricted intergovernmental revenues	303,518	298,843	487,846	324,682	311,013	443,815	335,862	1,459,128	1,382,418	760,130
Permits and fees	144,815	151,958	165,285	183,689	294,689	335,606	279,238	249,093	543,220	717,913
Sales and services	975,924	1,095,169	1,157,358	1,200,637	1,120,364	1,178,251	1,258,278	1,414,946	1,402,076	1,375,672
Investment earnings	2,799	3,339	2,112	2,302	13,402	89,420	129,340	91,364	68,846	2,047
Other revenues	66,928	46,437	132,884	1,659,288	153,817	24,425	52,392	146,382	194,022	182,997
Total Revenue	6,854,510	7,216,202	7,837,246	9,483,867	8,149,876	8,338,427	8,453,785	9,964,559	10,344,267	10,507,063
Expenditures										
Current										
General government	1,203,305	1,151,178	1,175,458	1,249,134	1,203,593	1,141,725	2,142,043	1,188,575	1,450,364	1,466,649
Public safety	2,844,461	3,309,705	3,291,394	3,268,182	3,373,520	3,961,552	3,872,049	4,664,341	4,243,271	4,334,531
Public works	711,560	776,707	952,357	1,067,353	1,066,048	1,044,851	1,214,789	1,113,973	1,297,159	1,037,960
Environmental protection	693,100	639,757	652,963	665,301	659,476	730,010	757,714	760,547	755,557	1,483,866
Cultural and recreational	621,039	634,726	732,495	868,160	1,117,776	925,412	822,305	688,353	593,263	499,811
Capital outlay	90,227	4,219	217,080	83,243	969,884	889,362	39,244	1,149,336	1,367,864	822,430
Debt Service										
Principal retirement	254,753	280,079	480,422	381,121	294,361	159,791	382,219	176,000	326,977	599,117
Interest and fees	141,765	117,147	83,152	69,791	58,271	50,789	43,060	60,989	55,814	58,656
Total expenditures	6,560,210	6,913,518	7,585,321	7,652,285	8,742,929	8,903,492	9,273,423	9,802,114	10,090,269	10,303,020
Excess of revenues over (under) expenditures	294,300	302,684	251,925	1,831,582	(593,053)	(565,065)	(819,638)	162,445	253,998	204,043
Other Financing Sources (uses)										
Sale of capital assets	-	1,860	3,797	4,825	41,600	-	6,000	3,463	563,663	14,342
Transfers in	199,846	150,000	-	-	29,980	258,500	107,575	80,000	775,688	297,088
Transfers out	(15,000)	(150,000)	(335,000)	(82,591)	(275,998)	(330,497)	(238,105)	(205,000)	(148,895)	(517,101)
Proceeds from debt	-	150,000	-	-	-	-	750,000	434,150	43,270	816,723
Total other financing sources (uses)	184,846	151,860	(331,203)	(77,766)	(204,418)	(71,997)	625,470	312,613	1,233,726	611,052
Net change in fund balances	\$ 479,146	\$ 454,544	\$ (79,278)	\$ 1,753,816	\$ (797,471)	\$ (637,062)	\$ (194,168)	\$ 475,058	\$ 1,487,724	\$ 815,095
Debt service as a percentage of non capital expenditures	6.04%	6.13%	7.96%	6.34%	4.43%	2.78%	5.35%	3.13%	4.87%	8.14%

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Less: Tax Exempt Real Property</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>
2012	\$ 815,189,730	\$ 129,825,248	\$ 12,396,370	\$ 932,618,608	0.365	99.00%	\$ 942,038,998
2013	861,331,000	139,212,986	15,725,610	984,818,376	0.365	99.00%	994,766,036
2014	834,762,000	101,423,000	24,195,710	911,989,290	0.375	96.91%	941,068,300
2015	866,709,900	112,337,094	24,195,710	954,851,284	0.375	95.17%	1,003,311,216
2016	872,158,150	115,445,989	25,279,397	962,324,742	0.375	90.00%	1,069,249,713
2017	879,257,100	112,495,513	24,606,270	967,146,343	0.375	84.55%	1,143,875,036
2018	1,031,605,700	176,283,349	28,396,672	1,179,492,377	0.3325	98.73%	1,194,664,618
2019	1,036,504,124	116,098,134	-	1,152,602,258	0.3325	91.67%	1,257,338,560
2020	986,560,050	193,273,340	161,893,892	1,017,939,498	0.3325	86.25%	1,180,219,708
2021	1,108,048,450	210,204,624	173,763,392	1,144,489,682	0.3325	84.33%	1,357,156,032

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**

Fiscal Year	Property Tax	Local Option Sales Tax	Utilities Sales Tax	Total
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
2020	4,165,120	1,706,189	669,328	6,540,637
2021	4,517,456	1,991,112	637,158	7,145,726

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>	
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
2020	0.3325	0.529	0.862
2021	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 Taxpayers
Fiscal Year Ended June 30, 2021 and June 30, 2012
(in thousands)

Taxpayers	2021			2012		
	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.	\$ 168,465	1	15.60%	\$ 59,023	1	6.69%
Kearfott Guidance Corp.	11,114	2	1.03%	8,197	5	0.93%
Duke Energy Progress, Inc.	10,942	3	1.01%			
Shopping Center Financing, LLC	10,889	4	1.01%	10,791	3	1.22%
Tyson Furniture Co, Inc.	6,621	5	0.61%	4,192	8	0.47%
Bi Lo, LLC	5,112	6	0.47%	4,305	7	0.49%
Divya Jiyoti, Inc	2,865	7	0.27%			
National Retail Properties	2,422	8	0.22%			
Blue Ridge Apartments	1,976	9	0.18%			
Public Serv Co of NC, Inc.	1,717	10	0.16%			
Cheshire Fitness & Racquet Club, LLC		-	-	3,741	9	0.42%
Settings of Black Mountain, LLC		-	-	4,701	6	0.53%
Highland Farms, Inc.		-	-	15,897	2	1.80%
Progress Energy Co.				8,228	4	0.93%
CS Ragan LLC				3,124	10	0.35%
Total	<u>\$ 222,123</u>		<u>20.56%</u>	<u>\$ 122,199</u>		<u>13.83%</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
2012	\$ 3,277,229	\$ 3,261,128	99.29%	\$ 113,641	\$ 3,276,968	99.99%
2013	3,375,570	3,351,271	99.20%	154,604	3,374,769	99.98%
2014	3,506,381	3,490,224	99.48%	84,872	3,505,875	99.99%
2015	3,575,269	3,570,764	99.74%	38,409	3,575,096	100.00%
2016	3,609,660	3,605,137	99.83%	24,080	3,609,173	99.99%
2017	3,629,372	3,626,230	99.90%	92,699	3,629,217	100.00%
2018	3,719,591	3,715,303	99.88%	128,669	3,718,929	99.98%
2019	3,844,847	3,841,971	99.92%	128,735	3,843,972	99.98%
2020	3,974,471	3,950,501	99.40%	238,319	3,970,706	99.91%
2021	4,198,016	4,188,820	99.78%	-	4,188,820	99.78%

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			
2012	\$ -	\$ 2,961,992	\$ 27,236	\$ 2,086,856	\$ 117,459	\$ 5,193,543	1.72%	\$ 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	1.45%	543
2015	-	1,970,371	-	1,755,863	79,008	3,805,242	1.18%	457
2016	-	1,676,009	-	862,738	782,795	3,321,542	1.02%	398
2017	-	1,516,218	-	804,594	713,211	3,034,023	0.93%	370
2018	-	1,884,000	-	746,449	1,391,827	4,022,276	1.03%	489
2019	-	2,142,150	-	688,305	1,268,592	4,099,047	0.91%	496
2020	-	1,858,443	-	630,160	1,142,461	3,631,064	0.76%	439
2021	-	2,076,049	-	572,017	766,384	3,414,450	N/A	420

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, 2021

	<u>Outstanding Debt</u>	<u>Percentage Applicable to Town</u>	<u>Amount Applicable to Town</u>
Direct debt			
Town of Black Mountain	\$ 3,304,765	100.00%	\$ 3,304,765
Overlapping debt			
Buncombe County	<u>434,252,388</u>	3.39%	<u>14,712,613</u>
Total direct and overlapping debt	\$ 437,557,153		\$ 18,017,378

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed value of property (excluding motor vehicle)	\$896,202	\$925,195	\$936,185	\$979,047	\$984,691	\$988,841	\$1,119,267	\$1,151,449	\$1,225,075	\$1,496,288
Debt limit, 8% of assessed value	71,696	74,016	74,895	78,324	78,775	79,107	89,541	92,116	98,006	119,703
Amount of debt applicable to limit Gross debt	5,194	5,067	4,383	3,805	3,322	3,034	4,022	4,099	3,632	2,842
Less: Debt related to business-like activities	2,231	2,235	2,032	1,835	1,646	1,518	2,138	1,957	1,774	766
Total net debt applicable to limit	2,963	2,832	2,351	1,970	1,676	1,516	1,884	2,142	1,858	2,076
Legal debt margin available	68,732	71,183	72,543	76,353	77,098	77,590	87,656	89,974	96,148	117,627.04
Total net debt applicable to the limit as a percentage of limit	4.13%	3.83%	3.14%	2.52%	2.13%	1.92%	2.10%	2.33%	1.90%	1.73%

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 Nine Years Prior**

Employer	2021		2012	
	Number of employees	Rank	Number of employees	Rank
Ingles Market	2083	1	1,222	1
Kearfott Guidance and Navigation Corp.	499	2	428	3
Black Mountain Neuro-Medical	249	3	435	2
NC State Alcohol and Drug Abuse Treatment Center	211	4	190	6
Highland Farms Retirement Community	200	5	200	5
Buncombe County Schools	148	6	231	4
Town of Black Mountain Government	88	7	71	8
Tyson Furniture	50	8	50	9
Lookout Brewing	49	9	-	-
Pisgah Brewing	49	10	-	-

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

Table 14
Principal Water Customers
Current Year
(in gallons)

<u>Customer</u>	<u>Consumption</u>	<u>Revenue from water consumption</u>
Ingles Market	5,946,600	\$ 40,531
Mountain Ridge Wellness Center	3,686,100	40,865
Shri Hari LTD Inc	2,721,400	18,615
MCM NC Laurelwood LLC	1,919,700	21,383
RJC, LLC	1,446,400	9,897
Black Mountain Hospitality LLC	1,070,200	7,333
Black Mountain Coin Laundry	907,300	6,225
MV Boutique Hotel, LLC	872,000	5,998
Inspire Corp. DBA Super 8	721,600	4,928
LPCA LLC	668,100	4,604

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)
2012	8,021	\$ 36,125	\$ 289,759	7.6%
2013	8,538	37,029	302,157	6.1%
2014	8,418	37,329	314,236	4.6%
2015	8,075	37,349	301,593	4.7%
2016	8,326	38,831	323,307	4.0%
2017	8,353	39,098	326,586	3.5%
2018	8,208	39,537	324,520	3.2%
2019	8,225	47,432	390,128	3.2%
2020	8,268	54,502	450,623	11.3%
2021	8,143	N/A	N/A	4.9%

(a) State Office of Budget and Management

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

(c) Department of Labor statistics

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

Department	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Finance										
Checks issued	2,034	1,987	2,145	2,229	2,156	2,497	2,351	2,400	2,820	2,534
Police										
Calls logged	21,913	20,827	20,862	21,062	24,542	27,698	24,813	26,144	22,546	7,994
Training hours	2,109	2,947	1,528	1,940	2,633	2,369	3,964	2,935	2,465	2,675
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Total calls	1,875	1,848	1,887	2,065	2,198	2,240	2,530	2,351	2,235	2,281
Training hours	11,780	13,010	11,398	8,383	14,886	14,428	12,331	9,597	9,281	7,742
Public Services										
Sanitation tonnage	2,670	2,574	2,639	2,635	2,758	2,603	2,488	2,631	1,993	2,620
Recycling tonnage	641	637	650	602	613	583	562	637	658	646
Work orders	4,600	4,935	5,464	4,812	5,152	4,998	4,957	5,221	4,982	5,761
Planning										
Building permits	404	514	500	525	654	732	659	682	640	755
Inspections performed	1,686	1,744	2,150	2,383	3,020	3,546	3,838	3,094	3,186	3,094
Recreation Services										
Athletic programs	18	16	13	11	9	8	9	11	4	4
Senior programs	25	30	34	35	33	34	42	31	17	6
Pool attendance	20,467	16,005	13,414	14,135	17,005	20,048	17,303	15,567	10,154	10,193
Water Department										
Number of Customers	n/a	n/a	n/a	n/a	3,154	3,226	3,304	3,377	3,455	3,905
Net Water Produced in Gallons	215,310,992	226,098,256	244,062,868	254,697,824	240,633,000	252,802,144	232,698,696	236,017,748	226,807,072	296,180,636

Sources - Various Town departments.

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

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

Department	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration	5	5	5	5	5	5	5	5	5	5
Planning Services	4	4	4	4	4	4	4	4	4	3
Fire	18	19	19	19	19	19	20	21	21	24
Police	22	22	22	22	22	22	22	23	24	22
Recreation Services	5	5	5	5	5	5	5	5	5	5
Public Services	7	7	9	9	9	10	10	10	10	10
Water	9	9	8	8	8	8	8	9	9	9
Sanitation	-	-	-	-	-	-	-	-	-	7
Golf	8	-	3	3	3	3	3	4	4	4
TOTAL	78	71	75	75	75	76	77	81	82	89

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 Town Council
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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 7, 2022. 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* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Black Mountain ABC Board or that are reported on separately by those auditors who audited the financial statements of the Black Mountain ABC Board.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, which we consider to be a material weakness.

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 financial statements. 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 Response to the Finding

The Town's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
March 7, 2022

TOWN OF BLACK MOUNTAIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021, 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, 2021, 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, 2021

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2021-001 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, 2020.

Context/Cause: During our audit for the fiscal year ended June 30, 2021, material misstatements were identified by management that caused the need to restate opening net position (equity) for the fiscal year ended June 30, 2020, for the Town's governmental activities. The nature and magnitude of the misstatements are as follows:

- In the prior year, the Town sold a piece of land that was previously recorded as a capital asset. The historical cost of the land that was disposed was \$67,000; however, the amount disposed in the prior year was improperly entered as \$6,700.
- In the prior year, the Town's construction in progress ("CIP") balances included several projects that should not have been capitalized as CIP as the projects will not result in capital assets that belong to the Town. As a result, the ending balance of CIP as of June 30, 2020, was overstated by approximately \$414,000.
- In the prior year, the Town purchased a police vehicle and related equipment in the approximate amount of \$36,000 in June 2020 that was improperly omitted from the capital asset listings as of June 30, 2020.

Effects: As a result of the issues identified and discussed above, a restatement to the beginning net position of the Town's governmental activities in the amount of approximately \$438,000 was required to properly reflect transactions that occurred in prior years.

Recommendation: We recommend the Town implement additional procedures as part of the financial closeout and reporting process to ensure capital asset balances are properly reported. Procedures to be added should include some or all of the following: periodic reconciliation of the general ledger to the capital asset listings, review of CIP projects to ensure proper classification, and reconciliation of current period additions to capital outlay expenditures.

Auditee's Response: The Town agrees with the finding and will take steps in the future to ensure errors in the reporting of capital assets do not occur, including periodic reconciliations of the general ledger to the capital asset subledgers.