TOWN OF BILTMORE FOREST, NORTH CAROLINA

Financial Statements and
Supplementary Information

Year Ended June 30, 2015

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TOWN OF BILTMORE FOREST, NORTH CAROLINA

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Fran G. Cogburn
E. Glenn Kelly
Doris P. Loomis

Administrative and Financial Staff

Jonathan Kanipe, 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, 2015, 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 financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Biltmore Forest, North Carolina as of June 30, 2015, 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, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Asset and Contributions, on pages 50 and 51, respectively, 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.

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 27, 2015

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $7,011,513 (*net position*).
- The government's total net position increased by $778,938, primarily due to increases in Water Fund net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $2,490,467, with a net decrease of $275,113 in fund balance. Approximately 26.95% of this total amount, or $671,079, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,817,159, or 72.96% of total general fund expenditures for the fiscal year.
- The decrease in governmental funds balance is primarily due to transfers from the General Fund to the Water Fund to pay off the Water Fund long-term debt.
- Revenues over expenditures in the General Fund totaled $600,042 and is a result of revenues exceeding budgeted amounts and expenditures less than budgeted amounts. The largest positive variances are in unrestricted intergovernmental revenues and physical development expenditures.
- The Town's total long-term debt decreased by $1,489,593 or 82.55% during the current fiscal year. The key factor in this decrease was the pay off of Water Fund debt.

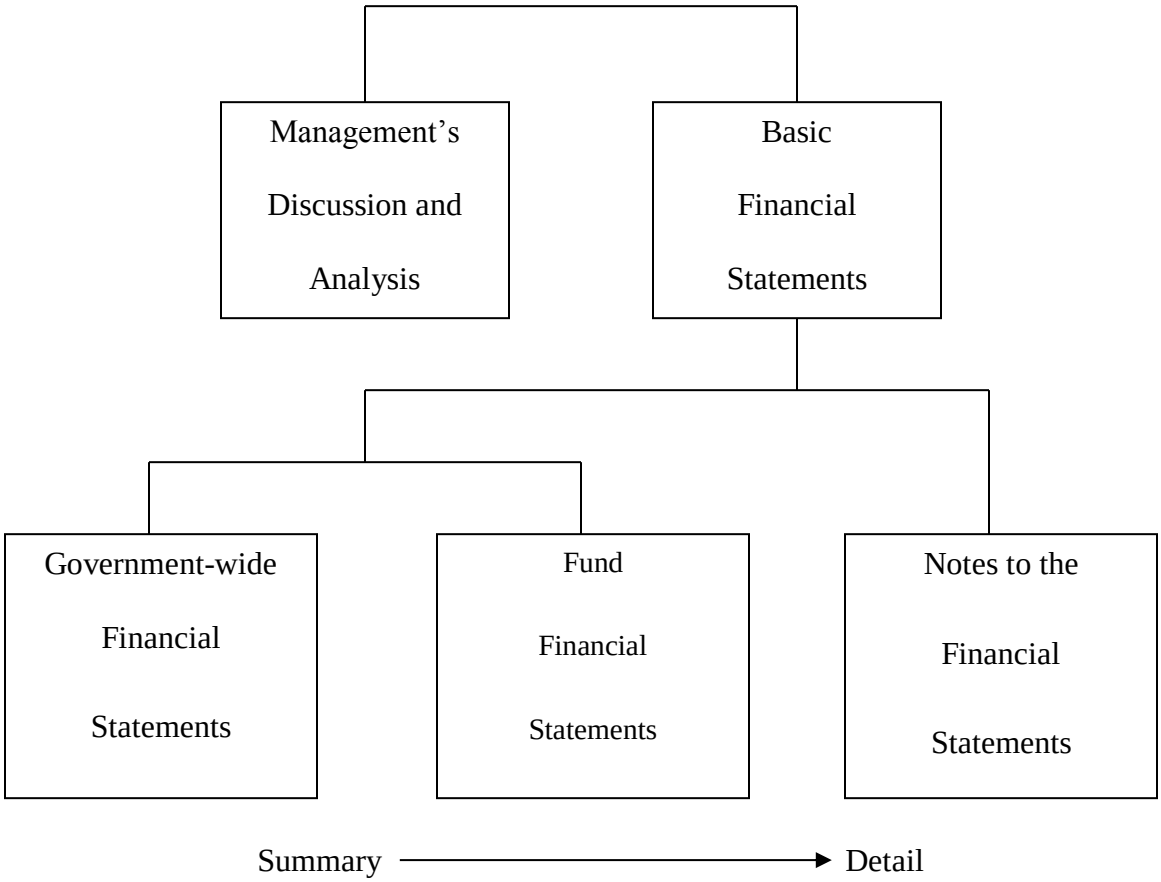
Overview of the Financial Statements

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; and 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.

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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into 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.

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 activity. 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.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 2,638,401	$ 2,824,158	$ 202,956	$ 715,325	$ 2,841,357	$ 3,539,483
Capital assets	2,166,427	1,991,001	2,868,354	3,021,909	5,034,781	5,012,910
Deferred outflows of resources	89,922	83,909	6,014	5,613	95,936	89,522
Total assets	4,894,750	4,899,068	3,077,324	3,742,847	7,972,074	8,641,915
Long-term liabilities outstanding	308,538	339,422	6,276	1,464,985	314,814	1,804,407
Other liabilities	42,797	285,668	330,702	319,265	373,499	604,933
Deferred inflows of resources	255,178		17,070		272,248	
Total liabilities	606,513	625,090	354,048	1,784,250	960,561	2,409,340
Net position:						
Net investment in capital assets	1,896,427	1,689,871	2,868,354	1,562,331	4,764,781	3,252,202
Restricted	671,079	275,034			671,079	275,034
Unrestricted	1,720,731	2,309,073	(145,078)	396,266	1,575,653	2,705,339
Total net position	$ 4,288,237	$ 4,273,978	$ 2,723,276	$ 1,958,597	$ 7,011,513	$ 6,232,575

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by $7,011,513 as of June 30, 2015. The Town's net position increased by $778,938 for the fiscal year ended June 30, 2015. However, the largest portion (67.96%) 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 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, $671,079, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $1,575,653 is unrestricted. Also, the Town implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by $152,759. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town's management.

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 by maintaining a tax collection percentage of 99.74%.
- Increase in the collection of sales and use taxes and franchise taxes.
- Cash and investments decreased from $2,922,801 to $1,952,667, a decrease of $970,134 from June 30, 2014 to June 30, 2015. The decrease is primarily due to the pay off of Water Fund long-term debt during the current year.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Government-Wide Financial Analysis (continued)

Town of Biltmore Forest's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 28,919	$ 17,365	$ 408,146	$ 371,047	$ 437,065	$ 388,412
Operating grants and contributions	65,485	64,771			65,485	64,771
General revenues:						
Property taxes	2,464,100	2,439,621			2,464,100	2,439,621
Other taxes	1,132,137	1,044,745			1,132,137	1,044,745
Other	41,511	50,768	5,838	634	47,349	51,402
Total revenues	3,732,152	3,617,270	413,984	371,681	4,146,136	3,988,951
Expenses:						
General government	871,317	945,468			871,317	945,468
Public safety	1,129,639	1,169,911			1,129,639	1,169,911
Transportation	136,924	102,595			136,924	102,595
Physical development	664,888	653,183			664,888	653,183
Interest on long-term debt	11,013	12,290			11,013	12,290
Water			553,417	581,829	553,417	581,829
Total expenses	2,813,781	2,883,447	553,417	581,829	3,367,198	3,465,276
Increase (decrease) in net position before transfers	918,371	733,823	(139,433)	(210,148)	778,938	523,675
Transfers	(904,112)	(339,699)	904,112	339,699		
Increase in net position	14,259	394,124	764,679	129,551	778,938	523,675
Net position, July 1 (consolidated)	4,417,159	4,023,035	1,968,175	1,838,624	6,385,334	5,861,659
Net position, beginning, restated	4,273,978	4,023,035	1,958,597	1,838,624	6,232,575	5,861,659
Net position, June 30	$ 4,288,237	$ 4,417,159	$ 2,723,276	$ 1,968,175	$ 7,011,513	$ 6,385,334

Governmental activities. Governmental activities increased the Town's net position by $14,259. 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 the general government, and offset by transfers to the Town's Water Fund for satisfying debt service obligations.

Business-type activities. Business-type activities increased the Town's net position by $764,679, accounting for 98.17% 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 490%. This change is primarily due to an increase in water rates for the current year as well as a transfer from the General Fund for payoff of the Water Fund long-term debt, fully satisfying the debt service obligation ahead of schedule.

The combined increase in net position for both governmental activities and business-type activities was 48.74% more 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 $1,720,731, while total fund balance reached $2,490,467. 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 57.96% of general fund expenditures, and total fund balance represents 79.44% of the same amount.

At June 30, 2015, the governmental funds of the Town reported a combined fund balance of $2,490,467, with a net decrease in fund balance of $275,113. The change is a result of the decrease 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.

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 negative $145,078. The total change in net position for the Water Fund was $764,679. The change in net position in the Water Fund is a result of transfers from the General Fund, increased water rates, and decreased salaries expense.

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, 2015, totals $5,034,781 (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 $193,736.
- New public safety vehicles and equipment totaled $75,949.
- Capitalized street improvements of $88,994.

Town of Biltmore Forest's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 161,650	$ 161,650	$	$	$ 161,650	$ 161,650
Buildings and systems	859,757	886,018	2,863,971	3,017,187	3,723,728	3,903,205
Improvements other than buildings	75,925	83,008			75,925	83,008
Equipment and furniture	53,759	51,508			53,759	51,508
Infrastructure	383,975	589,413			383,975	589,413
Vehicles and motorized equipment	631,361	219,404	4,383	4,722	635,744	224,126
Total	$ 2,166,427	$ 1,991,001	$ 2,868,354	$ 3,021,909	$ 5,034,781	$ 5,012,910

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

Long-term Debt. As of June 30, 2015, the Town of Biltmore Forest had total long-term debt outstanding of $314,814. Of this, $44,814 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	
	2015	2014	2015	2014	2015	2014
Notes payable	$ 270,000	$ 301,130	$	$ 1,459,578	$ 270,000	$ 1,760,708
Compensated absences	38,538	38,292	6,276	5,407	44,814	43,699
Total	$ 308,538	$ 339,422	$ 6,276	$ 1,464,985	$ 314,814	$ 1,804,407

Town of Biltmore Forest's Outstanding Debt

The Town's total debt decreased by $1,489,593 (82.55%) during the past fiscal year, which is the result of the Town paying off its Water Fund notes payable ahead of schedule.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is $51,145,709. The Town does not have any authorized but unissued long-term debt at June 30, 2015.

Additional information regarding the Town's long-term debt can be found in Note 3.B.5 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 were consistent with prior year. Increase in building permits issued during the fiscal year relating to new construction, improvements, additions, and other enhancements to properties 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.

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: The ad valorem tax levy will remain 38.5 cents per $100 of valuation for the 2016 fiscal year. Ad valorem tax revenues are expected to increase to $2,466,053, primarily due to an increased real property valuation. The valuation of real and personal property is estimated to be $639,753,985.

Budgeted expenditures in the General Fund are expected to rise approximately 20% to $3,763,295. The increase primarily relates to a planned transfer to fund balance and salary increases for employees.

The Town has chosen not to appropriate fund balance in the fiscal year 2016 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: The water rates in the Town will increase by 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.biltmoreforest.org, or send an email to townhall@biltmoreforest.org for more information.

BASIC FINANCIAL STATEMENTS

Exhibit 1

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 1,859,956	$ 92,711	$ 1,952,667
Taxes receivable (net)	4,856		4,856
Due from other governments	338,511	92,112	430,623
Due from other funds	327,712		327,712
Inventories	2,229	11,100	13,329
Net pension asset	105,137	7,033	112,170
Total current assets	2,638,401	202,956	2,841,357
Noncurrent assets:			
Capital assets (Note 3):			
Land and non-depreciable improvements	161,650		161,650
Other capital assets, net of depreciation	2,004,777	2,868,354	4,873,131
Total capital assets	2,166,427	2,868,354	5,034,781
Total assets	$ 4,804,828	$ 3,071,310	$ 7,876,138
Deferred Outflows of Resources			
Contributions to pension plan in current fiscal year	$ 89,922	$ 6,014	$ 95,936
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	$ 42,797	$ 2,990	$ 45,787
Due to other funds		327,712	327,712
Current portion of long-term liabilities	30,000		30,000
Total current liabilities	72,797	330,702	403,499
Long-term liabilities:			
Noncurrent portion of long-term liabilities	240,000		240,000
Compensated absences payable	38,538	6,276	44,814
Total long-term liabilities	278,538	6,276	284,814
Total liabilities	$ 351,335	$ 336,978	$ 688,313
Deferred Inflows of Resources			
Pension deferrals	$ 255,178	$ 17,070	$ 272,248
Net Position			
Net investment in capital assets	$ 1,896,427	$ 2,868,354	$ 4,764,781
Restricted for:			
Stabilization by State Statute	671,079		671,079
Unrestricted	1,720,731	(145,078)	1,575,653
Total net position	$ 4,288,237	$ 2,723,276	$ 7,011,513

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, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Govern-mental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary government:							
Governmental activities:							
General government	$ 871,317	$ 28,919	$	$	$ (842,398)	$	$ (842,398)
Public safety	1,129,639				(1,129,639)		(1,129,639)
Transportation	136,924		64,604		(72,320)		(72,320)
Physical development	664,888		881		(664,007)		(664,007)
Interest on long-term debt	11,013				(11,013)		(11,013)
Total governmental activities (See Note 1)	2,813,781	28,919	65,485		(2,719,377)		(2,719,377)
Business-type activities:							
Water	553,417	408,146				(145,271)	(145,271)
Total primary government	$ 3,367,198	$ 437,065	$ 65,485	$	(2,719,377)	(145,271)	(2,864,648)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,464,100		2,464,100
Other taxes					1,132,137		1,132,137
Unrestricted investment earnings					926	228	1,154
Miscellaneous					40,585	5,610	46,195
Total general revenues not including transfers					3,637,748	5,838	3,643,586
Transfers					(904,112)	904,112	
Total general revenues and transfers					2,733,636	909,950	3,643,586
Change in net position					14,259	764,679	778,938
Net position, beginning, previously reported					4,417,159	1,968,175	6,385,334
Restatement					(143,181)	(9,578)	(152,759)
Net position, beginning, restated					4,273,978	1,958,597	6,232,575
Net position, ending					$ 4,288,237	$ 2,723,276	$ 7,011,513

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, 2015

	Major Funds		
	General Fund	Capital Project Fund	Total
Assets			
Cash and cash equivalents	$ 1,859,956	$	$ 1,859,956
Taxes receivable (net)	4,856		4,856
Due from other governments	338,511		338,511
Due from other funds	327,712		327,712
Inventories	2,229		2,229
Total assets	$ 2,533,264	$	$ 2,533,264
Liabilities			
Accounts payable and accrued liabilities	$ 42,797	$	$ 42,797
Fund Balances			
Non Spendable			
Inventories	2,229		2,229
Restricted			
Stabilization by State statute	671,079		671,079
Unassigned	1,817,159		1,817,159
Total fund balances	2,490,467		2,490,467
Total liabilities and fund balances	$ 2,533,264	$	

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.	2,166,427
Net pension asset	105,137
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	89,922
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(308,538)
Pension related deferrals	(255,178)
Net position of governmental activities	$ 4,288,237

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 Balances
Governmental Funds
June 30, 2015

	Major Funds		
	General Fund	Capital Project Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	$ 2,464,100	$	$ 2,464,100
Unrestricted intergovernmental	1,132,137		1,132,137
Restricted intergovernmental	65,485		65,485
Permits and fees	28,919		28,919
Investment earnings	926		926
Miscellaneous	43,518		43,518
Total revenues	3,735,085		3,735,085
Expenditures			
Current:			
General government	849,119		849,119
Public safety	1,227,312		1,227,312
Transportation	175,244		175,244
Physical development	841,225		841,225
Debt service:			
Principal	31,130		31,130
Interest and other charges	11,013		11,013
Total expenditures	3,135,043		3,135,043
Excess of revenues over expenditures	600,042		600,042
Other financing sources (uses)			
Transfers to other fund	(904,112)		(904,112)
Sales of capital assets	28,957		28,957
Total other financing sources (uses)	(875,155)		(875,155)
Net change in fund balance	(275,113)		(275,113)
Fund balance, beginning	2,765,580		2,765,580
Fund balance, ending	$ 2,490,467	$	$ 2,490,467

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

Exhibit 5

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		$ (275,113)
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		
Capital outlay expenditures which were capitalized	358,678	
Depreciation expense for governmental assets	(151,362)	207,316
Unrecovered book cost on sale of capital assets		(31,890)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		89,922
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.		
Principal payments on long-term debt		31,130
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.		
Compensated absences		(246)
Net pension obligation		(6,860)
Total changes in net position of governmental activities		$ 14,259

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

Exhibit 6

TOWN OF BILTMORE FOREST, NORTH CAROLINA

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Original	Final	Actual Amounts	Variance with final budget-positive (negative)
Revenues:				
Ad valorem taxes	$ 2,438,110	$ 2,438,110	$ 2,464,100	$ 25,990
Unrestricted intergovernmental	915,795	917,295	1,132,137	214,842
Restricted intergovernmental	62,100	62,100	65,485	3,385
Permits and fees	9,500	18,700	28,919	10,219
Investment earnings	5,000	5,000	926	(4,074)
Miscellaneous	34,400	36,900	43,518	6,618
Total revenues	3,464,905	3,478,105	3,735,085	256,980
Expenditures:				
Current:				
General government	882,376	882,376	849,119	33,257
Public safety	1,251,430	1,251,430	1,227,312	24,118
Transportation	149,400	178,700	175,244	3,456
Physical development	936,550	936,550	841,225	95,325
Debt service:				
Principal retirement	31,152	31,152	31,130	22
Interest and other charges	12,298	12,298	11,013	1,285
Total expenditures	3,263,206	3,292,506	3,135,043	157,463
Revenues over expenditures	201,699	185,599	600,042	414,443
Other financing sources (uses):				
Transfers to other funds	(339,699)	(904,112)	(904,112)	
Sales of capital assets	8,000	24,100	28,957	4,857
Appropriation of fund balance	130,000	694,413		(694,413)
Total other financing sources (uses)	(201,699)	(185,599)	(875,155)	(689,556)
Net change in fund balance	$	$	(275,113)	$ (275,113)
Fund balance, beginning			2,765,580	
Fund balance, ending (Exhibit 4)			$ 2,490,467	

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

Exhibit 7

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Fund Net Position
Proprietary Fund
June 30, 2015

Assets	
Current assets:	
Cash and cash equivalents	$ 92,711
Accounts receivable (net)	92,112
Inventories	11,100
Total current assets	195,923
Noncurrent assets:	
Net pension asset	7,033
Capital assets, net of depreciation	2,868,354
Total noncurrent assets	2,875,387
Total assets	$ 3,071,310
Deferred Outflows of Resources	
Contributions to pension plan	$ 6,014
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	$ 2,990
Due to other funds	327,712
Total current liabilities	330,702
Noncurrent liabilities:	
Compensated absences	6,276
Total liabilities	$ 336,978
Deferred Inflows of Resources	
Pension deferrals	$ 17,070
Net Position	
Net investment in capital assets	$ 2,868,354
Unrestricted	(145,078)
Total net position	$ 2,723,276

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, 2015

Operating revenues	
Water sales	$ 393,197
Water tap and connection fees	5,930
Commissions, sewer charge collection	9,019
Total operating revenues	408,146
Operating expenses	
Salaries	85,300
Social security tax	6,146
Employee benefits	27,444
Maintenance and supplies	31,279
Water purchases	197,673
Professional services	4,335
Depreciation	153,555
Training and education	1,065
Total operating expenses	506,797
Operating loss	(98,651)
Nonoperating revenues (expenses)	
Investment earnings	228
Interest and other charges	(46,620)
Proceeds from sale of property and equipment	5,610
Total nonoperating revenues (expenses)	(40,782)
Loss before transfers	(139,433)
Transfers from other funds	904,112
Change in net position	764,679
Total net position, previously reported	1,968,175
Restatement	(9,578)
Total net position, restated	1,958,597
Total net position, ending	$ 2,723,276

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

Exhibit 9

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

Cash flows from operating activities	
Cash received from customers	$ 415,922
Cash paid for goods and services	(287,483)
Cash paid to or on behalf of employees for services	(123,242)
Net cash provided by operating activities	5,197
Cash flows from noncapital financing activities	
Increase in due to other funds	99,534
Transfers from other funds	904,112
Total cash flows from noncapital financing activities	1,003,646
Cash flows from capital and related financing activities	
Principal payments on notes payable	(1,459,578)
Interest paid on notes payable	(66,729)
Proceeds from sale of property and equipment	5,610
Net cash used by capital and related financing activities	(1,520,697)
Cash flows from investing activities	
Investment earnings	481
Net decrease in cash and cash equivalents	(511,373)
Balances, beginning	604,084
Balances, ending	$ 92,711
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (98,651)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	153,555
Pension expense	459
Change in assets and liabilities:	
Decrease in accounts receivable	7,776
Decrease in accounts payable and accrued liabilities	(52,797)
Increase in accrued compensated absences	869
Increase in deferred outflows of resources for pensions	(6,014)
Net cash provided by operating activities	$ 5,197

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

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.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Buncombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

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 the fiscal year-end. Project ordinances are adopted for the Governmental and the Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values of January 1, 2014. 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:

Asset Class	Estimated Useful Lives
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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets the criterion for this category, deferrals of pension expense that result from the implementation of GASB Statement 68.

8. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

9. 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 fund, an expense and a liability for compensated absences and the salary-related payments are recorded 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.

10. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

10. Net Position/Fund Balances (continued)

Fund Balances (continued)

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - portion of fund balance that the Town 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.

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-town funds, town 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

11. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F. Other

Contract for Fire Suppression Service and Emergency Medical Service

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, ending on September 1, 2028, with the option to continue with mutually agreeable terms. The cost of the services rendered by Skyland Fire and Rescue for the fiscal year ended June 30, 2015 was $425,000.

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

Note 3 - Detail Notes on All Funds (continued)

A. Assets (continued)

2. Deposits (continued)

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, 2015, the Town's deposits had a carrying amount of $375,790 and a bank balance of $469,374. 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, 2015, the Town's petty cash fund totaled $185. The Town's certificates of deposit were as follows:

Certificates of Deposit	Fair Value	Maturity
First Citizens Bank Certificate of Deposit	$ 502,917	6/11/16

2. Investments

At June 30, 2015, the Town had $1,073,775 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

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.

Note 3 - Detail Notes on All Funds (continued)

A. Assets (continued)

2. Investments (continued)

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 Standard & Poor's as of June 30, 2015.

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. This investment is 31.9% 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 for the year ended June 30, 2015 are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	$ 2,500
Water fund:	
Accounts receivable	1,339
Total	$ 3,839

Note 3 - Detail Notes on All Funds (continued)

A. Assets (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 161,650	$	$	$ 161,650
Capital assets being depreciated:				
Buildings	1,209,243	$	$	1,209,243
Other improvements	146,613			146,613
Equipment and furniture	236,181	18,100		254,281
Vehicles and motorized equipment	841,077	251,585	64,607	1,028,055
Infrastructure	1,241,155	88,994		1,330,149
Total capital assets being depreciated	3,674,269	$ 358,679	$ 64,607	3,968,341
Less accumulated depreciation for:				
Buildings	323,224	$ 26,262	$	349,486
Other improvements	63,605	7,083		70,688
Equipment and furniture	184,671	15,851		200,522
Vehicles and motorized equipment	621,674	55,122	32,716	644,080
Infrastructure	651,744	47,044		698,788
Total accumulated depreciation	1,844,918	$ 151,362	$ 32,716	1,963,564
Total capital assets being depreciated, net	1,829,351			2,004,777
Governmental activity capital assets, net	$1,991,001			$2,166,427

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

General government	$ 31,057
Public safety	28,632
Transportation	52,440
Physical development	39,233
Total depreciation expense	$ 151,362

Note 3 - Detail Notes on All Funds (continued)

A. Assets (continued)

4. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets being depreciated:				
Water system	$ 4,605,856	$	$	$ 4,605,856
Other equipment	104,591		17,384	87,207
Total capital assets being depreciated	4,710,447	$	$ 17,384	4,693,063
Less accumulated depreciation for:				
Water system	1,588,669	$ 153,216	$	1,741,885
Other equipment	99,869	339	17,384	82,824
Total accumulated depreciation	1,688,538	$ 153,555	$ 17,384	1,824,709
Water fund capital assets, net	$ 3,021,909			$ 2,868,354

Construction commitments:

The government has no active construction projects at June 30, 2015.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

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

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were $95,936 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of $112,170 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing updated procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.019%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of $7,319. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 12,256
Net difference between projected and actual earnings on pension plan investments		261,129
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,137	
Town contributions subsequent to the measurement date	95,936	
Total	$ 97,073	$ 273,385

$95,936 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (68,069)
2017	(68,069)
2018	(68,069)
2019	(68,041)
2020	
Thereafter	
	$ (272,248)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

This information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	$ 380,753	$ (112,170)	$ (527,194)

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	14
Total	14

A separate report was not issued for the plan.

(2) Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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 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, 2015 were $65,885, which consisted of $36,334 from the Town and $29,551 from the law enforcement officers.

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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, 2015 were $35,534, which consisted of $29,989 from the Town and $5,545 from the employees.

e. Other Postemployment 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.

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.

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits

Healthcare Benefits (continued)

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 years ended June 30, 2015 the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of $72,562. These contributions represent 5.49% of covered payroll.

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

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

2. Other Employment Benefits

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 does not determine the number of eligible participants. 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. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	$ 95,936

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

Pension deferrals	$ 272,248

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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, workers' 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.

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

4. Risk Management (continued)

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.

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.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2015, the Town was not a defendant to any lawsuits.

6. 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.	$ 59,999
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.	210,001
	270,000
Less, current portion	30,000
Noncurrent portion of notes payable	$ 240,000

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

a. Installment Purchases (continued)

Annual debt service payments for installment purchases as of June 30, 2015, including $47,580 of interest, are as follows:

Years Ending June 30	Governmental Activities Interest	Principal
2016	$ 9,859	$ 30,000
2017	8,716	30,000
2018	7,573	30,000
2019	6,430	30,000
2020	5,287	30,000
2021-2025	9,715	120,000
	$ 47,580	$ 270,000

b. Proprietary Notes Payable

The Town's Proprietary fund had incurred notes payable for the purpose of expanding and improving its water system. During the current year, the Town paid off the balance of the note and accrued interest. Total principal repayments on the note were $1,459,578 during the year ended June 30, 2015.

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

c. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment purchase	$ 301,130	$	$ 31,130	$ 270,000	$ 30,000
Compensated absences	38,292	246		38,538	
Net pension liability	227,091		227,091		
Governmental activities long-term liabilities	$ 566,513	$ 246	$ 258,221	$ 308,538	$ 30,000
Business-type activities:					
Note payable	$ 1,459,578	$	$ 1,459,578	$	$
Compensated absences	5,407	869		6,276	
Net pension liability	15,191		15,191		
Business-type activities long-term liabilities	$ 1,480,176	$ 869	$ 1,474,769	$ 6,276	$

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2015, consist of the following:

Due to General Fund for the allocation of costs from the:	
Water Fund	$ 327,712

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2015, consist of the following:

From the General Fund to the Water Fund	$ 904,112

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 2015 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 $904,112.

Note 3 - Detail Notes on All Funds (continued)

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:

Total fund balance - General Fund	$ 2,490,467
Less:	
Inventories	2,229
Stabilization by State Statute	671,079
Remaining fund balance	1,817,159

The Town has 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.

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, 2015.

Note 4 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several 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.

Note 5 - Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 27, 2015, the date the financial statements were available to be issued.

Note 6 - Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by $143,181 and $9,578, respectively.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Town of Biltmore Forest's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years*

Local Government Employees' Retirement System

	2015	2014
Biltmore Forest's proportion of the net pension liability (asset) (%)	0.0190%	0.0201%
Biltmore Forest's proportion of the net pension liability (asset) ($)	$ (112,170)	$ 242,282
Biltmore Forest's covered-employee payroll	$ 1,222,192	$ 1,212,016
Biltmore Forest's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(9.18%)	19.99%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Town of Biltmore Forest's Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	2015	2014
Contractually required contribution	$ 95,936	$ 89,522
Contributions in relation to the contractually required contribution	95,936	89,522
Contribution deficiency (excess)	$ -	$ -
Biltmore Forest's covered-employee payroll	$ 1,321,703	$ 1,222,192
Contributions as a percentage of covered-employee payroll	7.26%	7.32%

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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Taxes	$ 2,435,110	$ 2,461,306	$ 26,196
Interest	3,000	2,794	(206)
Total	2,438,110	2,464,100	25,990
Unrestricted intergovernmental:			
Local option sales taxes	796,565	931,051	134,486
Franchise tax	115,230	194,498	79,268
Beer and wine tax	5,500	6,588	1,088
Total	917,295	1,132,137	214,842
Restricted intergovernmental:			
Solid waste disposal tax		881	881
Powell Bill allocation	62,100	64,604	2,504
Total	62,100	65,485	3,385
Permits and fees:			
Dog license fee	1,500	1,800	300
Building permits	17,200	27,119	9,919
Total	18,700	28,919	10,219
Investment earnings:			
Interest	5,000	926	(4,074)
Miscellaneous:			
Rental of community hall	1,200	1,500	300
American Tower	25,800	25,448	(352)
Progress Energy	2,400	2,400	
Other	7,500	14,170	6,670
Total	36,900	43,518	6,618
Total revenues	3,478,105	3,735,085	256,980

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, 2015

	Budget	Actual	Variance Positive (Negative)
Expenditures			
General government:			
Administration:			
Salaries	105,401	109,200	(3,799)
Retirement fund	13,237	13,237	
Supplemental retirement	5,300	5,282	18
Social security tax	8,060	7,716	344
Group hospitalization insurance	12,500	12,133	367
Group life insurance	1,640	1,617	23
Health Reimbursement	1,250	1,250	
Supplies and extra equipment	4,212	4,296	(84)
Audit and accounting	45,938	45,936	2
Legal and professional	24,361	24,028	333
Postage, printing, and stationary	5,444	5,444	
Memberships and subscriptions	2,051	2,051	
Travel expense	21,600	21,600	
Training and education	5,961	5,415	546
Miscellaneous	1,838	1,876	(38)
Capital outlay	142	142	
Total	258,935	261,223	(2,288)
Other:			
Contingency	12,691	10,377	2,314
General repairs	31,000	25,872	5,128
Electricity and utilities	19,000	17,976	1,024
Telephone	14,500	6,897	7,603
General insurance	98,000	81,623	16,377
Fire protection contract	425,000	425,000	
Elections	250	96	154
Miscellaneous	23,000	20,055	2,945
Total	623,441	587,896	35,545
Total general government	882,376	849,119	33,257

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, 2015

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Salaries	753,480	745,139	8,341
Retirement fund	95,264	94,693	571
Supplemental retirement	37,172	36,334	838
Social security tax	58,800	54,903	3,897
Group hospitalization insurance	105,000	103,200	1,800
Group life insurance	13,600	12,873	727
Health Reimbursement	14,000	13,833	167
Repairs, vehicles and equipment	8,088	6,893	1,195
Automotive supplies, gas, oil, etc.	24,300	21,992	2,308
Radio maintenance	870	199	671
Supplies and extra equipment	16,800	14,967	1,833
DCI rental	11,429	10,292	1,137
Uniforms	5,968	5,968	
Training and education	2,500	2,312	188
Physical exams	1,709	1,267	442
Miscellaneous	7,677	7,677	
Equipment purchases	94,773	94,770	3
Total public safety	1,251,430	1,227,312	24,118

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, 2015

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Salaries	37,620	36,463	1,157
Retirement fund	4,620	4,579	41
Supplemental retirement	1,900	1,823	77
Social security tax	2,900	2,790	110
Group hospitalization insurance	7,000	5,540	1,460
Group life insurance	550	456	94
Health Reimbursement	1,000	1,000	
Repairs, vehicle and equipment	546	40	506
Engineering	10,403	10,402	1
Supplies and maintenance	19,280	19,279	1
Contract resurfacing	91,690	91,681	9
Miscellaneous	1,191	1,191	
Total transportation	178,700	175,244	3,456

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, 2015

	Budget	Actual	Variance Positive (Negative)
Physical development:			
Public works:			
Salaries	386,666	359,992	26,674
Retirement fund	52,000	45,419	6,581
Supplemental retirement	20,000	18,604	1,396
Social security tax	30,620	26,721	3,899
Unemployment insurance	1,500		1,500
Group hospitalization insurance	56,400	47,514	8,886
Group life insurance	6,628	6,628	
Health Reimbursement	8,000	6,916	1,084
Vehicle repairs and maintenance	25,000	19,258	5,742
Truck supplies, gas, oil, etc.	22,524	11,798	10,726
Supplies and minor equipment	14,000	10,504	3,496
Parks	1,318	1,317	1
General repairs	3,000	1,476	1,524
Uniforms	6,437	6,003	434
Physical exams	537	537	
Training and education	397	372	25
Tipping fees	49,500	48,105	1,395
Recycling	16,000	13,110	2,890
Miscellaneous	3,593	3,808	(215)
Outside services	3,430	3,429	1
Capital outlay	216,000	197,299	18,701
Total	923,550	828,810	94,740

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, 2015

	Budget	Actual	Variance Positive (Negative)
Street lighting:			
Electricity	8,000	7,543	457
Maintenance and supplies	5,000	4,872	128
Total	13,000	12,415	585
Total physical development	936,550	841,225	95,325
Debt service:			
Principal retirement	31,152	31,130	22
Interest	12,298	11,013	1,285
Total debt service	43,450	42,143	1,307
Total expenditures	3,292,506	3,135,043	157,463
Revenues over expenditures	185,599	600,042	414,443
Other financing sources (uses):			
Sale of capital assets	24,100	28,957	4,857
Transfer to Water Fund	(904,112)	(904,112)	
Appropriation from fund balance	694,413		(694,413)
Total	(185,599)	(875,155)	(689,556)
Net change in fund balance	$	(275,113)	$ (275,113)
Fund balances, beginning		2,765,580	
Fund balances, ending		$ 2,490,467	

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Water Fund
Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP)
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues:			
Water sales	$ 375,440	$ 393,197	$ 17,757
Water tap and connection fees	5,000	5,930	930
Commissions, sewer charge collections	8,000	9,019	1,019
Total operating revenues	388,440	408,146	19,706
Non-operating revenues:			
Investment earnings	570	228	(342)
Total revenues	389,010	408,374	19,364
Expenditures			
Operating expenditures:			
Salaries	84,972	84,431	541
Retirement fund	10,602	4,549	6,053
Supplemental retirement	4,281	4,280	1
Social security tax	6,146	6,146	
Group hospitalization insurance	14,852	14,852	
Group life insurance	1,304	1,304	
Health Reimbursement	2,000	2,000	
Supplies and minor equipment	13,500	12,992	508
Professional services	4,335	4,335	
Postage, printing and stationery	2,229	2,229	
Training and education	1,065	1,065	
Capital improvements	15,051	16,058	(1,007)
Water purchases	197,673	197,673	
Total operating expenditures	358,010	351,914	6,096
Debt services:			
Principal retirement	1,459,578	1,459,578	
Interest	66,730	66,729	1
Total debt services	1,526,308	1,526,307	1
Total expenditures	1,884,318	1,878,221	6,097

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Water Fund
Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP) (continued)
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues under expenditures	(1,495,308)	(1,469,847)	25,461
Other financing sources:			
Sale of capital assets		5,610	5,610
Transfer from General Fund	904,112	904,112	
Appropriation from fund balance	591,196		(591,196)
Total other financing sources	1,495,308	909,722	(585,586)
Revenues and other sources over (under) expenditures and other uses	$	(560,125)	$ (560,125)

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

Reconciling items:	
Principal retirement	$ 1,459,578
Increase in accrued vacation pay	(869)
Decrease in accrued interest	20,109
Depreciation	(153,555)
Pension expense	(459)
Total	1,324,804
Change in net position	$ 764,679

OTHER SCHEDULES

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	$	$ 2,461,387	$ 2,454,937	$ 6,450
2013-2014	2,886		2,534	352
2012-2013	298		85	213
2011-2012	166			166
	$ 3,350	$ 2,461,387	$ 2,457,556	7,181
Less: allowance for uncollectible accounts General Fund				2,500
Ad valorem taxes receivable - net				$ 4,681

Reconciliation with revenues:

Ad valorem taxes - General Fund	$ 2,464,100
Reconciling items:	
Interest collected	(2,794)
Recovery of amounts previously written off	(3,750)
Subtotal	(6,544)
Total collections and credits	$ 2,457,556

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2015

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 629,457,730	$ .385	$ 2,423,412	$ 2,321,311	$ 102,101
Discoveries:					
Current year taxes	9,863,636	.385	37,975	37,975	
Total property valuation	$ 639,321,366				
Net levy			2,461,387	2,359,286	102,101
Uncollected taxes at June 30, 2015			(6,450)	(6,450)	
Current year's taxes collected			$ 2,454,937	$ 2,352,836	$ 102,101
Current levy collection percentage			99.74%	99.73%	100.00%

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Schedule of Cash and Investment Balances
June 30, 2015

	Cost and Market Value
Cash:	
On hand	$ 185
On demand deposit	375,790
Total cash	375,975
Other investments:	
Certificate of deposit	502,917
North Carolina Cash Management Trust	1,073,775
Total investments	1,576,692
Total cash and investments	$ 1,952,667