



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017

Biltmore Forest, North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2017

Prepared by the Finance Department





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Introductory Section

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- Organizational Chart
- List of Principal Officials
- Certificate of Achievement for Excellence in Financial Reporting

Annual July 4th Celebration



Lecture Series, Part 2 Activism, Prohibition & Annexation Biltmore Forest in the 1920's-1930's



The Biltmore Forest Community Committee volunteers worked diligently to present the second installment of the lecture series about the history of the Town.



355 Vanderbilt Rd | Asheville, NC 28803 Po Box 5352 | Asheville, NC 28813 P (828) 274-0824 | F (828) 274-8131

www.biltmoreforest.org



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

> Jonathan B. Kanipe, Town Manager

December 14, 2017

To the Honorable Mayor, Members of the Board of Commissioners, and Residents of the Town of Biltmore Forest:

The Comprehensive Annual Financial Report of the Town of Biltmore Forest, North Carolina is submitted for your review and use. This report was prepared by the Town's Finance Department, and it is the comprehensive publication of the Town's financial position and results of operations as of and for the fiscal year ended June 30, 2017.

The Town, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

The Town is required by state law to have an annual independent financial audit. Carter, P.C., Certified Public Accountants, conducted the audit and concluded in an unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the Town of Biltmore Forest, North Carolina as of June 30, 2017. The independent auditors' report on the basic financial statements is presented as the first component of the Financial Section of this report.

Management's discussion and analysis of the basic financial statements (MD&A) immediately follows the independent auditors' report and provides a prescribed narrative introduction, overview and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the report, as presented, is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial

activity of the funds, and contains all disclosures necessary to enable the reader to gain maximum understanding of the Town's financial affairs.

PROFILE OF THE TOWN

The Town of Biltmore Forest was incorporated in 1923 in the Blue Ridge Mountains of western North Carolina. The Town is located between the Biltmore Estate, the Blue Ridge Parkway and the City of Asheville. The Town has a land area of 2.9 square miles and an estimated population of 1,400.

The Town operated in fiscal year ending 2017 under a Mayor-Council form of government with an Administrator. The Mayor and Board of Commissioners serve four year terms. The Board of Commissioners is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring the Town Administrator. The Town Administrator is responsible for carrying out the policies and ordinances of the Board of Commissioners, for overseeing the day-to-day operations of the Town, and for appointing the heads of the various departments in conjunction with the Board of Commissioners.

During fiscal year ending 2017 the Board of Commissioners approved an ordinance amendment to the Town Charter changing the style of government from Mayor-Council to Council-Manager. The ordinance amendment to transition to Council-Manager form of government underwent due process and became effective July 24th, 2017.

The Town provides a full range of services including police, public works, water, zoning and sanitation.

The Board of Commissioners is required by state statute to adopt a budget by July 1 of each year. The Town's budget ordinance creates a legal limit on spending authorizations and serves as the foundation for Town of Biltmore Forest's financial planning and control. The budget is prepared by fund and department.

LOCAL ECONOMY

The Town of Biltmore Forest is a residential Town in the Asheville metropolitan area. Major industries located in close proximity to the Town include hospitals, major tourist destinations, medical offices, retail stores and several financial institutions and insurance companies

Median household income for residents in the Town of Biltmore Forest continue to exceed the state and local figures. According to the 2012-2016 American Community Survey 5 Year Estimate, the Town's median income was \$141,458, as compared with the City of Asheville at \$44,946, Buncombe County at \$46,902 and the State of North Carolina at \$48,256.

Housing values (median) in the Town of Biltmore Forest have decreased by three percent to \$821,700. Despite the decline, the Town median housing value remains strong compared to the City of Asheville at \$212,000 and the State of North Carolina at \$157,100. The value of new and improvement construction, based on permit fees, for year ended June 30, 2017 was \$15.9 million.

MAJOR INITIATIVES

The final phase of government wide technology upgrades including the relocation of municipal routers and switches, updating cabling, and transitioning to a Voice-over Internet Protocol (VoIP) telephone system was completed during this fiscal year. The improvements should reduce computer and phone outages that have been problematic during inclement weather events in the past.

The Town has retrofitted approximately sixty percent of the water meters with automatic read technology. By the end of the calendar year, all meters should be retrofitted with the automatic readers. The Town should recognize the benefit of the technology immediately with the reduction of onsite reading, errors in reading, and time inputting billing data. With the integrated website, customers and staff can view real time usage, leak indicators and usage history, which should reduce loss for both the customer and the Town.

The Town began an invasive plant removal in Town parks and properties. In order to respect the natural landscape of the Town, the invasive species, undergrowth and underbrush needed to be cleared so that the native and natural plants can thrive. Work for the removal was contracted and due care was taken to ensure the native species and streams were protected during the removal process.

The major initiatives the Town will be undertaking in fiscal year ending June 30, 2018 are major renovations to the Public Works building and dredging of Brooklawn Pond. The public works building renovations are currently in architectural and engineering review and work is expected to begin in February 2018. The dredging of Brooklawn Pond to remove silt and sediment is necessary to reduce overflow of the pond and is a part of the overall storm water plan that the Town has been working to update.

FINANCIAL MANAGEMENT/POLICIES

Budget Control: The annual budget serves as the foundation for the Town of Biltmore Forest's financial planning and control. In accordance with the North Carolina Local Government Budget and Fiscal Control Act, the Town adopts an ordinance containing balanced budgets for both the General and Water Funds for the fiscal year beginning on July 1 and ending on June 30. The budget ordinance also includes the property tax levy and rate.

Internal Control: The Town has established internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient and reliable information for the preparation of the Town of Biltmore Forest's financial statements. Because the cost of internal controls should not outweigh their benefits, the Town's internal controls are designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Biltmore Forest for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the second year that the Town has received this prestigious award. The Certificate of Achievement is awarded to governments that publish an easily readable and efficiently organized CAFR that satisfied both Generally Accepted Accounting Principles (GAAP) and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Program's Requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated efforts of the Town of Biltmore Forest staff and the support and leadership of the Mayor and Board of Commissioners. We also thank Carter P.C, CPA for their hard work and committed services through the audit process.

Respectfully submitted,

Jonattian B. Kanije

Jonathan B. Kanipe Town Manager

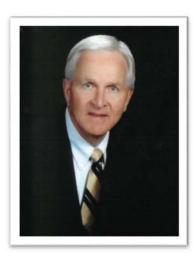


*For fiscal year ended 2017, the title for this position is Town Administrator. Effective July 24, 2017, and for fiscal year ending 2018, the position title became Town Manager due to the ordinance amendment changing the form of government. There is no change in the structure of the organizational chart as a result of this change.



PRINCIPAL OFFICIALS FY 2016-2017

ELECTED OFFICIALS



E. Glenn Kelly Commissioner

Doris P. Loomis Commissioner



George F. Goosmann, III Mayor

Fran G. Cogburn Mayor Pro Tem





TOWN OFFICIALS

Jonathan B. Kanipe Terry Crouch J. Eric Tinsley Tommy "TJ" Bates Helen Stephens Laura Jacobs Town Administrator Public Works Director Chief of Police (Retired June 1, 2017) Chief of Police (Hired June 1, 2017) Tax Collector Financial Assistant



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Biltmore Forest North Carolina

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

wy R. Enge

Executive Director/CEO





Financial Section

- Independent Auditor's Report
- Management's Discussion & Analysis
- Basic Financial Statements
- Required Supplemental Financial Data
- Combining & Individual Fund Statements & Schedules
- Other Supplemental Schedules

Halloween Festivities



Semi-Annual Community Potluck in the Park



Volunteers host the Community Potluck in the Park as a way for neighbors to connect.





16 Biltmore Ave, Suite 200 | Asheville, NC 28801 | 828.259.9900 1043 East Morehead St, Suite 303 | Charlotte, NC 28204 | 704.676.6335 carter-cpa.com

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, 2017, 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 from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Honorable Mayor and Members of the Board of Commissioners Town of Biltmore Forest, North Carolina Page 2

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, 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, 2017, and the respective changes in financial position and, where applicable, cash flows 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 Liability and Contributions, on pages 54 and 55, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 56 and 57, 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 statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members of the Board of Commissioners Town of Biltmore Forest, North Carolina Page 3

Supplementary and Other Information (continued)

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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.L.

Asheville, North Carolina November 6, 2017

Management's Discussion and Analysis

As management of the Town of Biltmore Forest, 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, 2017. 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 \$8,021,579 (*net position*).
- The government's total net position increased by \$656,818, primarily due to increases in governmental activities' net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,481,056, with a net increase of \$381,012 in fund balance. Approximately 13.84% of this total amount, or \$481,623, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,997,204, or 83.62% of total general fund expenditures for the fiscal year.
- The Town's total debt increased by \$113,264 (11.22%) during the current fiscal year. The key factor in this increase was an increase in pension related debt.

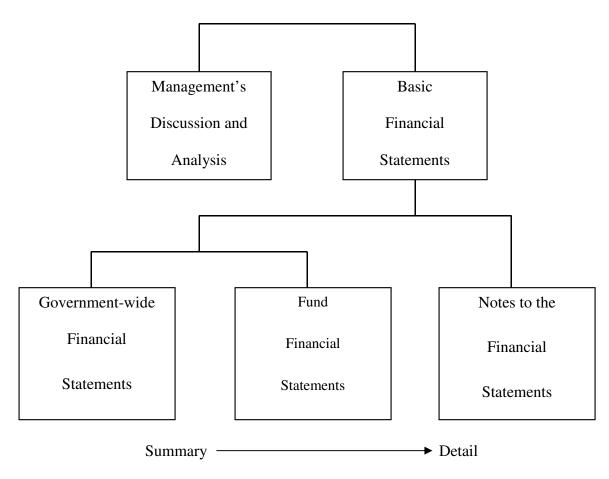
Overview of the Financial Statements

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

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 8) 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, streets and 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 of Biltmore Forest.

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 of Biltmore Forest, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Biltmore Forest 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.

Fund Financial Statements (continued)

Governmental Funds (continued) - The Town of Biltmore Forest 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 of Biltmore Forest has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Biltmore Forest 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 24 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Biltmore Forest's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 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.

Government-Wide Financial Analysis

Town of Biltmore Forest's Net Position

Figure 2

	Governmental Activities		Business-ty	pe Activities	Total			
	2017	2016	2017	2016	2017	2016		
Current and other assets	\$ 3,557,650	\$ 3,147,872	\$ 110,208	\$ 18,781	\$ 3,667,858	\$ 3,166,653		
Capital assets	2,432,728	2,300,541	2,748,616	2,716,339	5,181,344	5,016,880		
Total assets	5,990,378	5,448,413	2,858,824	2,735,120	8,849,202	8,183,533		
Deferred outflows of resources	440,911	90,900	17,001	5,933	457,912	96,833		
Long-term liabilities outstanding	1,100,720	995,179	21,924	14,201	1,122,644	1,009,380		
Other liabilities	76,594	47,828	63,979	68,447	140,573	116,275		
Total liabilities	1,177,314	1,043,007	85,903	82,648	1,263,217	1,125,655		
Deferred inflows of resources	21,753	23,208	565	1,532	22,318	24,740		
Net position:								
Net investment in capital assets	2,159,555	1,966,802	2,748,616	2,716,339	4,908,171	4,683,141		
Restricted	481,623	559,105			481,623	559,105		
Unrestricted	2,591,044	1,947,191	40,741	(59,466)	2,631,785	1,887,725		
Total net position	\$ 5,232,222	\$ 4,473,098	<u>\$ 2,789,357</u>	\$ 2,656,873	\$ 8,021,579	<u>\$ 7,129,971</u>		

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Biltmore Forest exceeded liabilities and deferred inflows by \$8,021,579 as of June 30, 2017. The Town's net position increased by \$656,818 for the fiscal year ended June 30, 2017. However, the largest portion (61.19%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Biltmore Forest uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Biltmore Forest'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, \$481,623, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,631,785 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.94%. The statewide average in fiscal year 2016 was 98.78%.
- Increased water fee revenue due to an increase in water and sewer rates.

Government-Wide Financial Analysis (continued)

Town of Biltmore Forest's Changes in Net Position

	Governmental Activities		Business-ty	pe Activities	Total		
	2017	2016	2017	2016	2017	2016	
Revenues:							
Program revenues:							
Charges for services	\$ 28,527	\$ 16,415	\$ 849,981	\$ 804,111	\$ 878,508	\$ 820,526	
Operating grants and contributions	64,654	65,154			64,654	65,154	
General revenues:							
Property taxes	2,569,457	2,483,187			2,569,457	2,483,187	
Other taxes	1,241,490	1,221,920			1,241,490	1,221,920	
Other	170,917	95,466	191		171,108	95,466	
Total revenues	4,075,045	3,882,142	850,172	804,111	4,925,217	4,686,253	
Expenses:							
General government	554,137	505,904			554,137	505,904	
Public safety	1,763,741	1,704,871			1,763,741	1,704,871	
Transportation	161,855	138,229			161,855	138,229	
Physical development	949,973	826,119			949,973	826,119	
Interest on long-term debt	10,788	9,859			10,788	9,859	
Water			827,905	870,514	827,905	870,514	
Total expenses	3,440,494	3,184,982	827,905	870,514	4,268,399	4,055,496	
Increase (decrease) in net position							
before transfers	634,551	697,160	22,267	(66,403)	656,818	630,757	
Transfers	(110,217)		110,217				
Increase (decrease) in net position	524,334	697,160	132,484	(66,403)	656,818	630,757	
Net position, beginning, previously							
reported	4,473,098	3,775,938	2,656,873	2,723,276	7,129,971	6,499,214	
Net position, beginning, restated	4,707,888	3,775,938	2,656,873	2,723,276	7,364,761	6,499,214	
Net position, ending	<u>\$ 5,232,222</u>	<u>\$ 4,473,098</u>	<u>\$ 2,789,357</u>	<u>\$ 2,656,873</u>	<u>\$ 8,021,579</u>	<u>\$ 7,129,971</u>	

Figure 3

Governmental activities. Governmental activities increased the Town's net position by \$524,334, thereby accounting for 79.83% of the total growth in the net position of the Town of Biltmore Forest. Key elements of this increase are as follows:

• The current year increase in net position for governmental activities is a result of increases in property tax and miscellaneous revenues.

Business-type activities. Business-type activities increased the Town of Biltmore Forest's net position by \$132,484, accounting for 20.17% of the total growth in the government's net position. Key elements of this increase are as follows:

• This increase is primarily a result of the increased water and sewer rates in the current year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Biltmore Forest's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Biltmore Forest'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 of Biltmore Forest's fund balance available in the General Fund was \$2,997,204, while total fund balance reached \$3,481,056. The Governing Body of the Town of Biltmore Forest 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 83.62% of general fund expenditures, and total fund balance represents 97.12% of the same amount.

At June 30, 2017, the governmental funds of the Town of Biltmore Forest reported a combined fund balance of \$3,481,056, with a net increase in fund balance of \$381,012. Included in this change in fund balance is an increase in fund balance in the General Fund.

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

There were several reasons the Town revised its budget throughout the year. The Town received a settlement on a lawsuit which resulted in additional miscellaneous revenues. Expenditures were less than budgeted in all of the Town's functions.

Proprietary Fund. The Town of Biltmore Forest'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 \$40,741. The total change in net position for the Water Fund was \$132,484. The change in net position in the Water Fund is a result of increased water and sewer rates in conjunction with increased cost of wholesale water and sewer rates of the City of Asheville and Metropolitan Sewerage District of Buncombe County, respectively.

Capital Asset and Debt Administration

Capital assets. The Town of Biltmore Forest's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$5,181,344 (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 a garbage truck for the sanitation department totaled \$99,000.
- Capitalized street improvements of \$73,516.
- Construction in progress related to water meter transmitters of \$136,709.

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

Figure 4

	Governmental Activities			Activities	Business-type Activities			Total			
		2017		2016	2017	2016		2017		2016	
. .	<i>•</i>	161 650	<i>•</i>	161 650	<i>.</i>	ф.		161 650	<i>ф</i>	1 (1 (7 0	
Land	\$	161,650	\$	161,650	\$	\$	\$	161,650	\$	161,650	
Construction in progress					136,709			136,709			
Buildings and systems		807,573		833,495	2,608,203	2,712,296		3,415,776		3,545,791	
Improvements other than buildings		62,355		68,842				62,355		68,842	
Equipment and furniture		45,031		36,633				45,031		36,633	
Infrastructure		795,948		741,624				795,948		741,624	
Vehicles and motorized equipment		560,171		458,297	3,704	4,043		563,875		462,340	
Total	\$	2,432,728	\$	2,300,541	<u>\$ 2,748,616</u>	<u>\$ 2,716,339</u>	\$	<u>5,181,344</u>	\$	5,016,880	

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, 2017, the Town of Biltmore Forest had total debt outstanding of \$1,122,644. The installment debt is backed by security interest in the property for which it was issued. The Town's other debt consisted of compensated absences and pension related debt.

Outstanding Liabilities

Figure 5

Town of Biltmore Forest's Outstanding Debt

	0	Governmental Activities			B	Business-type Activities			Total			
		2017		2016		2017		2016		2017	_	2016
Installment debt	\$	273,173	\$	333,739	\$		\$		\$	273,173	\$	333,739
Pension related debt (LGERS)		455,662		92,841		18,892		6,119		474,554		98,960
Pension related debt (LEO)		309,509		523,136						309,509		523,136
Compensated absences		62,376		45,463		3,032		8,082		65,408		53,545
Total	\$	1,100,720	\$	995,179	\$	21,924	\$	14,201	\$	1,122,644	\$	1,009,380

Town of Biltmore Forest's Outstanding Debt

The Town of Biltmore Forest's total debt increased by \$113,264 (11.22%) during the past fiscal year, which is primarily the result of increased pension related debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Biltmore Forest is \$51,980,418.

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

Economic Factors and Next Year's Budgets and Rates

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

- Consistent property values in the current fiscal year as well as several building permits issued relating to new construction, improvements, additions, and other enhancements to properties should result in higher property valuations in subsequent years.
- Continued effort by the Town to limit excess costs.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: The ad valorem tax levy will decrease from 39.5 to 33 cents per \$100 of valuation for the 2018 fiscal year. Ad valorem tax revenues are expected to increase to \$2,567,673, primarily due to an increased real property valuation. The valuation of real and personal property is estimated to be \$777,325,351.

Budgeted expenditures in the General Fund are expected to rise approximately 10% to \$3,952,868. The largest increments are in general government and transportation.

The Town has chosen not to appropriate fund balance in the fiscal year 2018 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 and sewer rates in the Town will increase by 5% and 3%, respectively, 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**

Statement of Net Position June 30, 2017

	Primary Government				
	Governmental	Business-type			
	Activities	Activities	Total		
Assets					
Current assets:		*	* • • • • • • • •		
Cash and cash equivalents	\$ 3,095,029	\$ 93,138	\$ 3,188,167		
Taxes receivable (net)	2,266	110.071	2,266		
Due from other governments	351,125	112,971	464,096		
Internal balances	107,001	(107,001)	12 220		
Inventories	2,229	11,100	13,329		
Total current assets	3,557,650	110,208	3,667,858		
Noncurrent assets:					
Capital assets (Note 3):					
Land and non-depreciable improvements	161,650		161,650		
Other capital assets, net of depreciation	2,271,078	2,748,616	5,019,694		
Total capital assets	2,432,728	2,748,616	5,181,344		
Total assets	<u>\$ 5,990,378</u>	<u>\$ 2,858,824</u>	<u>\$ 8,849,202</u>		
Deferred Outflows of Resources					
Pension deferrals	<u>\$ 440,911</u>	<u>\$ 17,001</u>	<u>\$ 457,912</u>		
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 76,594	\$ 63,979	\$ 140,573		
Current portion of long-term liabilities	113,175	2,524	115,699		
Total current liabilities	189,769	66,503	256,272		
Long-term liabilities:					
Due in more than one year	211,932		211,932		
Net pension liability	455,662	18,892	474,554		
Total pension liability	309,509		309,509		
Compensated absences payable	10,442	508	10,950		
Total long-term liabilities	987,545	19,400	1,006,945		
Total liabilities	<u>\$ 1,177,314</u>	<u>\$ 85,903</u>	<u>\$ 1,263,217</u>		
Deferred Inflows of Resources					
Pension deferrals	<u>\$ 21,753</u>	<u>\$ 565</u>	<u>\$ 22,318</u>		
Net Position					
Net investment in capital assets	\$ 2,159,555	\$ 2,748,616	\$ 4,908,171		
Restricted for:	. ,,-	. ,,	. ,,		
Stabilization by State Statute	481,623		481,623		
Unrestricted	2,591,044	40,741	2,631,785		
Tet Last sectors	¢ 5.000.000	¢ 0.700.057	¢ 0.001.570		
Total net position	<u>\$ 5,232,222</u>	<u>\$ 2,789,357</u>	<u>\$ 8,021,579</u>		

TOWN OF BILTMORE FOREST, NORTH CAROLINA

		Program Revenues				t (Expense) Reve Changes in Net Po	
Functions/Programs Expen		Charges for Services	Operating Grants and <u>Contributions</u>	Capital Grants and <u>Contributions</u>	Govern- mental Activities	Business- type Activities	Total
Primary government: Governmental activities: General government Public safety Transportation Physical development Interest on long-term debt Total governmental activities	\$ 554,137 1,763,741 161,855 949,973 <u>10,788</u> 3,440,494	\$ 28,527 	\$ 63,699 948 64,654	\$	\$ (525,610) (1,763,734) (98,156) (949,025) (10,788) (3,347,313)	\$	$ \begin{array}{c} (525,610) \\ (1,763,734) \\ (98,156) \\ (949,025) \\ \underline{(10,788)} \\ (3,347,313) \end{array} $
(See Note 1) Business-type activities: Water	<u>827,905</u>	<u>849,981</u>	¢ 64.654	 \$	(2 247 212)	22,076	(2.225.227)
Total primary government	Other taxes Unrestricted i Miscellaneou Total general re Transfers Total general Change in net Net position, be Restatement	xes, levied for ger investment earnin s evenues not includ revenues and tran position gginning, previous	gs ling transfers isfers	<u>⊅</u>	$\begin{array}{r} (3,347,313) \\ 2,569,457 \\ 1,241,490 \\ 10,647 \\ \underline{160,270} \\ 3,981,864 \\ (110,217) \\ 3,871,647 \\ \underline{524,334} \\ 4,473,098 \\ \underline{234,790} \\ \underline{4,707,888} \\ \underline{\$} \ \underline{5,232,222} \end{array}$	$ \begin{array}{r} 22,076 \\ 191 \\ \hline 191 \\ 110,217 \\ 110,408 \\ 132,484 \\ 2,656,873 \\ \hline 2,656,873 \\ \hline \underline{2,656,873} \\ \underline{2,656,873} \\ \underline{2,789,357} \\ \end{array} $	(3,325,237) $2,569,457$ $1,241,490$ $10,838$ $160,270$ $3,982,055$ $3,982,055$ $3,982,055$ $656,818$ $7,129,971$ $234,790$ $7,364,761$ $8,021,579$

Statement of Activities For the Year Ended June 30, 2017

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Balance Sheet Governmental Funds June 30, 2017

	Major Funds	
	Capital	
	General Project	
	Fund Fund To	otal
Assets		
Cash and cash equivalents		095,029
Taxes receivable (net)	2,266	2,266
Due from other governments		351,125
Due from other funds		107,001
Inventories	2,229	2,229
Total assets	<u>\$ 3,557,650</u> <u>\$ 3,5</u>	<u>557,650</u>
Liabilities		
Accounts payable and accrued liabilities	<u>\$ 76,594</u> <u>\$</u>	76,594
Fund Balances		
Non Spendable		
Inventories	2,229	2,229
Restricted		
Stabilization by State statute	481,623	481,623
Unassigned		997,204
Total fund balances	3,481,056 3,4	481,056
Total liabilities and fund balances	<u>\$ 3,557,650</u> <u>\$</u>	

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Balance Sheet Governmental Funds (continued) June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total Fund Balance, Governmental Funds		\$	3,481,056
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost Accumulated depreciation	\$ 4,711,191 (2,278,463)		2,432,728
Deferred outflows of resources related to pensions are not reported in the funds.			440,911
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.			
Gross long-term debt	(273,173)		
Accrued compensated absences Net pension liability	(62,376) (455,662)		
Total pension liability	 (435,002) (309,509)		(1,100,720)
Deferred inflows of resources related to pensions are not			
reported in the funds.			(21,753)
Net position of governmental activities		<u>\$</u>	5,232,222

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2017

	Major Funds	_
	Capital	Total
	General Project	Governmental
	Fund Fund	Funds
Revenues		* • • • • • • •
Ad valorem taxes	\$ 2,569,457 \$	\$ 2,569,457
Unrestricted intergovernmental	1,241,490	1,241,490
Restricted intergovernmental	64,654	64,654
Permits and fees	28,527	28,527
Investment earnings	10,647	10,647
Miscellaneous	160,556	160,556
Total revenues	4,075,331	4,075,331
Expenditures		
Current:		
General government	559,057	559,057
Public safety	1,781,353	1,781,353
Transportation	183,591	183,591
Physical development	988,747	988,747
Debt service:		
Principal	60,566	60,566
Interest and other charges	10,788	10,788
Total expenditures	3,584,102	3,584,102
Excess of revenues over expenditures	491,229	491,229
Other financing sources (uses)		
Transfer to other funds	(110,217)	(110,217)
Net change in fund balance	381,012	381,012
Fund balance, beginning	3,100,044	3,100,044
Fund balance, ending	<u>\$ 3,481,056</u> <u>\$</u>	<u>\$ 3,481,056</u>

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds		\$	381,012
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 Depreciation expense for governmental assets	\$ 343,007 (210,534)		132,473
Depreciation expense for governmental assets	(210,334)		132,473
Cost of capital asset disposed of during the year, not recognized on modified accrual basis			(286)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			425,649
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities			15,262
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			60,566
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	(16,913)		(100.0.10)
Pension expense	(473,429)	·	(490,342)
Total changes in net position of governmental activities		<u>\$</u>	524,334

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, 2017

For the	rear Ended June 30,	2017		V 7
	Original	Final	Actual Amounts	Variance with final budget- positive (negative)
D.				
Revenues:	¢ 0 550 001		* • • • • • • • •	• • • • • • •
Ad valorem taxes	\$ 2,553,331	\$ 2,565,650	\$ 2,569,457	\$ 3,807
Unrestricted intergovernmental	1,231,042	1,260,866	1,241,490	(19,376)
Restricted intergovernmental	64,800	64,800	64,654	(146)
Permits and fees	12,024	24,877	28,527	3,650
Investment earnings	2,909	6,115	10,647	4,532
Miscellaneous	54,257	161,994	160,556	(1,438)
Total revenues	3,918,363	4,084,302	4,075,331	(8,971)
Expenditures:				
Current:				
General government	681,248	694,570	559,057	135,513
Public safety	1,786,111	1,808,511	1,781,353	27,158
Transportation	317,238	317,238	183,591	133,647
Physical development	1,069,913	1,089,913	988,747	101,166
Debt service:	1,007,715	1,009,915	200,747	101,100
Principal retirement	60,566	60,566	60,566	
Interest and other charges	10,787	10,787	10,788	(1)
Total expenditures	3,925,863	3,981,585	3,584,102	397,483
Total experientities		5,761,565	5,564,102	377,405
Revenues over (under) expenditures	(7,500)	102,717	491,229	388,512
Other financing sources (uses):				
Sales of capital assets	7,500	7,500		(7,500)
Transfer to other funds		(110,217)	(110,217)	
Total other financing sources (uses)	7,500	(102,717)	(110,217)	(7,500)
Net change in fund balance	<u>\$</u>	<u>\$</u>	381,012	<u>\$ 381,012</u>
Fund balance, beginning			3,100,044	
Fund balance, ending (Exhibit 4)			<u>\$ 3,481,056</u>	

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Fund Net Position Proprietary Fund June 30, 2017

Assets Current assets: Cash and cash equivalents Accounts receivable (net) Inventories Total current assets	\$ 93,138 112,971 <u>11,100</u> 217,209
Noncurrent assets:	2 7 4 9 (1 (
Capital assets, net of depreciation	2,748,616
Total assets	<u>\$ 2,965,825</u>
Deferred Outflows of Resources Pension deferrals	<u>\$ 17,001</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 63,979
Due to other funds	107,001
Compensated absences - current	2,524
Total current liabilities	173,504
Noncurrent liabilities:	
Compensated absences	508
Net pension liability	18,892
Total noncurrent liabilities	19,400
Total liabilities	<u>\$ 192,904</u>
Deferred Inflows of Resources	
Pension deferrals	<u>\$ 565</u>
Net Position	
Net investment in capital assets	\$ 2,748,616
Unrestricted	40,741
Total net position	<u>\$ 2,789,357</u>

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund For the Year Ended June 30, 2017

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Operating revenues		
Water sales	\$	822,325
Water tap and connection fees		18,490
Commissions, sewer charge collection		9,166
Total operating revenues		849,981
Operating expenses		
Salaries		45,390
Social security tax		3,610
Employee benefits		21,858
Maintenance and supplies		19,647
Water and sewer purchases		576,971
Professional services		4,834
Depreciation		153,236
Training and education		2,359
Total operating expenses		827,905
Operating income		22,076
Nonoperating revenues		
Investment earnings		191
Income before transfers		22,267
Transfer from other funds		110,217
Change in net position		132,484
Total net position, beginning		2,656,873
Total net position, ending	<u>\$</u>	<u>2,789,357</u>

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Statement of Cash Flows Proprietary Fund For the Year Ended June 30, 2017

Cash flows from operating activities Cash received from customers Cash paid for goods and services Cash paid to or on behalf of employees for services Net cash provided by operating activities	\$ 859,012 (607,395) (76,054) 175,563
Cash flows from noncapital financing activities Decrease in due to other funds Transfers from other funds Total cash flows from noncapital financing activities	(100,031) <u>110,217</u> <u>10,186</u>
Cash flows from capital and related financing activities Acquisition and construction of capital assets	(185,513)
Cash flows from investing activities Interest	191
Net increase in cash and cash equivalents	427
Balances, beginning	92,711
Balances, ending	<u>\$ 93,138</u>
Reconciliation of operating income to net cash used by operating activities: Operating income Adjustments to reconcile operating income to net cash used by operating activities:	\$ 22,076
Depreciation	153,236
Change in assets and liabilities: Decrease in accounts receivable Increase in deferred outflows of resources - pensions Increase in net pension liability Decrease in deferred inflows of resources - pensions Decrease in accounts payable and accrued liabilities Decrease in accrued compensated absences Total adjustments Net cash used by operating activities	$9,031 \\ (10,503) \\ 12,773 \\ (1,532) \\ (4,468) \\ (5,050) \\ \hline 153,487 \\ \$ 175,563$

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

TOWN OF BILTMORE FOREST, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

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

A. <u>Reporting Entity</u>

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.

B. <u>Basis of Presentation (continued)</u>

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 and street maintenance and construction.

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.

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 are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Biltmore Forest 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 revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the General Fund, the Capital Projects Fund, and the Enterprise Fund. 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. 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. <u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity</u>

1. <u>Deposits and Investments</u>

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. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, 2016.

4. <u>Allowances for Doubtful Accounts</u>

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. <u>Inventory</u>

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. <u>Capital Assets</u>

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; computer software, \$5,000; and computer equipment, \$500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure 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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

6. Capital Assets (continued)

Capital assets are depreciated using the straight-line method over the following 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, pension deferrals for the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets the criterion for this category - pension deferrals.

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 bond premiums and discounts, as well as bond issuance 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

9. <u>Compensated Absences</u>

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town 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 <u>not</u> 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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 of Biltmore Forest'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 of Biltmore Forest 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 of Biltmore Forest has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Administrator 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 Town Administrator 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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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 of Biltmore Forest's employer contributions are recognized when due and the Town of Biltmore Forest has a legal requirement to provide the 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 the 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, 2017, 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

A. <u>Assets (continued</u>)

1. <u>Deposits (continued</u>)

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, 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, 2017, the Town's deposits had a carrying amount of \$509,565 and a bank balance of \$550,603. 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, 2017, the Town's petty cash fund totaled \$185.

2. Investments

At June 30, 2017, the Town had \$2,678,417 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

3. <u>Receivables - Allowance for Doubtful Accounts</u>

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$0.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

General fund:		
Taxes receivable	\$	535
Water fund:		
Accounts receivable		1,339
Total	<u>\$</u>	1,874

A. Assets (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not				
being depreciated:				
Land	<u>\$ 161,650</u>	\$	\$	<u>\$ 161,650</u>
Capital assets being depreciated:	1 000 042			1 000 042
Buildings	1,209,243		1 001	1,209,243
Other improvements	146,613	25.50	1,221	145,392
Equipment and furniture	254,281	25,569	3,983	275,867
Vehicles and motorized				
equipment	1,147,352	198,497	13,309	1,332,540
Infrastructure	1,492,369	118,941	24,811	1,586,499
Total capital assets				
being depreciated	4,249,858	<u>\$ 343,007</u>	<u>\$ 43,324</u>	4,549,541
Less accumulated depreciation for				
Buildings	. 375,748	25,922		401,670
Other improvements	77,771	6,201	935	83,037
Equipment and furniture	217,648	17,171	3,983	230,836
Vehicles and motorized	217,040	1/,1/1	5,905	230,030
equipment	689,055	96,623	13,309	772,369
Infrastructure	,	,	,	
Total accumulated	750,745	64,617	24,811	790,551
	2 1 1 0 0 (7	¢ 010.524	¢ 42.020	2 279 462
depreciation	2,110,967	<u>\$ 210,534</u>	<u>\$ 43,038</u>	2,278,463
Total capital assets being				
depreciated, net	2,138,891			2,271,078
espresided, net				
Governmental activity capital				
assets, net	<u>\$ 2,300,541</u>			<u>\$ 2,432,728</u>

A. Assets (continued)

4. Capital Assets (continued)

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

General government Public safety Transportation Physical development Total depreciation expense					$\begin{array}{c} \$ & 33,016 \\ & 41,075 \\ & 68,088 \\ \hline & 68,355 \\ \$ & 210,534 \end{array}$
	Beginning				Ending
	Balances	Ir	ncreases	Decreases	Balances
Business-type activities:					
Capital assets not					
being depreciated:	ф.	¢	10(700	ф.	ф 106 7 00
Construction in progress	<u>\$</u>	\$	136,709	<u>\$</u>	<u>\$ 136,709</u>
Capital assets being depreciated:					
Water system	4,605,856		48,804		4,654,660
Other equipment	87,207				87,207
Total capital assets					
being depreciated	4,693,063	\$	48,804	<u>\$</u>	4,741,867
Less accumulated depreciation for					
Water system	. 1,893,560		152,897		2,046,457
Other equipment	83,164		339		83,503
Total accumulated					00,000
depreciation	1,976,724	\$	153,236	\$	2,129,960
		-		<u>-</u>	
Total capital assets being					
depreciated, net	2,716,339				2,611,907
1 /	,				,
Water fund capital assets, net	<u>\$ 2,716,339</u>				<u>\$ 2,748,616</u>

Construction commitments:

The government has an active construction project for water meter transmitter installation as of June 30, 2017. The Town of Biltmore Forest's staff are performing the installation, therefore there is no commitment to contractors.

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined 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 LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO and have reached age 55, or have completed 15 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.

- B. <u>Liabilities (continued</u>)
- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- 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 of Biltmore Forest employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Biltmore Forest's contractually required contribution rate for the year ended June 30, 2017, was 8% of compensation for law enforcement officers and 7.25% 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 \$112,193 for the year ended June 30, 2017.

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, 2017, the Town reported a liability of \$474,554 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing updated procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan, relative to the same as its proportion measured as of June 30, 2016, the Town's proportion was 0.022%, which was the same as its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$133,859. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

B. Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

	Deferred Outflows		Deferred Inflows	
	of F	Resources	of R	lesources
Differences between expected and actual experience	\$	8,916	\$	16,629
Changes of assumptions		32,503		
Net difference between projected and actual earnings on				
pension plan investments		262,369		
Changes in proportion and differences between Town				
contributions and proportionate share of contributions		26,669		
Town contributions subsequent to the measurement date		112,193		
Total	\$	442,650	\$	16,629

\$112,193 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 52,464
2019	52,498
2020	131,921
2021	76,946
2022	
Thereafter	

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and
	productivity factor
Investment rate of return	7.25 percent, net of pension plan investment
	expense, including inflation

- B. <u>Liabilities (continued</u>)
- 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by 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, 2016 are summarized in the following table:

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

B. <u>Liabilities (continued</u>)

- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- a. Local Governmental Employees' Retirement System (continued)

This information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability 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%	Discount			1%
	Decrease	Rate (7.25%)		Increase (8.25%)	
	(6.25%)				
Town's proportionate share of the net					
pension liability (asset)	\$ 1,126,338	\$	474,554	\$	(69,864)

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

- B. Liabilities (continued)
- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	14
Total	15

(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 are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

B. Liabilities (continued)

- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- b. Law Enforcement Officers Special Separation Allowance (continued)

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and
	productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale MP-2015.

(4) Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$14,172 as benefits came due for the reporting period.

- B. Liabilities (continued)
- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- b. Law Enforcement Officers Special Separation Allowance (continued)
- (4) Contributions (continued)

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

At June 30, 2017, the Town reported a total pension liability of \$309,509. The total pension liability was measured as of December 31, 2016 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$27,027.

	Deferred	De	eferred
	Outflows In		flows
	of Resources	of R	esources
Changes of assumptions	\$	\$	5,689
Town benefit payments and administrative expense			
made subsequent to measurement date	15,262		
Total	<u>\$ 15,262</u>	\$	5,689

\$15,262 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows.

Year	ended	June	30:
I Cai	chucu	June	50.

2018	9	\$ 1,032
2019		1,032
2020		1,032
2021		1,032
2022		1,032
Thereafter		529

\$15,087 paid as benefits came due and \$175 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

- B. Liabilities (continued)
- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- b. Law Enforcement Officers Special Separation Allowance (continued)

(4) Contributions (continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1%	Discount	1%
	Decrease	Rate	Increase
	(2.86%)	(3.86%)	(4.86%)
Total pension liability	\$ 333,296	\$ 309,509	\$ 287,446

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

	 2017
Beginning balance	\$ 302,518
Service Cost	17,337
Interest on the total pension liability	10,547
Changes of assumptions or other inputs	(6,721)
Benefit payments	 (14,172)
Ending balance of the total pension liability	\$ 309,509

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

- B. Liabilities (continued)
- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- c. <u>Supplemental Retirement Income Plan for Law Enforcement Officers</u>

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. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$39,933 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town has elected to contribute to the Plan for the general employees as well as for law enforcement officers. 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. The general employees may also make voluntary contributions to the plan.

The Town made contributions of \$34,013 for the reporting year. No amounts were forfeited.

- B. Liabilities (continued)
- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- 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.

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and the 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.

- B. Liabilities (continued)
- 1. <u>Pension Plan and Postemployment Obligations (continued)</u>
- e. Other Postemployment Benefits (continued)

Healthcare Benefits (continued)

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2017, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$84,982. These contributions represent 6.02% 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 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.

B. Liabilities (continued)

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$	112,193
Benefit payments made and administrative		
expenses for LEOSSA		15,262
Difference between expected and actual experience		8,916
Changes of assumptions		32,503
Net difference between projected and actual		262,369
Changes in proportion and differences between		
employer contributions and proportionate share		
of contributions		26,669
Total	<u>\$</u>	457,912

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

	Statement of		General Fund
	Net	Position	Balance Sheet
Changes of assumptions	\$	5,689	\$
Differences between expected and actual experience		16,629	
Total	<u>\$</u>	22,318	\$

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 insured values of the property policy, and workers' compensation coverage up to statutory limits. 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 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.

B. Liabilities (continued)

4. <u>Risk Management (continued</u>)

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 Town Administrator 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. <u>Claims, Judgments, and Contingent Liabilities</u>

At June 30, 2017, 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 2.21% per annum, due in 3 annual payments with fixed payment schedule of \$32,637 beginning March 1, 2016 and ending on March 1, 2019, collateralized by a garbage truck and for use in its transportation segment.	\$ 63,173
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.	46,666

6. Long-Term Obligations (continued)

a. Installment Purchases (continued)

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.	<u>\$ 163,334</u> 273,173
Less, current portion	61,241
Noncurrent portion of notes payable	<u>\$ 211,932</u>

Annual debt service payments for installment purchases as of June 30, 2017, including \$31,106 of interest, are as follows:

	(al Act	al Activities		
Years Ending June 30	Principal		Iı	nterest	
2018	¢	61 241	¢	9.060	
2018	\$	61,241	\$	8,969	
2019		61,932		7,135	
2020		30,000		5,287	
2021		30,000		4,144	
2022		30,000		3,001	
2023-2027	. <u> </u>	60,000		2,570	
	<u>\$</u>	273,173	<u>\$</u>	31,106	

B. Liabilities (continued)

6. Long-Term Obligations (continued)

b. Changes in Long-Term Liabilities

		eginning Balance	_I	ncreases	D	ecreases		Ending Balance		Current Portion Balance
Governmental activities:	<i>•</i>		<i>•</i>		.		.		.	(1.0.1)
Installment purchase	\$	333,739	\$		\$	60,566	\$	273,173	\$	61,241
Compensated absences		45,463		71,654		54,741		62,376		51,934
Net pension liability (LGERS)		92,841		362,821				455,662		
Total pension liability (LEO)		523,136				213,627		309,509		
Governmental activities										
long-term liabilities	<u>\$</u>	995,179	<u>\$</u>	434,475	<u>\$</u>	328,934	\$	1,100,720	<u>\$</u>	113,175
Business-type activities:										
Compensated absences	\$	8,082	\$	2,813	\$	7,863	\$	3,032	\$	2,524
Net pension liability (LGERS)		6,119		12,773				18,892		
Business-type activities										
long-term liabilities	\$	14,201	\$	15,586	\$	7,863	\$	21,924	\$	2,524

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2017, consist of the following:

Due to General Fund for the allocation of costs from the: Water Fund

\$ 107,001

<u>\$ 110,217</u>

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, 2017, consist of the following:

From the General Fund to the Water Fund	
to fund capital asset acquisition	

During the 2017 fiscal year, the Town made a one-time transfer from the General Fund of \$110,217 to the Water Fund in order to fund an upgrade to the water meter system. This upgrade included the installation of Automatic Meter Infrastructure (AMI) technology, which allows the Town and customer the ability to monitor individual water meter usage on a real-time basis.

D. Net Investment in Capital Assets

	Governmental	Business-type		
Capital assets	\$ 2,432,728	\$ 2,748,616		
Less: long-term debt	273,173			
Net investment in capital assets	<u>\$ 2,159,555</u>	<u>\$ 2,748,616</u>		

E. Fund Balance

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

Total fund balance - General Fund	\$ 3,481,056
Less:	
Inventories	2,229
Stabilization by State Statute	481,623
Remaining fund balance	2,997,204

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.

Encumbrances:	General Fund	Non-Major Funds
	\$21,231	\$0

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 November 6, 2017, the date the financial statements were available to be issued. During the period from June 30, 2017 and through this date, no circumstances occurred that require recognition in these financial statements.

Note 6 - Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities increased \$234,790.

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 Four Fiscal Years*

Local Government Employees' Retirement System

	2017	2016	2015	2014
Biltmore Forest's proportion of the net pension liability (asset) (%)	0.02236%	0.02205%	0.01902%	0.02010%
Biltmore Forest's proportion of the net pension liability (asset) (\$)	\$ 474,554	\$ 98,960	\$ (112,170)	\$ 242,282
Biltmore Forest's covered-employee payroll	\$1,397,262	\$1,321,703	\$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	33.96%	7.49%	(9.18%)	19.99%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	2017	2016	2015	2014
Contractually required contribution	\$ 112,19	96,833	\$ 95,936	\$ 89,522
Contributions in relation to the contractually required contribution	112,19	96,833	95,936	89,522
Contribution deficiency (excess)	\$	<u>\$</u>	<u>\$</u>	\$
Biltmore Forest's covered-employee payroll	<u>\$1,462,98</u>	<u>\$1,397,262</u>	<u>\$1,321,703</u>	<u>\$1,222,192</u>
Contributions as a percentage of covered-employee payroll	7.679	% 6.93%	7.26%	7.32%

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance June 30, 2017

		2017
Beginning balance	\$	302,518
Service Cost		17,337
Interest on the total pension liability		10,547
Changes of assumptions or other inputs		(6,721)
Benefit payments		(14,172)
Ending balance of the total pension liability	<u>\$</u>	309,509

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance June 30, 2017

	 2017
Total pension liability	\$ 309,509
Covered payroll	791,135
Total pension liability as a percentage of covered payroll	39.12%

Notes to the schedules:

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

The pension schedules are intended to show information for ten years; additional years' information will be displayed as it becomes available.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2017

Revenues	Budget	Actual	Variance Positive (Negative)
Ad valorem taxes:			
Taxes	\$ 2,563,234	\$ 2,566,356	\$ 3,122
Interest	2,416	3,101	685
Total	2,565,650	2,569,457	3,807
Unrestricted intergovernmental:			
Local option sales taxes	1,036,566	1,024,525	(12,041)
Franchise tax	218,000	210,654	(7,346)
Beer and wine tax	6,300	6,311	11
Total	1,260,866	1,241,490	(19,376)
Restricted intergovernmental: Illicit substance tax		7	7
	1,200	948	(252)
Solid waste disposal tax Powell Bill allocation	,		(232)
Total	<u>63,600</u>	<u>63,699</u>	
10141	64,800	64,654	(146)
Permits and fees:			
Dog license fee	1,800	1,218	(582)
Building permits	23,077	27,309	4,232
Total	24,877	28,527	3,650
Investment earnings:			
Interest	6,115	10,647	4,532
Miscellaneous:			
Rental of community hall	1,000	1,200	200
American Tower	25,857	27,100	1,243
Progress Energy	2,400	,	(2,400)
Other	132,737	132,256	(481)
Total	161,994	160,556	(1,438)
Total revenues	4,084,302	4,075,331	(8,971)

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Expenditures	<u></u>		<u>(1(05441)0)</u>
General government:			
Administration:			
Salaries and benefits	\$ 148,138	\$ 150,357	\$ (2,219)
Professional services	40,000	18,583	21,417
Other operating expenditures	30,510	22,013	8,497
Board salary	21,600	21,600	
Capital outlay	14,500		14,500
Total	254,748	212,553	42,195
Other:			
Outside professional services	115,000	108,294	6,706
Contingency	12,322	2,779	9,543
General repairs	66,000	55,466	10,534
Electricity and utilities	116,000	105,730	10,270
Insurance	98,000	55,812	42,188
Other operating expenditures	32,500	18,423	14,077
Total	439,822	346,504	93,318
Total general government	694,570	559,057	135,513
Public safety:			
Police:			
Salaries and benefits	1,206,011	1,192,744	13,267
Vehicle maintenance	16,000	15,059	941
Other operating expenditures	76,500	65,882	10,618
Capital outlay	85,000	82,668	2,332
Total	1,383,511	1,356,353	27,158
Fire:			
Contracted fire services	425,000	425,000	
Total public safety	1,808,511	1,781,353	27,158

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) For the Year Ended June 30, 2017

FOI ULE I EAI E	ilded Julie 30, 2017		
			Variance
			Positive
	Budget	Actual	(Negative)
Transportation:	-		
Salaries and benefits	\$ 69,858	\$ 56,882	\$ 12,976
Vehicle maintenance	10,000	305	9,695
Resurfacing contracts	100,000	90,364	9,636
Storm water drainage	100,000	22,854	77,146
Other operating expenditures	32,380	11,284	21,096
Capital outlay	5,000	1,902	3,098
Total transportation	317,238	183,591	133,647
-			
Physical development:			
Public works:			
Salaries and benefits	502,553	496,542	6,011
Vehicle maintenance	30,000	25,072	4,928
Other operating expenditures	73,675	48,201	25,474
Street lighting	21,000	9,204	11,796
Capital outlay	93,200	65,646	27,554
Total	720,428	644,665	75,763
Sanitation and recycling:			
Salaries and benefits	183,834	171,549	12,285
Tipping fees	55,011	48,269	6,742
Recycling	18,140	6,747	11,393
Other operating expenditures	10,500	15,541	(5,041)
Capital outlay	102,000	101,976	24
Total	369,485	344,082	25,403
Total physical development	1,089,913	988,747	101,166
Debt service:			
Principal retirement	60,566	60,566	
Interest	10,787	10,788	(1)
Total debt service	71,353	71,354	(1)
			(1)
Total expenditures	3,981,585	3,584,102	397,483
1	· · · · · · · · · · · · · · · · · · ·		

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues over expenditures	<u>\$ 102,717</u>	<u>\$ 491,229</u>	<u>\$ 388,512</u>
Other financing sources (uses): Sale of capital assets Transfer to other funds:	7,500		(7,500)
Enterprise Fund Total	<u>(110,217</u>) (102,717)	<u>(110,217</u>) (110,217)	(7,500)
Net change in fund balance	<u>\$</u>	381,012	<u>\$ 381,012</u>
Fund balances, beginning		3,100,044	
Fund balances, ending		<u>\$ 3,481,056</u>	

Water Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Year Ended June 30, 2017

Revenues	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Water sales	\$ 781,203	\$ 822,325	\$ 41,122
Water tap and connection fees	12,160	18,490	6,330
Commissions, sewer charge collections	9,392	9,166	(226)
Total operating revenues	802,755	849,981	47,226
Non-operating revenues:			
Investment earnings		191	191
Total revenues	802,755	850,172	47,417
Expenditures			
Operating expenditures:			
Salaries and benefits	78,089	75,170	2,919
Professional services	5,300	4,834	466
Repairs and maintenance	47,600	400	47,200
Other operating expenditures	20,560	21,606	(1,046)
Water purchases	228,124	227,631	493
Sewer purchases	334,714	349,340	(14,626)
Capital outlay	198,585	185,513	13,072
Total expenditures	912,972	864,494	48,478
Revenues over (under) expenditures	(110,217)	(14,322)	95,895
Other financing sources: Transfer from other funds:			
General Fund	110,217	110,217	
Revenues and other sources over			
expenditures and other uses	\$	<u>\$ 95,895</u>	<u>\$ 95,895</u>

Water Fund Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) (continued) For the Year Ended June 30, 2017

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

Revenues and other sources over expenditures and other uses	<u>\$ 95,895</u>
Reconciling items:	
Capital outlays	185,513
Depreciation	(153,236)
Decrease in accrued vacation pay	5,050
Increase in deferred outflows of resources - pensions	11,068
Increase in net pension liability	(12,773)
Decrease in deferred inflow of resources - pensions	967
Total reconciling items	36,589
Change in net position	<u>\$ 132,484</u>

OTHER SCHEDULES

Fiscal Year	885 196 213 151 <u>\$ 4,049</u> For uncollectible accounts a receivable - net <u>a revenues:</u> a - General Fund s: ed ff	lance		Additions]			
2016-2017 2015-2016 2014-2015 2013-2014 2012-2013 2011-2012	\$	196 213	\$	2,566,533	\$	2,565,097 2,351 872 291 151	\$	1,436 253 13 (95) 213		
	<u>\$</u>	4,049	<u>\$</u>	2,566,533	<u>\$</u>	2,568,762		1,820		
Fiscal YearJune 30, 2016Additionsand CreditsJune 30, 20172016-2017\$\$ 2,566,533\$ 2,565,097\$ 1,4362015-20162,6042,3512532014-2015885872132013-2014196291(95)2012-2013213151151										
Reconciliation with	revenues:									
Ad valorem taxes	Ad valorem taxes - General Fund						<u>\$</u>	2,569,457		
Interest collected Taxes written of	l							2,406		
Total collections a	nd credits						<u>\$</u>	2,568,762		

Schedule of Ad Valorem Taxes Receivable June 30, 2017

Analysis of Current Tax Levy Town-Wide Levy June 30, 2017

		Town-Wide	;	Total	Levy
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy: Property taxed at current rate	\$ 644,738,497	\$.395	\$ 2,546,717	\$ 2,440,788	\$ 105,929
Discoveries: Current year taxes	5,016,727	.395	19,816	19,816	
Total property valuation	<u>\$ 649,755,224</u>				
Net levy			2,566,533	2,460,604	105,929
Uncollected taxes at June 30, 2017			(1,436)	(1,436)	
Current year's taxes collected			<u>\$ 2,565,097</u>	<u>\$ 2,459,168</u>	<u>\$ 105,929</u>
Current levy collection percentage			99.94%	<u>99.94%</u>	100.00%





Statistical Section

- Financial Trends
- Revenue Capacity
- Debt Capacity
- Demographic & Economic Information
- Operating Information

Annual Tree Lighting Ceremony



Annual Recognition Luncheon

Board members, employees and volunteers are invited to the annual luncheon to be recognized for their service to the Town.



TOWN OF BILTMORE FOREST, NORTH CAROLINA Net Position by Component

LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	Fiscal Year															
		2017		2016		2015		2014		2013	2012	2011	2010	 2009		2008
Governmental activities																
Net investment in capital assets	\$	2,159,555	\$	1,966,802	\$	1,896,427	\$	1,689,871	\$	1,591,336	\$ 1,460,574	\$ 1,381,423	\$ 1,305,664	\$ 923,951	\$	1,342,907
Restricted	\$	481,623	\$	559,105	\$	671,079	\$	275,034	\$	285,967	\$ 260,181	\$ 265,001	\$ -	\$ -	\$	-
Unrestricted	\$	2,591,044	\$	1,947,191	\$	1,720,731	\$	2,452,254	\$	2,145,732	\$ 1,863,632	\$ 1,691,125	\$ 1,818,640	\$ 2,167,864	\$	1,782,519
Total governmental																
activities net position	\$	5,232,222	\$	4,473,098	\$	4,288,237	\$	4,417,159	\$	4,023,035	\$ 3,584,387	\$ 3,337,549	\$ 3,124,304	\$ 3,091,815	\$	3,125,426
Business-type activities																
Net investment in capital assets	\$	2,748,616	\$	2,716,339	\$	2,868,354	\$	1,562,331	\$	1,334,553	\$ 1,125,180	\$ 927,517	\$ 746,707	\$ 578,414	\$	428,416
Unrestricted	\$	40,741	\$	(59,466)	\$	(145,078)	\$	405,844	\$	504,071	\$ 594,971	\$ 634,662	\$ 685,310	\$ 703,944	\$	681,003
Total business-type											 		 	 		
activities net position	\$	2,789,357	\$	2,656,873	\$	2,723,276	\$	1,968,175	\$	1,838,624	\$ 1,720,151	\$ 1,562,179	\$ 1,432,017	\$ 1,282,358	\$	1,109,419
Primary government																
Net investment in capital assets	\$	4,908,171	\$	4,683,141	\$	4,764,781	\$	3,252,202	\$	2,925,889	\$ 2,585,754	\$ 2,308,940	\$ 2,052,371	\$ 1,502,365	\$	1,771,323
Restricted	\$	481,623	\$	559,105	\$	671,079	\$	275,034	\$	285,967	\$ 260,181	\$ 265,001	\$ -	\$ -	\$	-
Unrestricted	\$	2,631,785	\$	1,887,725	\$	1,575,653	\$	2,858,098	\$	2,649,803	\$ 2,458,603	\$ 2,325,787	\$ 2,503,950	\$ 2,871,808	\$	2,463,522
Total primary government				· · · · · · · · · · · · · · · ·								 				
net position	\$	8,021,579	\$	7,129,971	\$	7,011,513	\$	6,385,334	\$	5,861,659	\$ 5,304,538	\$ 4,899,728	\$ 4,556,321	\$ 4,374,173	\$	4,234,845







TOWN OF BILTMORE FOREST, NORTH CAROLINA Changes in Net Position

LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

								Fiscal Y	'ear							
	2017	2016		2015		2014		2013		2012		2011		2010	2009	2008
EXPENSES	 															
Governmental Activities																
General government	\$ 554,137	\$ 930,904	\$	871,317	\$	945,468	\$	1,123,490	\$	1,143,393	\$	1,140,004	\$	1,116,312	\$ 1,112,437	\$ 1,041,345
Public safety	\$ 1,763,741	\$ 1,279,871	\$	1,129,639	\$	1,169,911	\$	1,204,340	\$	1,069,282	\$	1,058,369	\$	1,007,183	\$ 1,005,622	\$ 951,595
Transportation	\$ 161,855	\$ 138,229	\$	136,924	\$	102,595	\$	59,888	\$	88,686	\$	123,096	\$	125,509	\$ 116,777	\$ 124,781
Physical Development	\$ 949,973	\$ 826,119	\$	664,888	\$	653,183	\$	531,537	\$	605,693	\$	598,153	\$	599,411	\$ 618,202	\$ 578,826
Interest on long-term debt	\$ 10,788	\$ 9,859	\$	11,013	\$	12,290	\$	13,622	\$	15,252	\$	17,254	\$	19,125	\$ 2,259	\$ -
Total Governmental Activities	\$ 3,440,494	\$ 3,184,982	\$	2,813,781	\$	2,883,447	\$	2,932,877	\$	2,922,306	\$	2,936,876	\$	2,867,540	\$ 2,855,297	\$ 2,696,547
Business-type Activity-																
Water	\$ 827,905	\$ 525,985	\$	553,417	\$	581,829	\$	593,100	\$	588,449	\$	602,779	\$	612,167	\$ 622,522	\$ 622,881
Total Business-type Activities	\$ 827,905	\$ 525,985	\$	553,417	\$	581,829	\$	593,100	\$	588,449	\$	602,779	\$	612,167	\$ 622,522	\$ 622,881
Total Expenses	\$ 4,268,399	\$ 3,710,967	\$	3,367,198	\$	3,465,276	\$	3,525,977	\$	3,510,755	\$	3,539,655	\$	3,479,707	\$ 3,477,819	\$ 3,319,428
PROGRAM REVENUES																
Governmental Activities:																
Charges for services																
General government	\$ 28,527	\$ 16,415	\$	28,919	\$	17,365	\$	9,733	\$	8,844	\$	7,444	\$	10,122	\$ 11,805	\$ 74,983
Public safety	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$ -
Transportation	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$ -
Physical Development	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$ -
Operating grants and contributions	\$ 64,654	\$ 65,154	\$	64,604	\$	64,771	\$	64,339	\$	71,461	\$	65,416	\$	153,444	\$ 72,070	\$ 79,899
Capital grants and contributions	\$ -	\$ -	\$	881	\$	-	\$	-	\$	-	\$	-	\$	15,945	\$ -	\$ -
Total Governmental Activities	\$ 93,181	\$ 81,569	\$	94,404	\$	82,136	\$	74,072	\$	80,305	\$	72,860	\$	179,511	\$ 83,875	\$ 154,882
Business-type Activity-																
Charges for services																
Water*	\$ 878,508	\$ 459,582	\$	408,146	\$	371,047	\$	373,854	\$	405,255	\$	389,252	\$	334,082	\$ 362,504	\$ 369,441
Operating grants and contributions	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$ -
Capital grants and contributions	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$ -
Total Business-type Activity	\$ 878,508	\$ 459,582	\$	408,146	\$	371,047	\$	373,854	\$	405,255	\$	389,252	\$	334,082	\$ 362,504	\$ 369,441
Total Program Revenues	\$ 971,689	\$ 541,151	\$	502,550	\$	453,183	\$	447,926	\$	485,560	\$	462,112	\$	513,593	\$ 446,379	\$ 524,323
Net (Expense)/Revenue																
Government Activities	\$ (3,347,313)	\$ (3,103,413)	\$	(2,719,377)	\$	(2,801,311)	\$	(2,858,805)	\$	(2,842,001)	\$	(2,864,016)	\$	(2,688,029)	\$ (2,771,422)	\$ (2,541,665)
Business-type Activity	\$ 22,076	\$ (66,403)	\$	(145,271)	\$	(210,782)	\$	(219,246)	\$	(183,194)	\$	(213,527)	\$	(278,085)	\$ (260,018)	\$ (253,440)
Total Net Expense	\$ (3,325,237)	\$ (3,169,816)	\$	(2,864,648)	\$	(3,012,093)	\$	(3,078,051)	\$	(3,025,195)	\$	(3,077,543)	\$	(2,966,114)	\$ (3,031,440)	\$ (2,795,105)
•		 /	<u> </u>	/	<u> </u>			 								

Table 2-1

TOWN OF BILTMORE FOREST, NORTH CAROLINA Changes in Net Position (continued)

LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

				0045		Fiscal `	rear					
	. <u> </u>	2017	 2016	 2015	 2014	 2013		2012	 2011	 2010	 2009	 2008
GENERAL REVENUES												
Governmental Activities:												
Property Taxes	\$	2,569,457	\$ 2,483,187	\$ 2,464,100	\$ 2,439,621	\$ 2,507,832	\$	2,448,286	\$ 2,419,907	\$ 2,260,848	\$ 2,215,209	\$ 2,153,570
Other Taxes	\$	1,241,490	\$ 1,221,920	\$ 1,132,137	\$ 1,044,745	\$ -	\$	-	\$ -	\$ -	\$ -	\$ -
Intergovernmental-unrestricted	\$	-	\$ -	\$ -	\$ -	\$ 1,005,518	\$	947,877	\$ 874,771	\$ 836,041	\$ 885,632	\$ 953,549
Unrestricted investment earnings	\$	10,647	\$ 3,803	\$ 926	\$ 1,908	\$ 2,856	\$	4,271	\$ 20,801	\$ 26,875	\$ 38,213	\$ 79,006
Miscellaneous	\$	160,270	\$ 91,663	\$ 40,585	\$ 48,860	\$ 120,946	\$	28,104	\$ 6,692	\$ 20,783	\$ 20,257	\$ 10,869
Change in reserve for inventory	\$	-										
Transfers in/out	\$	-	\$ -	\$ (904,112)	\$ (339,699)	\$ (339,699)	\$	(339,699)	\$ (339,699)	\$ (424,029)	\$ (421,500)	\$ (289,540)
Total general revenues, transfers, and special item	\$	3,981,864	\$ 3,800,573	\$ 2,733,636	\$ 3,195,435	\$ 3,297,453	\$	3,088,839	\$ 2,982,472	\$ 2,720,518	\$ 2,737,811	\$ 2,907,454
Business-type Activity-												
Unrestricted investment earnings		191	-	\$ 228	\$ 634	\$ 1,049	\$	2,310	\$ 5,916	\$ 3,715	\$ 11,457	\$ 25,041
Miscellaneous		-	-	\$ 5,610	\$ -	\$ (3,029)	\$	(843)	\$ (1,926)	\$ -	\$ -	\$ -
Transfers in/out		110,217	-	\$ 904,112	\$ 339,699	\$ 339,699	\$	339,699	\$ 339,699	\$ 424,029	\$ 421,500	\$ 289,540
Total Business-type activities	\$	110,408	\$ -	\$ 909,950	\$ 340,333	\$ 337,719	\$	341,166	\$ 343,689	\$ 427,744	\$ 432,957	\$ 314,581
Total primary government	\$	4,092,272	\$ 3,800,573	\$ 3,643,586	\$ 3,535,768	\$ 3,635,172	\$	3,430,005	\$ 3,326,161	\$ 3,148,262	\$ 3,170,768	\$ 3,222,035
CHANGE IN NET POSITION												
Governmental Activities	\$	524,334	\$ 697,160	\$ 14,259	\$ 394,124	\$ 438,648	\$	246,838	\$ 118,456	\$ 32,489	\$ (33,611)	\$ 365,789
Business-type Activity	\$	132,484	\$ (66,403)	\$ 764,679	\$ 129,551	\$ 118,473	\$	157,972	\$ 130,162	\$ 149,659	\$ 172,939	\$ 61,141
Total Change in Net Position	\$	656,818	\$ 630,757	\$ 778,938	\$ 523,675	\$ 557,121	\$	404,810	\$ 248,618	\$ 182,148	\$ 139,328	\$ 426,930

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* Change in Business Type Activity-Charges for Services-Water (table 2-1) is due to reclassification of sewer charges.

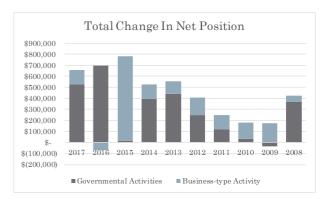
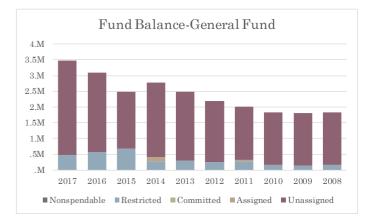


Table 2-2

Fund Balances of Governmental Funds

LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

					Fiscal	/ear					
	2017	2016	2015	2014	2013		2012	2011	2010	2009	2008
General Fund										 	
Nonspendable	\$ 2,229	\$ 2,229	\$ 2,229	\$ 2,229	\$ 2,229	\$	2,229	\$ 2,229	\$ 1,774	\$ 1,555	\$ 4,675
Restricted	\$ 481,623	\$ 559,105	\$ 671,079	\$ 275,034	\$ 285,967	\$	260,181	\$ 265,001	\$ 165,814	\$ 144,843	\$ 160,699
Committed	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$ -	\$ -
Assigned	\$ -	\$ -	\$ -	\$ 130,000	\$ -	\$	-	\$ 55,630	\$ -	\$ -	\$ -
Unassigned	\$ 2,997,204	\$ 2,538,710	\$ 1,817,159	\$ 2,358,317	\$ 2,192,241	\$	1,920,407	\$ 1,682,121	\$ 1,672,941	\$ 1,661,246	\$ 1,665,937
Total General Fund	\$ 3,481,056	\$ 3,100,044	\$ 2,490,467	\$ 2,765,580	\$ 2,480,437	\$	2,182,817	\$ 2,004,981	\$ 1,840,529	\$ 1,807,644	\$ 1,831,311
All other governmental funds											
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$ -	\$ -
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$ -	\$ -
Committed	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$ -	\$ -
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$ -	\$ -
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ 14,788	\$ 411,288	\$ -
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ 14,788	\$ 411,288	\$ -
Total governmental funds	\$ 3,481,056	\$ 3,100,044	\$ 2,490,467	\$ 2,765,580	\$ 2,480,437	\$	2,182,817	\$ 2,004,981	\$ 1,855,317	\$ 2,218,932	\$ 1,831,311



TOWN OF BILTMORE FOREST, NORTH CAROLINA Changes in Fund Balances of Governmental Funds

LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	Fiscal Year																
		2017		2016		2015		2014		2013	rear	2012		2011	2010	2009	2008
REVENUES		2011		2010		2010		2014		2010		2012		2011	 2010	 2003	 2000
Ad Valorem taxes	\$	2,569,457	\$	2,483,187	\$	2,464,100	\$	2,439,621	\$	2,507,832	\$	2,458,566	\$	2,430,119	\$ 2,254,946	\$ 2,216,901	\$ 2,143,919
Other taxes			\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$ -	\$ -
Unrestricted intergovernmental	\$	1,241,490	\$	1,221,920	\$	1,132,137	\$	1,044,745	\$	1,005,518	\$	947,877	\$	874,771	\$ 836,041	\$ 885,632	\$ 953,549
Retricted intergovernmental	\$	64,654	\$	65,154	\$	65,485	\$	64,771	\$	64,339	\$	71,461	\$	65,416	\$ 169,389	\$ 72,070	\$ 79,899
Permits and fees	\$	28,527	\$	16,415	\$	28,919	\$	17,365	\$	9,733	\$	8,844	\$	7,444	\$ 10,122	\$ 11,805	\$ 74,983
Investment earnings	\$	10,647	\$	3,803	\$	926	\$	1,908	\$	2,856	\$	4,271	\$	20,801	\$ 26,875	\$ 38,213	\$ 79,006
Miscellaneous	\$	160,556	\$	84,163	\$	43,518	\$	44,582	\$	102,619	\$	31,237	\$	7,832	\$ 19,428	\$ 14,422	\$ 14,773
Total Revenues	\$	4,075,331	\$	3,874,642	\$	3,735,085	\$	3,612,992	\$	3,692,897	\$	3,522,256	\$	3,406,383	\$ 3,316,801	\$ 3,239,043	\$ 3,346,129
EXPENDITURES																	
Current																	
General government	\$	559,057	\$	904,923.00	\$	849,119	\$	923,161	\$	1,108,848	\$	1,124,405	\$	1,175,640	\$ 1,112,599	\$ 1,117,921	\$ 1,010,032
Public safety	\$	1,781,353	\$	1,285,591.00	\$	1,227,312	\$	1,200,089	\$	1,181,681	\$	1,100,994	\$	1,055,602	\$ 1,012,287	\$ 1,010,857	\$ 961,118
Transportation	\$	183,591	\$	259,316.00	\$	175,244	\$	185,207	\$	127,358	\$	119,623	\$	133,198	\$ 90,368	\$ 102,541	\$ 123,466
Physical development	\$	988,747	\$	876,615.00	\$	841,225	\$	637,264	\$	605,243	\$	608,459	\$	578,806	\$ 574,701	\$ 616,907	\$ 596,381
Debt Service																	
Principal	\$	60,566	\$	30,000.00	\$	31,130	\$	34,417	\$	37,793	\$	48,177	\$	58,538	\$ 56,668	\$ 19,656	\$ 6,038
Interest	\$	10,788	\$	9,859.00	\$	11,013	\$	12,290	\$	13,622	\$	15,252	\$	17,254	\$ 19,125	\$ 2,259	\$ 1,089
Capital Outlay	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$ 412,709	\$ 58,383	\$ 563,316
Total Expenditures	\$	3,584,102	\$	3,366,304	\$	3,135,043	\$	2,992,428	\$	3,074,545	\$	3,016,910	\$	3,019,038	\$ 3,278,457	\$ 2,928,524	\$ 3,261,440
Excess (Deficiency) of Revenues																	
over Expenditures	\$	491,229	\$	508,338	\$	600,042	\$	620,564	\$	618,352	\$	505,346	\$	387,345	\$ 38,344	\$ 310,519	\$ 84,689

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Table 4-1

TOWN OF BILTMORE FOREST, NORTH CAROLINA Changes in Fund Balances of Governmental Funds (continued)

LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	Fiscal Year																			
		2017		2016		2015		2014		2013		2012		2011		2010		2009		2008
OTHER FINANCING SOURCES (USES)																				_
Transfersin	\$	-	\$	-	\$	-	\$	-	\$	13,400	\$	7,000	\$	-	\$	-	\$	-	\$	-
Transfers out	\$	(110,217.00)	\$	-	\$	(904,112)	\$	(339,699)	\$	(339,699)	\$	(339,699)	\$	(339,699)	\$	(424,029)	\$	(421,500)	\$	(289,540)
Installment purchase agreement	\$	-	\$	93,739.00	\$	-	\$	-	\$	-	\$	-	\$	-	\$	20,715	\$	492,767	\$	48,935
Sales of general capital assets	\$	-	\$	7,500.00	\$	28,957	\$	4,278	\$	5,567	\$	5,189	\$	7,229	\$	1,355	\$	5,835	\$	10,001
Total Other Financing Sources (Uses)	\$	(110,217)	\$	101,239	\$	(875,155)	\$	(335,421)	\$	(320,732)	\$	(327,510)	\$	(332,470)	\$	(401,959)	\$	77,102	\$	(230,604)
Net change in fund balances																				
before special item	\$	381,012	\$	609,577	\$	(275,113)	\$	285,143	\$	297,620	\$	177,836	\$	54,875	\$	(363,615)	\$	387,621	\$	(145,915)
Special item	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	•		•		•	(0	•		•		•		•		•	(222.2.1.)	•		•	(, , = = , =)
Net change in fund balances	\$	381,012	\$	609,577	\$	(275,113)	\$	285,143	\$	297,620	\$	177,836	\$	54,875	\$	(363,615)	\$	387,621	\$	(145,915)
Total Expenditures		3,584,102		3,366,304		3,135,043		2,992,428		3,074,545		3,016,910		3,019,038		3,278,457		2,928,524		3,261,440
Capital outlay primary government only		343,007		304,270	\$	358,678	\$	189,853	\$	219,550	\$	160,720	\$	130,607	\$	454,921	\$	175,558	\$	572,982
Non-Capital Expenditures		3,241,095		3,062,034		2,776,365		2,802,575		2,854,995		2,856,190		2,888,431		2,823,536		2,752,966		2,688,458
Debt service as a percentage of																				
non-capital expenditures		2.20%		1.30%		1.52%		1.67%		1.80%		2.22%		2.62%		2.68%		0.80%		0.27%

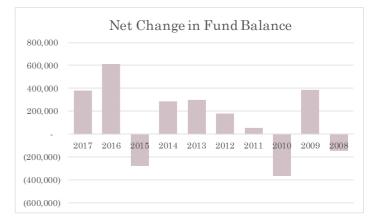


Table 4-2

Assessed Value of Taxable Property

LAST TEN FISCAL YEARS

Table 5

Fiscal Year Ended June 30	F	Real Property	Pe	rsonal Property	Less	Exempt Property	F	Public Service	Total	Taxable Assessed Value	Tax Rate
2017	\$	642,615,400	\$	6,254,297	\$	(30,948,792)	\$	4,935,182	\$	622,856,087	0.395
2016	\$	636,811,300	\$	6,874,564	\$	(31,289,584)	\$	5,181,077	\$	617,577,357	0.385
2015	\$	607,006,000	\$	5,263,931	\$	(3,748,640)	\$	4,280,335	\$	612,801,626	0.385
2014	\$	601,817,648	\$	5,198,743	\$	(3,980,840)	\$	4,332,834	\$	607,368,385	0.385
2013	\$	736,850,198	\$	4,221,045	\$	(8,813,430)	\$	4,396,422	\$	736,654,235	0.330
2012	\$	743,670,298	\$	3,782,567	\$	(8,731,000)	\$	4,485,768	\$	743,207,633	0.320
2011	\$	735,399,498	\$	3,749,490	\$	(7,833,900)	\$	4,385,593	\$	735,700,681	0.320
2010	\$	731,300,598	\$	3,932,373	\$	(7,546,100)	\$	4,336,683	\$	732,023,554	0.300
2009	\$	716,175,846	\$	3,852,765	\$	(7,122,360)	\$	3,953,053	\$	716,859,304	0.295
2008	\$	705,678,105	\$	3,691,100	\$	(7,203,000)	\$	3,866,896	\$	706,033,101	0.295

Notes:

(1) Assessed value is determined by the Buncombe County Tax Department at 100% estimated market value

(2) Personal property excludes registered motor vehicles.

(3) Tax rates are per \$100 of assessed valuation.

(4) A revaluation of all property is required at least every eight (8) years by NC General Statute. The last revaulation by Buncombe County took place January 1, 2013 (fiscal year 2014).

(5) Tax exempt property includes elderly exclusion, use value deferred and classified historic exempt property.

Property Tax Rates-Direct and All Overlapping Governments

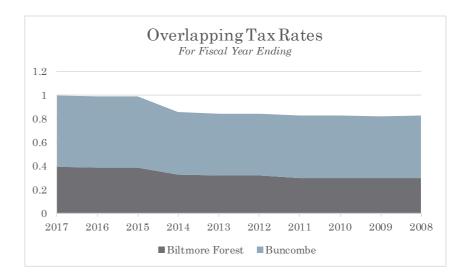
LAST TEN FISCAL YEARS (per \$100 of assessed value)

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Municipal Rate Biltmore Forest	0.395	0.385	0.385	0.330	0.320	0.320	0.300	0.300	0.295	0.295
County Rate Buncombe	0.604	0.604	0.604	0.525	0.525	0.525	0.525	0.525	0.525	0.530
Overlapping Rate	0.999	0.989	0.989	0.855	0.845	0.845	0.825	0.825	0.820	0.825

Notes:

(1) Rate per \$100 of assessed valuation.

(2) A revaluation of all property is required at least every eight years by North Carolina General Statute. The last revauation occurred on January 1, 2013 (fiscal year 2014).



Property Tax Levies and Collections

LAST TEN FISCAL YEARS

		Colle	cted within the Fi	scal Year of the			Total Collection	ns to Date
Fiscal Year Ended June 30	Tax Levy for iscal Year	Amc	unt Collected	Percentage of Levy	 lectionsin quentYears	Amo	ount Collected	Percentage of Levy
2017	\$ 2,566,533	\$	2,565,097	99.94%	N/A	\$	2,565,097	99.94%
2016	\$ 2,480,241	\$	2,477,637	99.90%	\$ 2,347	\$	2,477,637	99.90%
2015	\$ 2,464,100	\$	2,457,556	99.73%	\$ 6,527	\$	2,457,556	99.73%
2014	\$ 2,453,390	\$	2,450,504	99.88%	\$ 2,886	\$	2,453,390	100.00%
2013	\$ 2,514,090	\$	2,505,308	99.65%	\$ 8,638	\$	2,513,946	99.99%
2012	\$ 2,453,727	\$	2,444,053	99.61%	\$ 9,629	\$	2,453,682	100.00%
2011	\$ 2,419,428	\$	2,407,094	99.49%	\$ 12,334	\$	2,419,428	100.00%
2010	\$ 2,256,453	\$	2,239,075	99.23%	\$ 17,378	\$	2,256,453	100.00%
2009	\$ 2,215,502	\$	2,202,743	99.42%	\$ 12,759	\$	2,215,502	100.00%
2008	\$ 2,154,796	\$	2,143,447	99.47%	\$ 11,349	\$	2,154,796	100.00%

TOWN OF BILTMORE FOREST, NORTH CAROLINA Ratio of Outstanding Debt by Type

LAST TEN FISCAL YEARS

				Governmer	ntal Ac	tivities					Business-type	eActi	vities					
Fiscal Year	Obli	neral gation onds	In	stal1ment Notes		apital eases	Total vernmental Activities	Obl	eneral igation sonds	Insta	allment Notes		apital eases	tal Business- be Activities	Tota	l Outstanding Debt	Population	ebt per Capita
2017	\$	-	\$	273,173	\$	-	\$ 273,173	\$	-	\$	-	\$	-	\$ -	\$	273,173	1,400	\$ 195
2016	\$	-	\$	333,739	\$	-	\$ 333,739	\$	-	\$	-	\$	-	\$ -	\$	333,739	1,400	\$ 238
2015	\$	-	\$	270,000	\$	-	\$ 270,000	\$	-	\$	-	\$	-	\$ -	\$	270,000	1,400	\$ 193
2014	\$	-	\$	301,130	\$	-	\$ 301,130	\$	-	\$	1,459,578	\$	-	\$ 1,459,578	\$	1,760,708	1,387	\$ 1,269
2013	\$	-	\$	335,547	\$	-	\$ 335,547	\$	-	\$	1,841,707	\$	-	\$ 1,841,707	\$	2,177,254	1,387	\$ 1,570
2012	\$	-	\$	373,340	\$	-	\$ 373,340	\$	-	\$	2,209,394	\$	-	\$ 2,209,394	\$	2,582,734	1,364	\$ 1,894
2011	\$	-	\$	421,517	\$	-	\$ 421,517	\$	-	\$	2,563,185	\$	-	\$ 2,563,185	\$	2,984,702	1,367	\$ 2,183
2010	\$	-	\$	480,055	\$	-	\$ 480,055	\$	-	\$	2,903,605	\$	-	\$ 2,903,605	\$	3,383,660	1,343	\$ 2,519
2009	\$	-	\$	516,008	\$	-	\$ 516,008	\$	-	\$	3,231,159	\$	-	\$ 3,231,159	\$	3,747,167	1,556	\$ 2,408
2008	\$	-	\$	42,897	\$	-	\$ 42,897	\$	-	\$	3,546,333	\$	-	\$ 3,546,333	\$	3,589,230	1,548	\$ 2,319
2007	\$	-	\$	-	\$	-	\$ -	\$	-	\$	3,728,062	\$	-	\$ 3,728,062	\$	3,728,062	1,537	\$ 2,426

Ratio of General Bonded Debt Outstanding

LAST TEN FISCAL YEARS

Percentage of Net General Fiscal Year General Obligation Bonded Debt to Ended June **Obligation Bond** Assessed Taxable Value of 30 Debt Assessed Value Population Per Capita Property 0.00 2017 \$ \$ 649,755,224 0.00% 1,400 -0.00 2016 \$ \$ 644,218,396 0.00% 1,400 -0.00 2015 \$ \$ 639,321,366 0.00% 1,400 -\$ 0.00 2014 637,244,229 0.00% 1,387 \$ -0.00 \$ \$ 2013 762,632,360 0.00% 1,387 -\$ 0.00 2012 \$ 766,789,821 0.00% 1,364 -0.00 2011 \$ \$ 756,071,306 1,367 0.00% -2010 \$ 0.00% 1,343 0.00 \$ 752,150,994 -0.00 2009 \$ \$ 738,500,804 0.00% 1,556 -\$ 0.00 2008 \$ 730,439,204 0.00% 1,548 -

Direct and Overlapping Governmental Activities Debt

AS OF JUNE 30, 2016

Amount Applicable Estimated to Primary Percentage Government Unit: Debt Outstanding Applicable Government Buncombe County overlapping debt 474,793,538 0.55% 2,611,364 \$ \$ Town of Biltmore Forest installment debt 273,173 100% \$ \$ 273,173 Total direct and overlapping debt 475,066,711 \$ 2,884,537 \$

TOWN OF BILTMORE FOREST, NORTH CAROLINA Legal Debt Margin

LAST TEN FISCAL YEARS

								Fiscal Year En	ded J	lune 30,				
		2017		2016		2015	2014	2013		2012	2011	2010	2009	2008
Debt limit	\$	51,980,418	\$	51,537,472	\$	51,145,709	\$ 50,979,538	\$ 61,010,589	\$	61,343,186	\$ 60,485,704	\$ 60,172,080	\$ 59,080,064	\$ 66,435,136
Total net debt applicable to limit		273,173		333,739		270,000	 1,760,708	 2,177,254		2,582,734	 2,984,702	 3,383,660	 3,747,167	 3,589,230
Legal debt margin	\$	51,707,245	\$	51,203,733	\$	50,875,709	\$ 49,218,830	\$ 58,833,335	\$	58,760,452	\$ 57,501,002	\$ 56,788,420	\$ 55,332,897	\$ 62,845,906
Total net debt applicable to the limit as a percentage of debt limit		0.53%		0.65%		0.53%	3.45%	3.57%		4.21%	4.93%	5.62%	6.34%	5.40%
Legal Debt Marg	gin Ca	lculation for Fis	ical Y	ear Ending 201		040 755 004								
Assessed value of taxable property Debt Limit-Eight Percent (8%) of as	sessed	value			\$ \$	649,755,224 51,980,418								
Gross Debt: Total Bonded Debt Installment Purchase Agree	ements	6			\$ \$	- 273,173.00								
Gross Debt					\$	273,173.00								
Total amount of debt applicable to d	ebt lin	nit (net debt)			\$	273,173.00								
Legal debt margin					\$	51,707,244.92								

Table 11

Note: NC Statute GS 159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation. The legal debt margin is the difference between the debt limit and the Town's net debt outstanding applicable to the limit, and represents the Town's legal borrowing authority.

Demographic and Economic Statistics

LAST TEN FISCAL YEARS

Percentage of County Median Household Fiscal Year Population Per Capita Income Median Age Unemployment Rate Population Income 2017 1,400 0.55% \$ \$ 52.9 141,458 89,622 N/A \$ 1,400 0.55% \$ 146,667 86,845 2016 53.1 N/A 0.56% 2015 1,400 N/A N/A N/A N/A 1,387 2014 0.55% N/A N/A N/A N/A 2013 1,387 0.55% N/A N/A N/A N/A 2012 0.55% 1,364 N/A N/A N/A N/A 2011 1.367 0.64% N/A N/A N/A N/A 2010 0.65% 1,343 \$ 130,000 \$ 82,114 52.9 N/A 2009 0.66% 1,556 N/A N/A N/A N/A 2008 1,548 0.66% N/A N/A N/A N/A 2000 1,440 0.70% \$ 119,526 \$ 85,044 48.9 N/A

Note (1): Population estimates taken from the North Carolina Office of State Budget & Management

Note (2): Median Household Income, Per Capita Income and Median Age taken from the Decennial Census for years prior to 2017

Note (3): Median Household Income, Per Capita Income and Median Age taken from American Community Survey for years 2016 and after Note (4): Unemployment rate is not available for municipality.

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TOWN OF BILTMORE FOREST, NORTH CAROLINA Full Time Employees by Function

LAST TEN FISCAL YEARS

				Number of Ful	II Time Positio	ons by Functio	n as of June 30)		
Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government	1	1	1	1	1	1	1	1	1	1
Public Safety	14	14	14	14	14	14	14	14	14	14
Transportation	1	1	1	1	1	1	1	1	1	1
Physical Development	10	10	6	6	6	7	7	8	8	8
Total	26	26	22	22	22	23	23	24	24	24
				Number of F	Full Time Posit	tions by Fund	as of June 30			
Fund	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund	25	25	22	22	22	23	23	24	24	24
Enterprise Fund	1	1	2	2	2	2	2	2	2	2
Total	26	26	24	24	24	25	25	26	26	26

Note:

(1) Vacant Positions are not included in the above numbers.

(2) Full time personnel work 2,080 hours per year (less vacation and sick leave).

(3) Fire services are provided by contract and therefore positions related to the fire contract are not included in the number of positions noted above.

Operating Indicators by Function/Program

LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Building Permits Issued	36	46	38	38	50	41	36	42	43	58
Public Safety*										
Police calls for service	N/A	3,510	2,862	2,804	3,227	3,519	2,827	2,750	2,553	2,567
Number of arrests	N/A	37	25	131	217	194	85	90	67	143
Transportation										
Streets Maintained (miles)	21.97	21.97	21.97	21.97	21.97	21.97	21.97	21.97	21.97	21.97
Physical Development *										
Solid Waste (tons)	N/A	410.31	490.31	476.11	464.17	464.09	480.48	467.59	408.17	525.77
Recycling (tons)	N/A	217.53	229.34	217.04	208.00	196.63	209.81	279.50	256.34	264.81
Enterprise Fund-Water*										
Number of accounts	N/A	785	781	774	777	776	770	N/A	N/A	N/A
Average daily consumption (gallons)	N/A	185,588	171,023	153,783	135,255	152,561	171,187	N/A	N/A	N/A

*Data not available on FY schedule. Data provided is for calendar year.

Capital Asset Statistic by Function

LAST TEN FISCAL YEARS										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Number of general government										
buildings	1	1	1	1	1	1	1	1	1	1
Number of parks	2	2	2	2	2	2	2	2	2	2
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Transportation										
Miles of streets	21.97	21.97	21.97	21.97	21.97	21.97	21.97	21.97	21.97	21.97
Physical Development										
Number of public works buildings	2	2	2	2	2	2	2	2	2	2
Number of street lights	63	63	63	63	63	63	63	63	63	63
Enterprise Fund-Water										
# Household Accounts	692	655	655	650	640	636	646	626	629	632
#Irrigation Accounts	113	129	129	127	119	121	120	121	121	121











(828) 274-0824

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