

# **TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2014

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Board of Commissioners

George F. Goosmann III, Mayor  
Fran G. Cogburn  
E. Glenn Kelly  
Doris P. Loomis

Administrative and Financial Staff

Nelson E. Smith, Town Administrator and Finance Officer  
Helen Stephens, Assistant to Town Administrator and Tax Collector

Chief of Police

Eric Tinsley

Public Works Director

Terry Crouch

# TOWN OF BILTMORE FOREST, NORTH CAROLINA

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the Board of Commissioners  
Town of Biltmore Forest, North Carolina

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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.

To the Honorable Mayor and  
Members of the Board of Commissioners  
Town of Biltmore Forest, North Carolina  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

To the Honorable Mayor and  
Members of the Board of Commissioners  
Town of Biltmore Forest, North Carolina  
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*Supplementary and Other Information (continued)*

The individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, based on our audit, the procedures performed as described above, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*CARTER, P.C.*

Asheville, North Carolina  
October 14, 2014

# TOWN OF BILTMORE FOREST, NORTH CAROLINA

## Management's Discussion and Analysis

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

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$6,385,334 (*net position*).
- The government's total net position increased by \$523,675, primarily due to increases in governmental activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,765,580, with a net change of \$285,143 in fund balance. Approximately 10.03 percent of this total amount, or \$277,263 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,358,317, or 78.81 percent of total general fund expenditures for the fiscal year.
- The increase in governmental funds is primarily due to revenues exceeding budgeted amounts and expenditures less than budgeted amounts. The largest positive variances are in unrestricted intergovernmental revenues and public safety expenditures.
- The Town's total long-term debt decreased by \$426,758 or 19.13 percent during the current fiscal year. The majority of the decrease was in business-type activities.

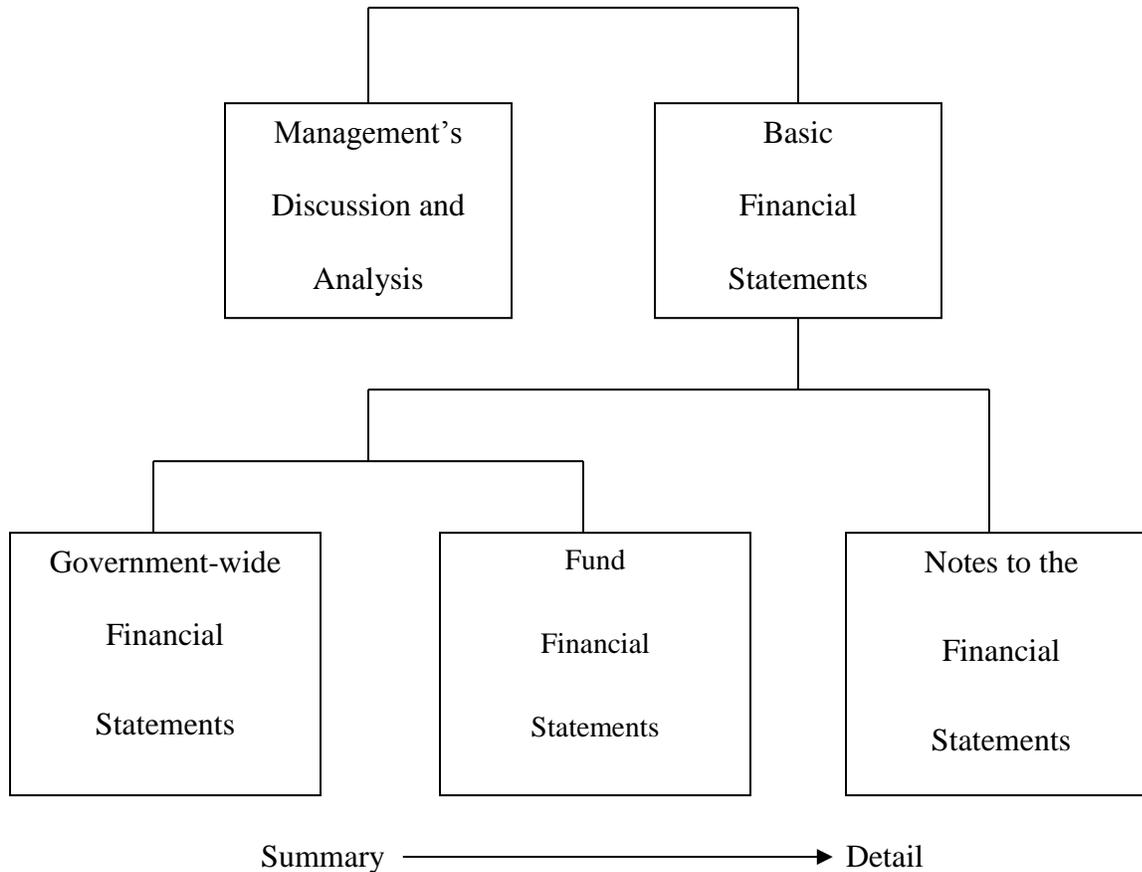
### Overview of the Financial Statements

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

# TOWN OF BILTMORE FOREST, NORTH CAROLINA

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements.

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

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

### Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, public works, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town.

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

### Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary 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 has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water operations. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

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

# TOWN OF BILTMORE FOREST, NORTH CAROLINA

## Government-Wide Financial Analysis

### Town of Biltmore Forest's Net Position

**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,824,158	\$ 2,494,917	\$ 487,147	\$ 589,424	\$ 3,311,305	\$ 3,084,341
Capital assets	<u>1,991,001</u>	<u>1,926,883</u>	<u>3,021,909</u>	<u>3,176,260</u>	<u>5,012,910</u>	<u>5,103,143</u>
Total assets	<u>4,815,159</u>	<u>4,421,800</u>	<u>3,509,056</u>	<u>3,765,684</u>	<u>8,324,215</u>	<u>8,187,484</u>
Long-term liabilities outstanding	339,422	384,285	1,464,985	1,846,880	1,804,407	2,231,165
Other liabilities	<u>58,578</u>	<u>14,480</u>	<u>75,896</u>	<u>80,180</u>	<u>134,474</u>	<u>94,660</u>
Total liabilities	<u>398,000</u>	<u>398,765</u>	<u>1,540,881</u>	<u>1,927,060</u>	<u>1,938,881</u>	<u>2,325,825</u>
Net position:						
Net investment in capital assets	1,689,871	1,591,336	1,562,331	1,334,553	3,252,202	2,925,889
Restricted	275,034	285,967			275,034	285,967
Unrestricted	<u>2,452,254</u>	<u>2,145,732</u>	<u>405,844</u>	<u>504,071</u>	<u>2,858,098</u>	<u>2,649,803</u>
Total net position	<u>\$ 4,417,159</u>	<u>\$ 4,023,035</u>	<u>\$ 1,968,175</u>	<u>\$ 1,838,624</u>	<u>\$ 6,385,334</u>	<u>\$ 5,861,659</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$6,385,334 as of June 30, 2014. The Town's net position increased by \$523,675 for the fiscal year ended June 30, 2014. However, the largest portion (50.93%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$275,034, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,858,098 is unrestricted.

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

- Continued diligence in the collection of property taxes, other than motor vehicle taxes collected by the county and State, with a tax collection percentage of 99.89%.
- Increase in the collection of sales and use taxes and franchise taxes.
- Interest earned from certificates of deposit.
- Cash and investments increased from \$2,679,242 to \$2,922,801, an increase of \$243,559 from June 30, 2013 to June 30, 2014. The increase is mostly due to a reduction in spending and an increase in general revenues.

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

**Government-Wide Financial Analysis (continued)**

**Town of Biltmore Forest's Changes in Net Position**

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 17,365	\$ 9,733	\$ 371,047	\$ 373,854	\$ 388,412	\$ 383,587
Operating grants and contributions	64,771	64,339			64,771	64,339
General revenues:						
Property taxes	2,439,621	2,507,832			2,439,621	2,507,832
Other taxes	1,044,745	1,005,518			1,044,745	1,005,518
Other	<u>50,768</u>	<u>123,802</u>	<u>634</u>	<u>(1,980)</u>	<u>51,402</u>	<u>121,822</u>
Total revenues	<u>3,617,270</u>	<u>3,711,224</u>	<u>371,681</u>	<u>371,874</u>	<u>3,988,951</u>	<u>4,083,098</u>
Expenses:						
General government	945,468	1,123,490			945,468	1,123,490
Public safety	1,169,911	1,204,340			1,169,911	1,204,340
Transportation	102,595	59,888			102,595	59,888
Physical development	653,183	531,537			653,183	531,537
Interest on long-term debt	12,290	13,622			12,290	13,622
Water			<u>581,829</u>	<u>593,100</u>	<u>581,829</u>	<u>593,100</u>
Total expenses	<u>2,883,447</u>	<u>2,932,877</u>	<u>581,829</u>	<u>593,100</u>	<u>3,465,276</u>	<u>3,525,977</u>
Increase (decrease) in net position before transfers	733,823	778,347	(210,148)	(221,226)	523,675	557,121
Transfers	<u>(339,699)</u>	<u>(339,699)</u>	<u>339,699</u>	<u>339,699</u>		
Increase in net position	<u>394,124</u>	<u>438,648</u>	<u>129,551</u>	<u>118,473</u>	<u>523,675</u>	<u>557,121</u>
Net position, July 1 (consolidated)	<u>4,023,035</u>	<u>3,584,387</u>	<u>1,838,624</u>	<u>1,720,151</u>	<u>5,861,659</u>	<u>5,304,538</u>
Net position, June 30	<u>\$ 4,417,159</u>	<u>\$ 4,023,035</u>	<u>\$ 1,968,175</u>	<u>\$ 1,838,624</u>	<u>\$ 6,385,334</u>	<u>\$ 5,861,659</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$394,124 thereby accounting for 75.26% of the total growth in the net position of the Town. Key elements of this increase are as follows:

- The current year increase in net position for governmental activities is a result of increases in tax revenues and decreases in expenses, primarily in general government.

**Business-type activities.** Business-type activities increased the Town's net position by \$129,551, accounting for 24.74% of the total growth in the government's net position. Key elements of this increase are as follows:

- The change in net position for business-type activities over the previous year's change was an increase of 9%. This change is primarily due to an increase in water rates and decrease in interest expense for the current year.

The combined increase in net position for both governmental activities and business-type activities was 6% less than the previous year's change in net position.

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The general fund is the chief operating fund of the Town of Biltmore Forest. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$2,358,317, while total fund balance reached \$2,765,580. The Governing Body of the Town has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 78.81% of general fund expenditures, while total fund balance represents 92.42% of the same amount.

At June 30, 2014, the governmental funds of the Town reported a combined fund balance of \$2,765,580, with a net increase in fund balance of \$285,143. The change is a result of the increase in fund balance in the General Fund.

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

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the unrestricted intergovernmental funds that became available. Expenditures were less than budgeted in all of the Town's functions. In addition, the Town did not use any of its appropriated fund balance as originally expected.

**Proprietary Fund.** The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$405,844. The total change in net position for the Water Fund was \$129,551. The change in net position in the Water Fund is a result of increased water rates, decrease in interest expense, and transfers from the General Fund.

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

### Capital Asset and Debt Administration

**Capital assets.** The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$5,012,910 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- The purchase of new road equipment totaled \$59,117.
- New public safety vehicles totaled \$55,587.
- Capitalized street improvements of \$68,421.

### Town of Biltmore Forest’s Capital Assets (net of depreciation)

**Figure 4**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 161,650	\$ 161,650	\$	\$	\$ 161,650	\$ 161,650
Buildings and systems	886,018	912,281	3,017,187	3,171,199	3,903,205	4,083,480
Improvements other than buildings	83,008	90,091			83,008	90,091
Equipment and furniture	51,508	24,065			51,508	24,065
Infrastructure	589,413	563,771			589,413	563,771
Vehicles and motorized equipment	<u>219,404</u>	<u>175,025</u>	<u>4,722</u>	<u>5,061</u>	<u>224,126</u>	<u>180,086</u>
Total	<u>\$ 1,991,001</u>	<u>\$ 1,926,883</u>	<u>\$ 3,021,909</u>	<u>\$ 3,176,260</u>	<u>\$ 5,012,910</u>	<u>\$ 5,103,143</u>

Additional information on the Town’s capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

**Long-term Debt.** As of June 30, 2014, the Town of Biltmore Forest had total long-term debt outstanding of \$1,804,407. Of this, \$1,464,985 is debt secured solely by specified revenue sources. The remainder of the Town’s debt is secured by related property purchases and is backed by the full faith and credit of the Town.

### Town of Biltmore Forest’s Outstanding Debt

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 301,130	\$ 335,547	\$ 1,459,578	\$ 1,841,707	\$ 1,760,708	\$ 2,177,254
Compensated absences	<u>38,292</u>	<u>48,738</u>	<u>5,407</u>	<u>5,173</u>	<u>43,699</u>	<u>53,911</u>
Total	<u>\$ 339,422</u>	<u>\$ 384,285</u>	<u>\$ 1,464,985</u>	<u>\$ 1,846,880</u>	<u>\$ 1,804,407</u>	<u>\$ 2,231,165</u>

### Town of Biltmore Forest’s Outstanding Debt

The Town’s total debt decreased by \$426,758 (19.13%) during the past fiscal year, which is the result of the Town making scheduled debt payments.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town is \$50,979,538. The Town does not have any authorized but unissued long-term debt at the end of the fiscal year.

Additional information regarding the Town’s long-term debt can be found in Note 3.B.6 of this report.

### Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Property values decreased 16% for the 2014 fiscal year which required tax rates to increase 5.5 cents per \$100 of valuation. However, the number of building permits issued during the fiscal year for new residences, improvements, additions, and other enhancements to properties, as well as sales of property should result in higher property valuations in subsequent years.
- Additional leases on the communications tower on land owned by the Town and leased to American Tower will continue to generate increased revenue for the Town.
- The Town negotiated a new Fire Suppression contract which resulted in a savings of \$275,048 in the current year.

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

### Budget Highlights for the Fiscal Year Ending June 30, 2015

**Governmental Activities:** The ad valorem tax levy will remain 38.5 cents per \$100 of valuation for the 2015 fiscal year. Ad valorem tax revenues are expected to decrease to \$2,438,110, primarily due to a decreased real property valuation. The valuation of real and personal property is estimated to be \$633,766,160.

Budgeted expenditures in the General Fund are expected to increase by approximately 9% to \$3,263,206. The increase mostly relates to salary increases for employees and planned capital outlays as compared to the current fiscal year.

**Business-type Activities:** The water rates in the Town will increase by 4.5%, primarily to cover increased costs of operations.

### Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Administrator, Town of Biltmore Forest, 355 Vanderbilt Road, Biltmore Forest, North Carolina 28803. One can also call (828) 274-0824, visit our website [www.townofbiltmoreforest.com](http://www.townofbiltmoreforest.com), or send an email to [townhall@biltmoreforest.org](mailto:townhall@biltmoreforest.org) for more information.

## **BASIC FINANCIAL STATEMENTS**

**Exhibit 1****TOWN OF BILTMORE FOREST, NORTH CAROLINA**Statement of Net Position  
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,546,895	\$ 375,906	\$ 2,922,801
Taxes receivable (net)	1,010		1,010
Accounts receivable (net)	531	253	784
Due from other governments	273,493	99,888	373,381
Inventories	<u>2,229</u>	<u>11,100</u>	<u>13,329</u>
Total current assets	<u>2,824,158</u>	<u>487,147</u>	<u>3,311,305</u>
Non-current assets:			
Capital assets:			
Land and other nondepreciable assets	161,650		161,650
Other capital assets, net of depreciation	<u>1,829,351</u>	<u>3,021,909</u>	<u>4,851,260</u>
Total capital assets	<u>1,991,001</u>	<u>3,021,909</u>	<u>5,012,910</u>
Total assets	<u>\$ 4,815,159</u>	<u>\$ 3,509,056</u>	<u>\$ 8,324,215</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 58,578	\$ 75,896	\$ 134,474
Current portion of notes payable	<u>31,130</u>	<u>397,139</u>	<u>428,269</u>
Total current liabilities	<u>89,708</u>	<u>473,035</u>	<u>562,743</u>
Long-term liabilities:			
Noncurrent portion of notes payable	270,000	1,062,439	1,332,439
Compensated absences payable	<u>38,292</u>	<u>5,407</u>	<u>43,699</u>
Total long-term liabilities	<u>308,292</u>	<u>1,067,846</u>	<u>1,376,138</u>
Total liabilities	<u>\$ 398,000</u>	<u>\$ 1,540,881</u>	<u>\$ 1,938,881</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 1,689,871	\$ 1,562,331	\$ 3,252,202
Restricted for:			
Stabilization by State Statute	275,034		275,034
Unrestricted	<u>2,452,254</u>	<u>405,844</u>	<u>2,858,098</u>
Total net position	<u>\$ 4,417,159</u>	<u>\$ 1,968,175</u>	<u>\$ 6,385,334</u>

The notes to the financial statements are an integral part of this statement.

**Exhibit 2**

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Statement of Activities  
June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- type Activities	Total
<b>Primary government</b>							
Governmental activities:							
General government	\$ 945,468	\$ 17,365	\$	\$	\$ (928,103)	\$	\$ (928,103)
Public safety	1,169,911				(1,169,911)		(1,169,911)
Transportation	102,595		64,004		(38,591)		(38,591)
Physical development	653,183		767		(652,416)		(652,416)
Interest on long-term debt	<u>12,290</u>				<u>(12,290)</u>		<u>(12,290)</u>
Total governmental activities (See Note 1)	2,883,447	17,365	64,771		(2,801,311)		(2,801,311)
Business-type activities:							
Water	<u>581,829</u>	<u>371,047</u>				(210,782)	(210,782)
Total primary government	<u>\$ 3,465,276</u>	<u>\$ 388,412</u>	<u>\$ 64,771</u>	<u>\$</u>	<u>(2,801,311)</u>	<u>(210,782)</u>	<u>(3,012,093)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,439,621		2,439,621
Other taxes					1,044,745		1,044,745
Unrestricted investment earnings					1,908	634	2,542
Miscellaneous					<u>48,860</u>		<u>48,860</u>
Total general revenues not including transfers					3,535,134	634	3,535,768
Transfers					<u>(339,699)</u>	<u>339,699</u>	
Total general revenues and transfers					<u>3,195,435</u>	<u>340,333</u>	<u>3,535,768</u>
Change in net position					394,124	129,551	523,675
Net position, beginning					<u>4,023,035</u>	<u>1,838,624</u>	<u>5,861,659</u>
Net position, ending					<u>\$ 4,417,159</u>	<u>\$ 1,968,175</u>	<u>\$ 6,385,334</u>

The notes to the financial statements are an integral part of this statement.

**Exhibit 3**

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Balance Sheet  
Governmental Funds  
June 30, 2014

	Major Funds		
	General Fund	Capital Project Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,546,895	\$	\$ 2,546,895
Receivables, net:			
Taxes	1,010		1,010
Accounts	531		531
Due from other governments	273,493		273,493
Inventories	2,229		2,229
Total assets	\$ 2,824,158	\$	\$ 2,824,158
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 58,578	\$	\$ 58,578
<b>Fund Balances</b>			
Non Spendable			
Inventories	2,229		2,229
Restricted			
Stabilization by State statute	275,034		275,034
Assigned			
Subsequent year's expenditures	130,000		130,000
Unassigned	2,358,317		2,358,317
Total fund balances	2,765,580		2,765,580
Total liabilities and fund balances	\$ 2,824,158	\$	\$ 2,824,158
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,991,001
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.			(339,422)
Net position of governmental activities			\$ 4,417,159

The notes to the financial statements are an integral part of this statement.

**Exhibit 4**

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
June 30, 2014

	<u>Major Funds</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Capital Project Fund</u>	
Revenues:			
Ad valorem taxes	\$ 2,439,621	\$	\$ 2,439,621
Unrestricted intergovernmental	1,044,745		1,044,745
Restricted intergovernmental	64,771		64,771
Permits and fees	17,365		17,365
Investment earnings	1,908		1,908
Miscellaneous	<u>44,582</u>		<u>44,582</u>
Total revenues	<u>3,612,992</u>		<u>3,612,992</u>
Expenditures:			
Current:			
General government	923,161		923,161
Public safety	1,200,089		1,200,089
Transportation	185,207		185,207
Physical development	637,264		637,264
Debt service:			
Principal	34,417		34,417
Interest	<u>12,290</u>		<u>12,290</u>
Total expenditures	<u>2,992,428</u>		<u>2,992,428</u>
Excess of revenues over expenditures	<u>620,564</u>		<u>620,564</u>
Other financing sources (uses):			
Sales of capital assets	4,278		4,278
Transfers to other fund	<u>(339,699)</u>		<u>(339,699)</u>
Total other financing sources (uses)	<u>(335,421)</u>		<u>(335,421)</u>
Net change in fund balance	285,143		285,143
Fund balance, beginning	<u>2,480,437</u>		<u>2,480,437</u>
Fund balance, ending	<u>\$ 2,765,580</u>	<u>\$</u>	<u>\$ 2,765,580</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Funds  
 June 30, 2014

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

Net changes in fund balances - total governmental funds	\$ 285,143
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>	
Capital outlay expenditures which were capitalized	189,853
Depreciation expense for governmental assets	<u>(125,735)</u> 64,118
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal payments on long-term debt	34,417
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	<u>10,446</u>
Total changes in net position of governmental activities	<u>\$ 394,124</u>

**Exhibit 6**

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget and Actual  
For the Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with final budget- positive (negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,450,114	\$ 2,450,114	\$ 2,439,621	\$ (10,493)
Unrestricted intergovernmental	758,353	872,163	1,044,745	172,582
Restricted intergovernmental	61,500	61,500	64,771	3,271
Permits and fees	7,500	7,500	17,365	9,865
Investment earnings	4,000	4,000	1,908	(2,092)
Miscellaneous	<u>29,300</u>	<u>35,700</u>	<u>44,582</u>	<u>8,882</u>
Total revenues	<u>3,310,767</u>	<u>3,430,977</u>	<u>3,612,992</u>	<u>182,015</u>
<b>Expenditures:</b>				
Current:				
General government	893,403	934,553	923,161	11,392
Public safety	1,206,945	1,251,745	1,200,089	51,656
Transportation	171,960	194,560	185,207	9,353
Physical development	660,050	669,150	637,264	31,886
Debt service:				
Principal retirement	34,418	36,918	34,417	2,501
Interest	<u>12,292</u>	<u>12,352</u>	<u>12,290</u>	<u>62</u>
Total expenditures	<u>2,979,068</u>	<u>3,099,278</u>	<u>2,992,428</u>	<u>106,850</u>
Revenues over expenditures	<u>331,699</u>	<u>331,699</u>	<u>620,564</u>	<u>288,865</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(339,699)	(339,699)	(339,699)	
Sales of capital assets	<u>8,000</u>	<u>8,000</u>	<u>4,278</u>	<u>(3,722)</u>
Total other financing sources (uses)	<u>(331,699)</u>	<u>(331,699)</u>	<u>(335,421)</u>	<u>(3,722)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	285,143	<u>\$ 285,143</u>
Fund balance, beginning			<u>2,480,437</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 2,765,580</u>	

The notes to the financial statements are an integral part of this statement.

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Fund Net Position  
Proprietary Fund  
June 30, 2014**Assets**

## Current assets:

Cash and cash equivalents	\$ 375,906
Accounts receivable (net)	100,141
Inventories	<u>11,100</u>
Total current assets	487,147

## Noncurrent assets:

Capital assets, net of depreciation	<u>3,021,909</u>
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Total assets	<u>\$ 3,509,056</u>
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**Liabilities**

## Current liabilities:

Accounts payable and accrued liabilities	\$ 75,896
Notes payable - current	<u>397,139</u>
Total current liabilities	<u>473,035</u>

## Noncurrent liabilities:

Notes payable - noncurrent	1,062,439
Accrued compensated absences	<u>5,407</u>
Total noncurrent liabilities	<u>1,067,846</u>

Total liabilities	<u>\$ 1,540,881</u>
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**Net Position**

Net investment in capital assets	\$ 1,562,331
Unrestricted	<u>405,844</u>
Total net position	<u>\$ 1,968,175</u>

The notes to the financial statements are an integral part of this statement.

**Exhibit 8****TOWN OF BILTMORE FOREST, NORTH CAROLINA**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

Operating revenues:	
Water sales	\$ 359,818
Water tap and connection fees	2,475
Commissions, sewer charge collection	<u>8,754</u>
Total operating revenues	<u>371,047</u>
Operating expenses:	
Salaries	100,212
Social security tax	7,335
Employee benefits	38,238
Maintenance and supplies	27,206
Water purchases	186,884
Professional services	4,085
Depreciation	154,351
Other	<u>820</u>
Total operating expenses	<u>519,131</u>
Operating loss	<u>(148,084)</u>
Nonoperating revenues (expenses):	
Investment earnings	634
Interest	<u>(62,698)</u>
Total nonoperating revenues (expenses)	<u>(62,064)</u>
Loss before transfers	(210,148)
Transfers from other funds	<u>339,699</u>
Change in net position	129,551
Total net position, beginning	<u>1,838,624</u>
Total net position, ending	<u>\$ 1,968,175</u>

The notes to the financial statements are an integral part of this statement.

## TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Cash Flows  
 Proprietary Fund  
 For the Fiscal Year Ended June 30, 2014

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 376,207
Cash paid to or on behalf of employees for services	(145,451)
Cash paid for goods and services	<u>(218,115)</u>
Net cash provided by operating activities	<u>12,641</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers from other funds	<u>339,699</u>
<b>Cash flows from capital and related financing activities</b>	
Principal payments on notes payable	(382,129)
Interest paid on notes payable	<u>(67,962)</u>
Net cash used by capital and related financing activities	<u>(450,091)</u>
<b>Cash flows from investing activities</b>	
Investment earnings	<u>1,136</u>
Net decrease in cash and cash equivalents	(96,615)
Balances, beginning	<u>472,521</u>
Balances, ending	<u>\$ 375,906</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (148,084)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	154,351
Change in assets and liabilities:	
Decrease in accounts receivable	5,160
Increase in accounts payable and accrued liabilities	980
Increase in accrued compensated absences	<u>234</u>
Net cash provided by operating activities	<u>\$ 12,641</u>

The notes to the financial statements are an integral part of this statement.

# TOWN OF BILTMORE FOREST, NORTH CAROLINA

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2014

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Town of Biltmore Forest, North Carolina (the Town) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

### A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a three-member board of commissioners.

### B. Basis of Presentation

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **B. Basis of Presentation (continued)**

The Town reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise fund:

**Water Fund.** This fund is used to account for the Town's water operations.

### **C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **C. Measurement Focus and Basis of Accounting (continued)**

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for Governmental and Enterprise Capital Project Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

### **E. Assets, Liabilities, and Fund Equity**

#### **1. Deposits and Investments**

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town 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 as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

#### **2. Cash and Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **E. Assets, Liabilities, and Fund Equity (continued)**

#### **3. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

#### **4. Allowances for Doubtful Accounts**

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

#### **5. Inventory**

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

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

#### **6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; \$5,000 computer software and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**Note 1 - Summary of Significant Accounting Policies (continued)**

E. Assets, Liabilities, and Fund Equity (continued)

6. Capital Assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and system	40
Infrastructure	5-20
Equipment and furniture	3-10
Vehicles and motorized equipment	5-10
Computer equipment	3
Computer software	3
Substations, lines and related equipment	40
Other improvements	5-40

7. Long-Term Obligations

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

In fund financial statements, governmental fund types recognize the issuance of long-term debt, and related costs, during the current period. The face amount of 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.

8. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure has been reported in the governmental funds. The Town's liability for accumulated earned vacation and the salary-related payments for governmental funds are recorded in the General Fund. For the Town's proprietary funds an expense and a liability for compensated absences and the salary-related payments are recorded within the funds as the leave is earned.

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

E. Assets, Liabilities, and Fund Equity (continued)

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

**Restricted Fund Balance** - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

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

**Assigned Fund Balance** - portion of fund balance that the Town intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### E. Assets, Liabilities, and Fund Equity (continued)

#### 9. Net Position/Fund Balances (continued)

##### Fund Balances (continued)

Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

### F. Other

#### Contract for Fire Suppression Service and Emergency Medical Service

During the fiscal year ended June 30, 1996, the Town entered into an agreement with the City of Asheville (City), a municipal corporation, through which the City would provide fire protection services and emergency medical services for that area within the corporate limits of the Town. The cost of these services is based on a rate of 10 cents per 100 dollar valuation of the total property values in the Town. The initial term of this contract was for 13 years, which ended September 1, 2008. The contract was extended to September 1, 2013. The cost of the services rendered by the City for the fiscal year ended June 30, 2014 was \$126,112.

During the fiscal year ended June 30, 2014, the Town entered into an agreement with Skyland Fire and Rescue Corporation, a municipal corporation, through which Skyland Fire and Rescue would provide fire protection services and emergency medical services for that area within the corporate limits of the Town. The initial term of the contract is for 15 years, commencing on September 1, 2013 and ending on September 1, 2028, with the option to continue with mutually agreeable terms. The cost of these services shall be paid in quarterly installments in advance, commencing on October 1, 2013 for a total of \$425,000 per year. The cost of the services rendered by Skyland Fire and Rescue for the fiscal year ended June 30, 2014 was \$354,166.

## Note 2 - Stewardship, Compliance, and Accountability

The Town does not have any instances of stewardship, compliance, and accountability issues to report.

## Note 3 - Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$459,847 and a bank balance of \$460,541. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$185. The Town's certificates of deposit were as follows:

<u>Certificates of Deposit</u>	<u>Fair Value</u>	<u>Maturity</u>
First Citizens Bank Certificate of Deposit	\$ 1,066,296	1/21/14
First Citizens Bank Certificate of Deposit	<u>511,373</u>	1/3/14
Total:	<u>\$ 1,577,669</u>	

#### 2. Investments

At June 30, 2014, the Town had \$2,462,769 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

**Note 3 - Detail Notes on All Funds (continued)**

A. Assets (continued)

2. Investments (continued)

Under the Town's cash management policy, the Board of Commissioners authorized the Finance Officer to approve the addition of Commercial Paper A-1 rating Investment Instruments (on North Carolina banks and within a pool) to the Capital Management Trust Fund and Certificates of Deposit.

*Interest Rate Risk.* The Town has no formal policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

*Credit Risk.* The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by the Standard & Poor's as of June 30, 2014.

*Concentration of Credit Risk.* The Town's Board places no limit on the amount that the Town may invest in any one issuer. More than 5 percent of the Town's investments are in First Citizens Bank Certificates of Deposit. These investments represent 64.06% of the Town's total investments.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	<u>June 30, 2014</u>
General fund:	
Taxes receivable	\$ 2,500
Water fund:	
Accounts receivable	<u>1,339</u>
Total	<u>\$ 3,839</u>

**Note 3 - Detail Notes on All Funds (continued)**

A. Assets (continued)

4. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 161,650	\$ _____	\$ _____	\$ 161,650
Total capital assets not being depreciated	<u>161,650</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>161,650</u>
Capital assets being depreciated:				
Buildings	1,209,243	\$ _____	\$ _____	1,209,243
Other improvements	146,613			146,613
Equipment and furniture	201,145	40,845	5,809	236,181
Vehicles and motorized equipment	783,825	80,587	23,335	841,077
Infrastructure	<u>1,172,734</u>	<u>68,421</u>	<u>_____</u>	<u>1,241,155</u>
Total capital assets being depreciated	<u>3,513,560</u>	<u>\$ 189,853</u>	<u>\$ 29,144</u>	<u>3,674,269</u>
Less accumulated depreciation for:				
Buildings	296,962	\$ 26,262	\$ _____	323,224
Other improvements	56,522	7,083		63,605
Equipment and furniture	177,080	13,400	5,809	184,671
Vehicles and motorized equipment	608,800	36,209	23,335	621,674
Infrastructure	<u>608,963</u>	<u>42,781</u>	<u>_____</u>	<u>651,744</u>
Total accumulated depreciation	<u>1,748,327</u>	<u>\$ 125,735</u>	<u>\$ 29,144</u>	<u>1,844,918</u>
Total capital assets being depreciated, net	<u>1,765,233</u>			<u>1,829,351</u>
Governmental activity capital assets, net	<u>\$1,926,883</u>			<u>\$1,991,001</u>

**Note 3 - Detail Notes on All Funds (continued)**

A. Assets (continued)

4. Capital Assets (continued)

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

General government	\$ 32,150
Public safety	24,816
Transportation	46,228
Physical development	<u>22,541</u>
Total depreciation expense	<u>\$ 125,735</u>

Business-type activities:

Water Fund	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Water system	\$ 4,605,856	\$	\$	\$ 4,605,856
Other equipment	<u>104,591</u>	<u>                    </u>	<u>                    </u>	<u>104,591</u>
Total capital assets being depreciated	<u>4,710,447</u>	<u>\$</u>	<u>\$</u>	<u>4,710,447</u>
Less accumulated depreciation for:				
Water system	1,434,657	\$ 154,012	\$	1,588,669
Other equipment	<u>99,530</u>	<u>339</u>	<u>                    </u>	<u>99,869</u>
Total accumulated depreciation	<u>1,534,187</u>	<u>\$ 154,351</u>	<u>\$</u>	<u>1,688,538</u>
Water fund capital assets, net	<u>\$ 3,176,260</u>			<u>\$ 3,021,909</u>

Construction commitments:

The government has no active construction projects at June 30, 2014.

### **Note 3 - Detail Notes on All Funds (continued)**

#### **B. Liabilities**

##### **1. Pension Plan Obligations**

###### **a. Local Governmental Employees' Retirement System**

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$89,530, \$81,874, and \$83,525, respectively. The contributions made by the Town equaled the required contributions for each year.

###### **b. Law Enforcement Officers Special Separation Allowance**

###### *(1) Plan Description*

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .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.

**Note 3 - Detail on All Funds (continued)**

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

*(1) Plan Description (continued)*

All full time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>13</u>
Total	<u>13</u>

A separate report was not issued for the plan.

*(2) Summary of Significant Accounting Policies*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

*(3) Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town has not had an actuarial valuation performed on the net pension obligation because management believes the effects are immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund

### **Note 3 - Detail on All Funds (continued)**

#### **B. Liabilities (continued)**

##### **1. Pension Plan Obligations (continued)**

##### **c. Supplemental Retirement Income Plan for Law Enforcement Officers (continued)**

financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$69,166, which consisted of \$35,170 from the Town and \$33,996 from the law enforcement officers.

##### **d. For Employees Not Engaged in Law Enforcement**

All other full-time Town employees participate in the Supplemental Retirement Income Plan, a defined contribution pension plan. Participation begins at the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each month the Town contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Total contributions for the year ended June 30, 2014 were \$36,868, which consisted of \$27,514 from the Town and \$9,354 from the employees.

##### **e. Other Postemployment Health Care Benefits**

#### **Healthcare Benefits**

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

**Note 3 - Detail on All Funds (continued)**

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

e. Other Postemployment Health Care Benefits (continued)

Healthcare Benefits (continued)

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2014, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$67,283. These contributions represent 5.4% of covered payroll.

### **Note 3 - Detail on All Funds (continued)**

#### **B. Liabilities (continued)**

##### **2. Other Employment Benefits**

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

##### **3. 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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, worker's compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

**Note 3 - Detail on All Funds (continued)**

B. Liabilities (continued)

3. Risk Management (continued)

The Town has a Flood Damage Prevention Ordinance and has a small area that has been identified and mapped by the Flood Insurance Rate Map. There is no historical evidence of flood damage in the areas identified and Floodplain Insurance does not appear to be necessary at this time.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2011, the Town was a defendant in a lawsuit regarding an accident involving a motorist and a bicyclist that occurred within the Town limits. Neither party involved in the accident was a Town employee. During the year ended June 30, 2013, the lawsuit was settled and there was no financial impact on the Town.

**Note 3 - Detail on All Funds (continued)**

B. Liabilities (continued)

5. Long-Term Obligations

a. Installment Purchases

The Town's governmental activities include the following installment purchases:

Note payable, bearing interest at 3.81% per annum, due in 60 quarterly payments with fixed principal payment schedule of \$1,667 plus accrued interest, beginning August 7, 2009 and ending on May 7, 2024, collateralized by a deed of trust and for use in its transportation segment.	\$ 66,666
Note payable, bearing interest at 3.81% per annum, due in 60 quarterly payments with fixed principal payment schedule of \$5,833 plus accrued interest, beginning August 7, 2009 and ending on May 7, 2024, collateralized by a deed of trust and for use in its public safety segment.	233,334
Note payable, bearing interest at 3.75% per annum, due in 20 monthly payments with fixed principal payment schedule of \$1,141 plus accrued interest, beginning September 10, 2009 and ending on September 10, 2014, collateralized by equipment and for use in its public safety segment.	<u>1,130</u> 301,130
Less, current portion	<u>31,130</u>
Noncurrent portion of note payable	<u>\$ 270,000</u>

**Note 3 - Detail on All Funds (continued)**

B. Liabilities (continued)

5. Long-Term Obligations (continued)

a. Installment Purchases (continued)

Annual debt service payments for installment purchases are as follows:

Years Ending June 30	Governmental Activities	
	Interest	Principal
2015	\$ 11,013	\$ 31,130
2016	9,859	30,000
2017	8,716	30,000
2018	7,573	30,000
2019	6,430	30,000
2020-2024	<u>15,002</u>	<u>150,000</u>
	<u>\$ 58,593</u>	<u>\$ 301,130</u>

b. Proprietary Notes Payable

The Town's Proprietary fund has incurred notes payable for the purpose of expanding and improving its water system.

Note payable, bearing interest at 3.89% per annum, due in 7 semi-annual payments of \$162,500 including interest, beginning February 22, 2005 through February 22, 2008 and 19 semi-annual payments of \$225,046 including interest beginning August 22, 2008 through August 22, 2017, collateralized by the system	\$ 1,459,578
Less, current portion	<u>397,139</u>
Noncurrent portion of note payable	<u>\$ 1,062,439</u>

**Note 3 - Detail on All Funds (continued)**

B. Liabilities (continued)

5. Long-Term Obligations (continued)

b. Proprietary Notes Payable (continued)

Scheduled payments remaining on notes payable are as follows:

Years Ending June 30	<u>Business-type Activities</u>	
	<u>Interest</u>	<u>Principal</u>
2015	\$ 52,953	\$ 397,139
2016	37,354	412,738
2017	21,142	428,949
2018	<u>4,294</u>	<u>220,752</u>
	<u>\$ 115,743</u>	<u>\$ 1,459,578</u>

c. Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchase	\$ 335,547	\$	\$ 34,417	\$ 301,130	\$ 31,130
Compensated absences	<u>48,738</u>	<u>                    </u>	<u>10,446</u>	<u>38,292</u>	<u>                    </u>
Governmental activities long-term liabilities	<u>\$ 384,285</u>	<u>\$</u>	<u>\$ 44,863</u>	<u>\$ 339,422</u>	<u>\$ 31,130</u>
Business-type activities:					
Note payable	\$ 1,841,707	\$	\$ 382,129	\$ 1,459,578	\$ 397,139
Compensated absences	<u>5,173</u>	<u>                    </u>	<u>(234)</u>	<u>5,407</u>	<u>                    </u>
Business-type activities long-term liabilities	<u>\$ 1,846,880</u>	<u>\$</u>	<u>\$ 381,895</u>	<u>\$ 1,464,985</u>	<u>\$ 397,139</u>

**Note 3 - Detail on All Funds (continued)**

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the Water Fund \$ 339,699

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

During the 2014 fiscal year the Town made transfers from the General Fund to the Water Fund to assist the fund with debt service obligations. Total transfers to the Water Fund were \$339,699. The General Fund plans to continue to support the Water Fund in the future.

D. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 2,765,580</u>
Less:	
Inventories	2,229
Stabilization by State Statute	275,034
Appropriated Fund Balance in 2015 Budget	130,000
Remaining fund balance	2,358,317

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Town did not have any outstanding encumbrances as of June 30, 2014.

**Note 4 - Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

The Town has received proceeds from Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 2,446,114	\$ 2,435,525	\$ (10,589)
Interest	<u>4,000</u>	<u>4,096</u>	<u>96</u>
Total	<u>2,450,114</u>	<u>2,439,621</u>	<u>(10,493)</u>
Unrestricted intergovernmental:			
Local option sales tax	758,353	910,297	151,944
Franchise tax	108,310	128,509	20,199
Beer and wine tax	<u>5,500</u>	<u>5,939</u>	<u>439</u>
Total	<u>872,163</u>	<u>1,044,745</u>	<u>172,582</u>
Restricted intergovernmental:			
Solid waste disposal tax		767	767
Powell Bill allocation	<u>61,500</u>	<u>64,004</u>	<u>2,504</u>
Total	<u>61,500</u>	<u>64,771</u>	<u>3,271</u>
Permits and fees:			
Dog license fee	1,500	1,545	45
Building permits and inspection fees	<u>6,000</u>	<u>15,820</u>	<u>9,820</u>
Total permits and fees	<u>7,500</u>	<u>17,365</u>	<u>9,865</u>
Investment earnings:			
Interest	<u>4,000</u>	<u>1,908</u>	<u>(2,092)</u>
Miscellaneous:			
Rental of community hall	1,500	1,200	(300)
American Tower	22,800	24,269	1,469
Progress Energy	2,400		(2,400)
Other	<u>9,000</u>	<u>19,113</u>	<u>10,113</u>
Total	<u>35,700</u>	<u>44,582</u>	<u>8,882</u>
Total revenues	<u>3,430,977</u>	<u>3,612,992</u>	<u>182,015</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (continued)  
 For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General government:			
Administration:			
Salaries	101,190	107,929	(6,739)
Retirement fund	12,700	12,620	80
Supplemental retirement	5,100	5,094	6
Social security tax	7,500	7,493	7
Unemployment insurance		209	(209)
Group hospitalization insurance	10,800	9,432	1,368
Group life insurance	1,410	1,398	12
Health Reimbursement		1,000	(1,000)
Supplies and extra equipment	4,500	4,482	18
Audit and accounting	44,500	44,296	204
Legal and professional	38,000	38,029	(29)
Postage, printing, and stationary	5,000	5,399	(399)
Memberships and subscriptions	3,250	3,228	22
Travel expense	22,000	21,617	383
Training and education	6,110	6,100	10
Miscellaneous	500	643	(143)
Capital outlay	<u>10,500</u>	<u>10,677</u>	<u>(177)</u>
Total	<u>273,060</u>	<u>279,646</u>	<u>(6,586)</u>
Other:			
Contingency	13,518	10,260	3,258
General repairs	32,501	32,836	(335)
Electricity and utilities	19,000	17,785	1,215
Telephone	15,000	15,314	(314)
General insurance	87,000	76,906	10,094
Fire protection contract	480,334	480,279	55
Elections	200	54	146
Miscellaneous	<u>13,940</u>	<u>10,081</u>	<u>3,859</u>
Total	<u>661,493</u>	<u>643,515</u>	<u>17,978</u>
Total general government	<u>934,553</u>	<u>923,161</u>	<u>11,392</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (continued)  
 For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public safety:			
Salaries	738,300	723,802	14,498
Retirement fund	98,700	88,889	9,811
Supplemental retirement	37,650	35,170	2,480
Social security tax	57,350	53,268	4,082
Unemployment insurance	4,000	3,305	695
Group hospitalization insurance	115,000	99,460	15,540
Group life insurance	13,000	12,586	414
Health Reimbursement		13,666	(13,666)
Short term disability	5,000		5,000
Repairs, vehicles and equipment	16,500	15,623	877
Automotive supplies, gas, oil, etc.	28,000	26,501	1,499
Radio maintenance	2,800	310	2,490
Supplies and extra equipment	19,000	16,323	2,677
DCI rental	9,000	8,026	974
Uniforms	10,100	10,032	68
Training and education	1,500	551	949
Physical exams	1,700	1,199	501
Miscellaneous	6,000	5,198	802
Equipment purchases	<u>88,145</u>	<u>86,180</u>	<u>1,965</u>
Total public safety	<u>1,251,745</u>	<u>1,200,089</u>	<u>51,656</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (continued)  
 For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Transportation:			
Salaries	38,200	35,795	2,405
Retirement fund	4,650	4,528	122
Supplemental retirement	1,910	1,790	120
Social security tax	3,300	2,776	524
Unemployment insurance	100	239	(139)
Group hospitalization insurance	6,600	5,503	1,097
Group life insurance	470	450	20
Health Reimbursement		1,000	(1,000)
Repairs, vehicle and equipment	1,500	1,382	118
Engineering	2,400	360	2,040
Supplies and maintenance	15,500	15,558	(58)
Contract resurfacing	68,700	68,421	279
Training and education	500		500
Miscellaneous	1,830	1,779	51
Equipment purchases	<u>48,900</u>	<u>45,626</u>	<u>3,274</u>
Total transportation	<u>194,560</u>	<u>185,207</u>	<u>9,353</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (continued)  
 For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Physical development:			
Public works:			
Salaries	316,800	305,165	11,635
Retirement fund	41,000	38,485	2,515
Supplemental retirement	17,200	15,592	1,608
Social security tax	26,100	22,451	3,649
Unemployment insurance	1,500	1,279	221
Group hospitalization insurance	46,000	39,315	6,685
Group life insurance	6,000	5,527	473
Health Reimbursement		6,000	(6,000)
Vehicle repairs and maintenance	26,500	26,805	(305)
Truck supplies, gas, oil, etc.	18,500	14,275	4,225
Supplies and minor equipment	15,500	14,834	666
Parks	1,200	1,707	(507)
General repairs	3,000	1,297	1,703
Uniforms	5,000	5,034	(34)
Physical exams	500	110	390
Training and education	1,500		1,500
Tipping fees	49,500	50,898	(1,398)
Recycling	16,000	15,710	290
Miscellaneous	2,000	603	1,397
Outside services	30,000	29,116	884
Capital outlay	30,850	29,516	1,334
Total	<u>654,650</u>	<u>623,719</u>	<u>30,931</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

General Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (continued)  
 For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Street lighting:			
Electricity	8,500	7,752	748
Maintenance and supplies	<u>6,000</u>	<u>5,793</u>	<u>207</u>
Total	<u>14,500</u>	<u>13,545</u>	<u>955</u>
Total physical development	<u>669,150</u>	<u>637,264</u>	<u>31,886</u>
Debt service:			
Principal retirement	36,918	34,417	2,501
Interest	<u>12,352</u>	<u>12,290</u>	<u>62</u>
Total debt service	<u>49,270</u>	<u>46,707</u>	<u>2,563</u>
Total expenditures	<u>3,099,278</u>	<u>2,992,428</u>	<u>106,850</u>
Revenues over expenditures	<u>331,699</u>	<u>620,564</u>	<u>288,865</u>
Other financing sources (uses):			
Sale of capital assets	8,000	4,278	(3,722)
Transfer to water fund	<u>(339,699)</u>	<u>(339,699)</u>	<u>          </u>
Total	<u>(331,699)</u>	<u>(335,421)</u>	<u>(3,722)</u>
Net change in fund balance	<u>\$                  </u>	285,143	<u>\$ 285,143</u>
Fund balances, beginning		<u>2,480,437</u>	
Fund balances, ending		<u>\$ 2,765,580</u>	

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Enterprise Fund - Water Fund  
 Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP)  
 For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water sales	\$ 389,480	\$ 359,818	\$ (29,662)
Water tap and connection fees	5,000	2,475	(2,525)
Commissions, sewer charge collections	<u>8,000</u>	<u>8,754</u>	<u>754</u>
Total operating revenues	402,480	371,047	(31,433)
Non-operating revenues:			
Investment earnings	<u>1,500</u>	<u>634</u>	<u>(866)</u>
Total revenues	<u>403,980</u>	<u>371,681</u>	<u>(32,299)</u>
Expenditures:			
Operating expenditures:			
Salaries	102,400	99,978	2,422
Retirement fund	12,350	12,273	77
Supplemental retirement	5,200	5,038	162
Social security tax	7,950	7,335	615
Unemployment insurance	500	438	62
Group hospitalization insurance	17,300	16,759	541
Group life insurance	2,000	1,730	270
Health Reimbursement		2,000	(2,000)
Supplies and minor equipment	16,200	17,324	(1,124)
General repairs	800		800
Professional services	4,100	4,085	15
Postage, printing and stationery	1,800	1,792	8
Training and education	820	820	
Capital improvements	8,100	8,090	10
Water purchases	195,800	186,884	8,916
Miscellaneous			
Total operating expenditures	<u>375,320</u>	<u>364,546</u>	<u>10,774</u>
Debt services:			
Principal retirement	382,123	382,129	(6)
Interest	<u>67,962</u>	<u>67,962</u>	
Total debt services	<u>450,085</u>	<u>450,091</u>	<u>(6)</u>
Total expenditures	<u>825,405</u>	<u>814,637</u>	<u>10,768</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Enterprise Fund - Water Fund  
 Schedule of Revenues and Expenditures - Budget and Actual  
 (Non-GAAP) (continued)  
 For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues under expenditures before other financing sources	<u>(421,425)</u>	<u>(442,956)</u>	<u>(21,531)</u>
Other financing sources:			
Transfer from General Fund	339,699	339,699	
Appropriation from fund balance	<u>81,726</u>	<u>          </u>	<u>(81,726)</u>
Total other financing sources	<u>421,425</u>	<u>339,699</u>	<u>(81,726)</u>
Revenues and other sources under expenditures	<u>\$          </u>	<u>(103,257)</u>	<u>\$ (103,257)</u>

**Reconciliation from budgetary basis  
(modified accrual) to full accrual:**

Reconciling items:		
Principal retirement		\$ 382,129
Increase in accrued vacation pay		(234)
Decrease in accrued interest		5,264
Depreciation		<u>(154,351)</u>
Total reconciling items		<u>232,808</u>
Change in net position		<u>\$ 129,551</u>

## **OTHER SCHEDULES**

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Schedule of Ad Valorem Taxes Receivable  
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-14	\$	\$ 2,453,390	\$ 2,450,504	\$ 2,886
2012-13	8,782		8,484	298
2011-12	374		208	166
2010-11	<u>128</u>		<u>128</u>	
	<u>\$ 9,284</u>	<u>\$ 2,453,390</u>	<u>\$ 2,459,324</u>	3,350
Less: allowance for uncollectible accounts General Fund				<u>2,500</u>
Ad valorem taxes receivable - net				<u>\$ 850</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 2,439,621</u>
Reconciling items:				
Interest collected				(4,096)
Discounts allowed				15,326
Taxes written off				<u>8,473</u>
Subtotal				<u>19,703</u>
Total collections and credits				<u>\$ 2,459,324</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Analysis of Current Tax Levy  
For the Year Ended June 30, 2014

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy: Property taxed at current rate	\$ 629,629,347	\$ .385	\$ 2,424,073	\$ 2,309,051	\$ 115,022
Discoveries: Current year taxes	<u>7,614,882</u>	.385	<u>29,317</u>	<u>29,317</u>	<u>          </u>
Total property valuation	<u>\$ 637,244,229</u>				
Net levy			2,453,390	2,338,368	115,022
Uncollected taxes at June 30, 2014			<u>2,886</u>	<u>2,680</u>	<u>206</u>
Current year's taxes collected			<u>\$ 2,450,504</u>	<u>\$ 2,335,688</u>	<u>\$ 114,816</u>
Current levy collection percentage			<u>99.88%</u>	<u>99.89%</u>	<u>99.82%</u>

**TOWN OF BILTMORE FOREST, NORTH CAROLINA**

Schedule of Cash and Investment Balances

June 30, 2014

	<u>Cost and Market Value</u>
Cash:	
On hand	\$ 185
On demand deposit	<u>459,847</u>
Total cash	<u>460,032</u>
Other investments:	
Certificates of deposit	1,577,669
North Carolina Cash Management Trust	<u>885,100</u>
Total investments	<u>2,462,769</u>
Total cash and investments	<u>\$ 2,922,801</u>