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# **Financial Plan**

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## **BUDGET PROCESS**

North Carolina General Statutes require that the Budget Officer is responsible for preparing and submitting the annual budget and capital program to the Town Board.

### **Budget Preparation Calendar**

<b><u>Deadline</u></b>	<b><u>Process</u></b>
Prior to April 30 *	Work plan for the budget process developed. Information necessary to develop the budget should be made available to department heads and the budget officer. This data includes: actual revenues and expenditures for the preceding fiscal year; actual revenues and expenditures through February 28, or later if available, of the current year; the estimated revenues and expenditures for the entire current year; and the current year salaries and wages for each employee.
By April 30	Requests from departments for budget year are due.
By May 1	Estimated revenues and appropriations reviewed and adjusted. Decision made whether to request appropriated fund balance and/or reduce appropriations to balance the budget. The budget may not balance at this point.
By May 15	Estimated revenues, fund balance, and appropriations requests for the coming year should be reviewed and adjusted. The budget should be in balance at this point.
By June 1*	Budget document, along with the budget message, printed and presented to the Board for its consideration. The public hearing on the budget should be scheduled at this time. A copy of the budget must be filed with the Board's clerk at the time it is presented to the Board. The clerk shall make a copy of the budget available to all news media in the county.

<u>Deadline</u>	<u>Process</u>
By July 1*	The budget ordinance should be approved by the Board. The public budget hearings should be held prior to the adoption of the budget ordinance. The Board should make any necessary changes to the budget as presented. These hearings can not be held earlier than 10 days after the budget is presented to the Board.

\* Denotes dates set by the North Carolina General Statutes (G.S. 159-10 through 159-13)

### Budget Amendments

G.S. 159-15 authorizes the governing board to amend the budget ordinance at any time after the ordinance is adopted, so long as the amended ordinance continues to meet the requirements of G.S. 159-8 and 159-13. Budget amendments may not increase or decrease the tax levy or alter a taxpayer's liability unless the Board is ordered to do so by the courts or an authorized State agency. Budget amendments may not increase the amount of tax revenue from the current levy to an amount that exceeds the percentage of taxes collected in the previous year, even if the revenue has actually been received.

Budget amendments must be made prior to obligating funds in excess of budgeted appropriations at the level at which the budget has been adopted. G.S. 159-13(a) states that the budget ordinance may be in any form that the Board considers most efficient in enabling it to make the fiscal policy decisions embodied therein, but it should make appropriations by department, function, or project and show revenues by major source. The staff of the Local Government Commission recommends that local governments do not adopt line item budget ordinances as the budget must then be amended at that level of detail. If revenues are less than estimated amounts, an amendment should be adopted to make these adjustments as well. Revenues should be budgeted only for amounts the unit can realistically expect to receive. Each fund in the budget must remain balanced; therefore, when there is a change in an estimated revenue or appropriation, there must be an offsetting adjustment to some other revenue or appropriation account(s) in order to keep the fund balanced.

An amendment should contain certain information, depending on its purpose. If the amendment is increasing an appropriation based on increased revenue, the amendment should specify the appropriation and its increase, as well as the revenue and its increase. Likewise, if the amendment is reducing one appropriation and increasing another, with no new revenue source, each appropriation should be listed along with the amount of increase or decrease. Each amendment should balance. Total increases in appropriations should equal total decreases if no new revenues are involved. Total increases in appropriations should equal total increases in revenues if new revenues are involved. In all situations, a brief description of the circumstances surrounding the amendment should be on the face of the amendment or in the minutes where the amendment was approved.

Board approval or review should be indicated on each amendment, either by signature of the clerk to the Board attesting to Board approval or by including the actual amendment itself in the Board meeting minutes.

The amendments include the account numbers to which the changes are to be posted on the amendment form for ease in recording the changes. As discussed below, the Board has the option of allowing the budget officer to make minor changes to the budget without obtaining prior Board approval by formal budget amendments. Such changes must be within a fund and not between two or more funds.

The Town of Montreat Budget Ordinance states the following:

The Budget and Finance Officer are hereby authorized to distribute department funds upon the line item budget and make expenditures therefrom, in accordance with the Local Government Budget and Fiscal Control Act.

The Budget Officer is hereby authorized to transfer appropriations as contained herein under the following conditions:

- a. He/She may transfer amounts between line items, expenditures and revenues, within a department without limitation and without a report being required.
- b. He/She may transfer amounts up to \$2,500 between departments within any one division, including contingency appropriations, within the same fund during any month. For the purpose of this ordinance, the Town of Montreat has the following divisions: Public Works (Streets and Sanitation), Police and Administration. The Budget Officer must make an official report on such transfers at the next regular meeting of the Governing Board. Transfers between divisions would require action of the Governing Board.
- c. He/She may not transfer any amounts between funds, except as approved by the Governing Board in the Budget Ordinance as amended.

The most important thing to remember about budget amendments affecting expenditure accounts is that they are to be made prior to funds being obligated. The finance officer, or person acting in that capacity, can be held personally liable for any obligations made that are not in accordance with the budget ordinance as it stands at the time the obligation is incurred. Therefore, if an obligation is made in excess of the budgeted appropriation, a violation of G.S. 159-181(a) has occurred, even if the ordinance is later amended to authorize the obligation and the resulting expenditure.

Budget amendments may be made after June 30 to the budget ordinance for the previous year to cover obligations or expenditures that the unit legally must pay in excess of appropriations. However, such items are still a statutory violation, and the budget must be presented in the audited financial statements as it stood on June 30. If these amounts are material, a note disclosure in the audited financial statements may be needed to indicate statutory noncompliance.

## TOWN OF MONTREAT 2016 - 2017 BUDGET ORDINANCE

**BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE TOWN OF MONTREAT, NORTH CAROLINA:**

**Section 1.** The following amounts are hereby appropriated in the General Fund for the operation of the Town Government and its activities for the fiscal year beginning July 1, 2016 and ending June 30, 2017 in accordance with the chart of accounts heretofore established for this Town:

Governing Board	\$ 85,500
Administration	296,000
Public Buildings	140,300
Police	375,000
Planning and Zoning	85,400
Public Works	81,600
Street	732,100
Powell Bill	0
Sanitation	115,400
Recreation	18,000
<b>Total Expenditures</b>	<b>\$ 1,929,300</b>

**Section 2.** It is estimated that the following revenues will be available to the General Fund for the fiscal year beginning July 1, 2016 and ending June 30, 2017:

Advalorem Taxes - Current Year	\$ 976,600
Advalorem Taxes - Prior Years	500
DMV Taxes - Current Year	11,900
DMV Taxes - Prior Years	100
Payments in Lieu of Taxes	2,000
Tax Penalties and Interest	2,000
Building Permits	45,000
Utilities Franchise Tax	100,000
Beer and Wine Tax	3,000
Powell Bill	40,000
Interest on Powell Bill	200
Interest on Investments	2,000
Arrest Fees and Fines	200
Local Government Sales Tax	400,000
Solid Waste Disposal Tax	500
Contributions	2,000
Miscellaneous Revenues	1,000

Reimbursement – Texas Bridge	160,000
Public Safety Charges	3,000
Sale of Fixed Assets	1,000
Sanitation Fees	10,000
Fire Inspection Charges	500
Community Service Fee	45,000
Fund Balance Appropriated	122,800
<b>Total Revenues</b>	<b>\$1,929,300</b>

**Section 3.** The following amounts are hereby appropriated in the Water Fund for the fiscal year beginning July 1, 2016, and ending June 30, 2017, in accordance with the chart of accounts heretofore approved for the Town:

Water Fund	\$ 238,900
Debt Service	97,600
<b>Total Expenditures</b>	<b>\$ 336,500</b>

**Section 4.** It is estimated that the following Revenues will be available in the Water Fund for the fiscal year beginning July 1, 2016, and ending June 30, 2017:

Water Sales	\$ 143,500
Water Access Fees	165,000
Water Taps	2,000
Water Transfer Fees	1,000
Late Fees	3,000
Interest Earned	500
MSD Billing and Postage	20,000
Billing Fees	1,000
Miscellaneous Revenue	500
Transfer from Retained Earnings	0
<b>Total Revenue</b>	<b>\$ 336,500</b>

**Section 5.** The Budget Officer/Finance Officer is hereby authorized to distribute department funds upon the line item budget and make expenditures therefrom, in accordance with the Local Government Budget and Fiscal Control Act.

**Section 6.** The Budget Officer/Finance Officer is hereby authorized to transfer appropriations as contained herein under the following conditions:

- A. He/she may transfer amounts between line items, expenditures and revenues, within a department without limitation and without a report being required.
- B. He/she may transfer amounts up to \$2,500 between departments within any one division, including contingency appropriations, within the same fund during any

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month. For the purpose of this ordinance, the Town of Montreat has the following divisions: Public Works (Streets and Sanitation), Police, Governing Body, Administration, Public Buildings, Planning and Zoning, and Recreation. The Budget Officer/Finance Officer must make an official report on such transfers at the next regular meeting of the Governing Board. Transfers between divisions would require action of the Governing Board.

C. He/she may not transfer any amounts between funds, except as approved by the Governing Board in the Budget Ordinance as amended.

**Section 7.** There is hereby levied a tax at the rate of forty two cents (.42) per one hundred dollars (\$100) valuation of property as listed for taxes as of January 1, 2015 for the purpose of raising the revenue listed as "Taxes Advalorem - Current Year" in the General Fund in Section 2 of this Ordinance. This rate is based upon an estimated total valuation of \$235,977,058.00 and an estimated rate of collection of 99.75%. The estimated rate of collection is based on the fiscal year 2014-2015 collection rate of 99.75%.

**Section 8.** The Town of Montreat Fee Schedule, FY 2016-2017, as attached, is hereby incorporated into this annual budget ordinance, and such fees shall become effective on July 1, 2016.

**Section 9.** Copies of the Budget Ordinance shall be furnished to the Mayor, to the Board of Commissioners and to the Clerk of the Town to be kept on file for their direction in the disbursement of funds.

**ADOPTED AND APPROVED THIS, THE 23rd DAY OF JUNE, 2016**

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**TIM HELMS  
MAYOR**

**ATTEST:**

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**ANGIE MURPHY  
TOWN CLERK**

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## FISCAL YEAR 2016-2017 FEE SCHEDULE

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### Town of Montreat Fiscal Year 2016-2017 Fee Schedule

#### Administration

##### Taxes

Property Tax Rate: \$0.42/\$100 of Assessed Valuation

##### Miscellaneous

Copies (B&W)	\$0.10 per page
Copies (Color)	\$0.25 per page
Faxes Sent	\$1.00 per page
Faxes Received	\$0.10 per page
Documents	Actual Cost
Returned Check Fee	\$25.00 (per event)

##### Privilege Licenses

Repealed March 8, 2007

#### Water Rates

##### Residential

Water Access Fee	\$14.35
Water Rate (per 1,000 gallons)	\$4.95
Meter Set	\$50.00
Meter Tap	\$900.00

##### Institutional

Water Access Fee – 1" Line	\$92.25
Water Access Fee – 2" Line	\$225.50
Water Rate (per 1,000 gals)	\$4.95
Meter Set	\$50.00
Meter Tap	\$1,500.00

##### Other Fees

Reconnection Fee	\$100.00
Water Service Transfer Fee	\$25.00
Late Fee	5% per month on past due balances

#### Sewer Rates

Determined by the Metropolitan Sewerage District Fee Schedule

**Building Permits and Inspection Fees****Non-Residential Permits**

New Construction or Renovation (up to \$1,000,000 in Valuation)	\$300.00; or \$10.00 per \$1,000.00 gross construction value, whichever is greater
New Construction or Renovation (over \$1,000,000 in Valuation)	0.30% of each additional \$1,000,000 or value or portion thereof
Engineering Services Review Fee	\$75.00 per hour

**Non-Residential Electrical, Mechanical & Plumbing Inspection Fees**

Per Inspection, Per Trade Discipline	\$100.00
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**Other (Non-Residential)**

Modular Offices	\$250.00
Day Care Centers	\$80.00 per trade discipline
ABC License	\$80.00 per trade discipline
Certificate of Occupancy	\$150.00

**Residential Construction Permits (New)**

Site-Built Homes	Fees based on Estimated Construction Cost x 0.006
Covered Heated Areas	\$132.00 per sq. ft.
Covered Unheated Areas	\$60.00 per sq. ft.
Porches, Decks, Patios, etc.	\$44.00 per sq. ft.
Concrete Slabs, Walks, Drives, etc.	\$4.00 per sq. ft.
Manufactured Homes	\$88.00 per sq. ft.

**Residential Construction Permits (Remodel or Renovation)**

\$0 - \$999.99	\$30.00
\$1,000 - \$1,999.99	\$40.00
\$2,000 - \$4,999.99	\$50.00
\$5,000 or more	Actual Cost of Construction x 0.006 or \$50.00 whichever is greater

**Residential Electrical, Mechanical & Plumbing Inspection Fees**

Per Inspection, Per Trade Discipline	\$100.00
Mechanical Appliance Change Out	\$100.00
LP Gas Piping/System (per inspection required)	\$75.00

**Residential Certificate of Occupancy Fee**

\$60.00

**Miscellaneous Inspection & Administration Fees**

Demolition Permit	\$100.00
Driveway Permit	\$100.00
Fire Inspection	\$100.00
Grading Permit	\$150.00
Homeowners Recovery Fee	\$10.00

Re-Inspection Fee	\$100.00
Residential Retaining Walls (<48" unbalanced backfill)	\$100.00
Engineered Retaining Walls (>48" unbalanced backfill or commercial projects)	\$300.00 Minimum Fee or 0.006 x Project Cost (including design work), whichever is greater

**Work Performed Without Building and Zoning Permits** Double Permit Fee

**Right-of-Way Cut Permit Fees**

Minimum	\$50.00 < 25 square feet.
Normal Fee	\$2.00 per square foot
Maximum	\$2,500.00
Full Width Overlay (Master Permit – must be requested at time of cut application)	\$50.00
Street/Sidewalk/Dirt Cut Permit Length	10 working days (excluding weather delays)
Additional Re-Inspections	\$50.00 each
Additional Re-Inspections for Warranty Work	\$50.00 each

**Penalties/Fines**

Failure to obtain permit	\$50.00 per day
Exceeding time (past 10 working days)	\$50.00 per day

**Miscellaneous**

30-Day Extensions (must be requested prior to permit expiration)	No Charge
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**Planning/Zoning**

**Board of Adjustment Fees**

Appeals or Interpretations	\$50.00
Rezoning Requests	\$200.00
Variance Applications	\$350.00
Zoning Ordinance Amendment Applications	\$50.00

**Permit Fees**

Zoning Permit	\$35.00
Conditional Use Permit	\$300.00

**Subdivision Plat Review Fees**

Minor Subdivision	\$50.00
Major Subdivision	\$100.00

**Sign Permit Fees**

Free-Standing Signs	\$25.00
Wall Signs and Project Signs	\$20.00
Suspended and Home Occupation Signs	\$10.00

**Other Permits**

Wireless Communications Facility - Plan Review Fee	\$500.00
Wireless Communications Facility - Intermodulation Study	\$500.00
Stormwater Permit	\$400 per acre, or portion thereof, for total disturbed acreage equal to or exceeding 12,000 square feet. Below 12,000 square feet disturbed area, a \$100 flat rate shall be applied to all development and qualified redevelopment requiring a permit as described in the Stormwater Management Ordinance
Base Application Fee for Development in a Special Flood Hazard Area (SFHA)	\$100.00
Fire Permits (Operational or Construction)	\$25.00

**Sanitation**

Back Door Collection – Three Months	\$95.00
Back Door Collection - Annual	\$175.00
Special Pick Up	\$25.00 minimum
ETJ Collection Rate	\$300.00 annually
Mattress Disposal Fee	\$5.00 per item
Leaf Collection Fee (outside normal collection period)	\$25.00
Yard Waste Collection Fee (over 3 cubic yards)	\$25.00 per each additional 3 cubic yards
Compactor Site Bag Charges	
Bags smaller than 13 gallons	\$1.00 each
Kitchen trash bags (13 gallons)	\$2.00 each
Recycling bags (all sizes)	\$2.00 each
Bags larger than 13 gallons	\$3.00 each
Cardboard will be based on estimated bag size	

**Police Department****Parking Fines**

Overtime Parking	\$2.00
Illegal Parking	\$5.00
Handicap Parking (Unauthorized)	\$25.00
Late Fee for Parking Fines	Additional \$10.00 if not paid within 15 days
Immobilization Fees	\$20.00

**Town Ordinance Violation Fees**

First Offense	Verbal Warning
Second Offense	\$250.00
Third and Subsequent Offenses	\$500.00

**Life Safety Code Violations** \$100.00

**Non-Conforming Sign Violations** \$50.00 if not removed within 15 days

**All fees are subject to change at any time with approval by the Board of Commissioners.**

## SCHEDULE OF GENERAL FUND REVENUES

Actual FY 14-15	Current Year Budget FY 15-16	Estimated at 6/30/16	Administrator Recommended FY 16-17	Board Approved FY 16-17
949,906	952,000	953,000	976,600	
1,607	500	3,700	500	
2,000	2,000	0	2,000	
17,172	11,300	13,000	11,900	
0	100	0	100	
0	0	0	0	0
1,331	1,000	2,000	2,000	
31,309	45,000	38,000	45,000	
81,525	55,000	99,000	100,000	
3,344	3,000	3,200	3,000	
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
39,442	40,000	40,200	40,000	
0	0	0	0	0
0	0	0	0	0
882	2,000	1,500	2,000	
0	0	0	0	0
15	200	50	200	
191	200	200	200	
0	0	0	0	0
0	15,800	15,800	0	0
0	0	0	0	0
0	0	0	0	0
447	500	500	500	
36,418	0	0	0	0
355,621	345,000	380,000	400,000	
0	0	0	0	0
0	269,650	0	122,800	
10,380	1,000	1,000	1,000	
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	700,000	104,500	160,000	
559	2,000	2,600	2,000	
3,090	3,000	3,300	3,000	
0	500	0	500	
0	0	0	0	0
0	1,000	500	1,000	
0	0	0	0	0
9,053	10,000	8,000	10,000	
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
48,158	50,000	46,000	45,000	
<b>\$1,592,450</b>	<b>\$2,510,750</b>	<b>\$1,716,050</b>	<b>\$1,929,300</b>	<b>\$0</b>

## SCHEDULE OF WATER FUND REVENUES

Actual FY 14-15	Current Year Budget FY 15-16	Estimated at 6/30/16	Administrator Recommended FY 16-17	Board Approved FY 16-17
19,999	20,000	19,000	20,000	
129,613	140,000	135,000	143,500	
163,842	160,000	165,000	165,000	
1,077	1,000	1,100	1,000	
1,900	2,000	1,200	2,000	
825	1,000	800	1,000	
0	0	0	0	
75	500	200	500	
0	0	0	0	
753	500	100	500	
0	0	0	0	
2,383	2,000	3,500	3,000	
0	0	0	0	
0	0	0	0	
0	0	0	0	
<b>\$320,467</b>	<b>\$327,000</b>	<b>\$325,900</b>	<b>\$336,500</b>	<b>\$0</b>

## GENERAL FUND CATEGORY SUMMARY

	FY 1999-2000	FY 2000-2001	FY 2001-2002	FY 2002-2003	FY 2003-2004
<b>Ad Valorem Taxes</b>					
Taxes, Ad Valorem - Current Year	\$ 418,376.00	\$ 422,708.00	\$ 480,011.00	\$ 489,981.00	\$ 571,121.00
Taxes, Ad Valorem - Prior Year	\$ 3,253.00	\$ 687.00	\$ 465.00	\$ 368.00	\$ 1,108.00
Penalties and Interest	\$ -	\$ 784.00	\$ 1,980.00	\$ 2,131.00	\$ 1,335.00
<b>Other Taxes</b>					
Privilege Licenses	\$ -	\$ -	\$ -	\$ -	\$ -
Local Option Sales Tax	\$ 165,083.00	\$ 171,525.00	\$ 163,115.00	\$ 187,420.00	\$ 218,827.00
Return of Taxes	\$ 17,990.00	\$ 21,021.00	\$ 14,880.00	\$ 16,633.00	\$ 16,144.00
<b>Unrestricted Intergovernmental</b>					
Payments in Lieu of Taxes	\$ 15,200.00	\$ 15,500.00	\$ 15,400.00	\$ 15,300.00	\$ 9,500.00
Beer & Wine Tax	\$ 2,816.00	\$ 2,926.00	\$ -	\$ 2,633.00	\$ 2,863.00
Utility Franchise Tax	\$ 37,363.00	\$ 37,960.00	\$ 25,190.00	\$ 41,383.00	\$ 41,168.00
Tax Refunds, Gasoline Tax	\$ 1,077.00	\$ 858.00	\$ 1,434.00	\$ 918.00	\$ 1,658.00
Intangibles Tax Reimbursement	\$ 16,714.00	\$ 16,827.00	\$ 16,216.00	\$ -	\$ -
Police Grant Reimbursement	\$ -	\$ -	\$ 6,188.00	\$ -	\$ -
Inventory Tax Reimbursement	\$ 4,673.00	\$ 2,353.00	\$ 4,576.00	\$ -	\$ -
Food Stamp Tax Reimbursement	\$ 618.00	\$ 622.00	\$ 599.00	\$ -	\$ -
<b>Restricted Intergovernmental</b>					
Powell Bill Allocation	\$ 42,340.00	\$ 44,384.00	\$ 42,855.00	\$ 40,364.00	\$ 47,718.00
Reimbursement - Bridge Insp.	\$ 4,149.00	\$ 161.00	\$ 4,416.00	\$ 4,416.00	\$ 4,640.00
FEMA Grant	\$ -	\$ -	\$ -	\$ -	\$ -
Solid Waste Disposal Tax	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Permits and Fees</b>					
Building Permits	\$ 13,465.00	\$ 16,079.00	\$ 17,168.00	\$ 18,022.00	\$ 22,181.00
Cable TV Franchise Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Community Service Fee					
<b>Sales and Services</b>					
Public Safety Charges	\$ 18,137.00	\$ 18,904.00	\$ 19,744.00	\$ 19,259.00	\$ 21,962.00
Sanitation Collection	\$ 5,940.00	\$ -	\$ -	\$ -	\$ -
Fire Inspection Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Investment Earnings</b>					
Other Funds	\$ 14,256.00	\$ 16,196.00	\$ 7,327.00	\$ 8,617.00	\$ 5,311.00
<b>Miscellaneous</b>					
Contributions	\$ -	\$ 15,000.00	\$ -	\$ 200.00	\$ 275.00
Other	\$ 4,847.00	\$ 7,439.00	\$ 6,046.00	\$ 3,642.00	\$ 5,128.00
<b>Total General Fund Revenues</b>	<b>\$ 786,297.00</b>	<b>\$ 811,934.00</b>	<b>\$ 827,610.00</b>	<b>\$ 851,287.00</b>	<b>\$ 970,939.00</b>

## GENERAL FUND CATEGORY SUMMARY

	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	FY 2008-2009
<b>Ad Valorem Taxes</b>					
Taxes, Ad Valorem - Current Year	\$ 615,290.00	\$ 633,724.00	\$ 841,759.00	\$ 857,771.00	\$ 864,699.00
Taxes, Ad Valorem - Prior Year	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties and Interest	\$ 894.00	\$ 1,003.00	\$ 1,315.00	\$ 1,195.00	\$ 1,294.00
<b>Other Taxes</b>					
Privilege Licenses	\$ 1,325.00	\$ 1,585.00	\$ 75.00	\$ -	\$ -
Local Option Sales Tax	\$ 247,299.00	\$ 281,906.00	\$ 302,828.00	\$ 330,010.00	\$ 298,781.00
Return of Taxes	\$ 17,180.00	\$ -	\$ -	\$ -	\$ -
<b>Unrestricted Intergovernmental</b>					
Payments in Lieu of Taxes	\$ 5,000.00	\$ 7,300.00	\$ 6,500.00	\$ 5,000.00	\$ 5,000.00
Beer & Wine Tax	\$ 2,988.00	\$ 2,887.00	\$ 3,127.00	\$ -	\$ 3,257.00
Utility Franchise Tax	\$ 32,084.00	\$ 32,430.00	\$ 41,906.00	\$ 51,417.00	\$ 55,798.00
Tax Refunds, Gasoline Tax	\$ -	\$ -	\$ 5,525.00	\$ 2,072.00	\$ 7,187.00
Intangibles Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -
Police Grant Reimbursement	\$ -	\$ 300.00	\$ -	\$ -	\$ -
Inventory Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -
Food Stamp Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted Intergovernmental</b>					
Powell Bill Allocation	\$ 41,753.00	\$ 40,943.00	\$ 41,075.00	\$ 45,980.00	\$ 41,788.00
Reimbursement - Bridge Insp.	\$ 4,560.00	\$ -	\$ -	\$ -	\$ -
FEMA Grant	\$ 176,931.00	\$ -	\$ 149,272.00	\$ -	\$ 18,937.00
Solid Waste Disposal Tax	\$ -	\$ -	\$ -	\$ -	\$ 220.00
<b>Permits and Fees</b>					
Building Permits	\$ 17,330.00	\$ 30,652.00	\$ 31,491.00	\$ 30,084.00	\$ 38,399.00
Cable TV Franchise Fees	\$ 10,811.00	\$ 11,406.00	\$ 12,611.00	\$ 4,765.00	\$ 1,485.00
Community Service Fee					
<b>Sales and Services</b>					
Public Safety Charges	\$ 25,938.00	\$ 23,175.00	\$ 23,047.00	\$ 9,866.00	\$ 3,373.00
Sanitation Collection	\$ -	\$ -	\$ 26,867.00	\$ 37,325.00	\$ 41,278.00
Fire Inspection Fees	\$ -	\$ -	\$ -	\$ 11,405.00	\$ 3,805.00
Other	\$ -	\$ -	\$ -	\$ 5,155.00	\$ 4,229.00
<b>Investment Earnings</b>					
Other Funds	\$ 12,389.00	\$ 42,858.00	\$ 74,902.00	\$ 56,008.00	\$ 22,347.00
<b>Miscellaneous</b>					
Contributions	\$ 2,136.00	\$ 1,625.00	\$ 15,343.00	\$ 2,235.00	\$ 2,500.00
Other	\$ 7,334.00	\$ 3,541.00	\$ 4,169.00	\$ 11,018.00	\$ 5,128.00
<b>Total General Fund Revenues</b>	<b>\$ 1,221,242.00</b>	<b>\$ 1,115,335.00</b>	<b>\$ 1,581,812.00</b>	<b>\$ 1,461,306.00</b>	<b>\$ 1,419,505.00</b>

## GENERAL FUND CATEGORY SUMMARY

	FY 2009-2010	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
<b>Ad Valorem Taxes</b>						
Taxes, Ad Valorem - Current Year	\$ 876,034.00	\$ 871,957.00	\$ 878,470.00	\$ 892,030.00	\$ 972,209.00	\$ 968,685.00
Taxes, Ad Valorem - Prior Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties and Interest	\$ 1,530.00	\$ 1,353.00	\$ 1,189.00	\$ 3,303.00	\$ 1,649.00	\$ 1,331.00
<b>Other Taxes</b>						
Privilege Licenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Option Sales Tax	\$ 277,467.00	\$ 280,616.00	\$ 307,211.00	\$ 313,951.00	\$ 332,403.00	\$ 355,621.00
Return of Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Unrestricted Intergovernmental</b>						
Payments in Lieu of Taxes	\$ -	\$ -	\$ 225.00	\$ -	\$ 2,000.00	\$ 2,000.00
Beer & Wine Tax	\$ 1,013.00	\$ 3,075.00	\$ 3,126.00	\$ 2,774.00	\$ 3,004.00	\$ 3,344.00
Utility Franchise Tax	\$ 56,524.00	\$ 53,859.00	\$ 52,505.00	\$ 38,982.00	\$ 54,388.00	\$ 81,525.00
Tax Refunds, Gasoline Tax	\$ 3,265.00	\$ -	\$ -	\$ -	\$ -	\$ -
Intangibles Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Police Grant Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food Stamp Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted Intergovernmental</b>						
Powell Bill Allocation	\$ 37,137.00	\$ 37,136.00	\$ 38,372.00	\$ 38,545.00	\$ 39,050.00	\$ 39,442.00
Reimbursement - Bridge Insp.	\$ -	\$ -	\$ -	\$ -	\$ 260,586.00	\$ -
FEMA Grant	\$ 8,272.00	\$ -	\$ 10,294.00	\$ 59,032.00	\$ -	\$ 36,418.00
Solid Waste Disposal Tax	\$ 498.00	\$ 473.00	\$ 494.00	\$ 325.00	\$ 388.00	\$ 447.00
<b>Permits and Fees</b>						
Building Permits	\$ 38,022.00	\$ 35,626.00	\$ 36,003.00	\$ 49,129.00	\$ 56,636.00	\$ 31,309.00
Cable TV Franchise Fees	\$ 1,390.00	\$ -	\$ -	\$ -	\$ -	\$ -
Community Service Fee	\$ -	\$ -	\$ -	\$ 45,769.00	\$ 45,619.00	\$ 48,158.00
<b>Sales and Services</b>						
Public Safety Charges	\$ 3,371.00	\$ 2,809.00	\$ 3,376.00	\$ 3,371.00	\$ 3,386.00	\$ 3,090.00
Sanitation Collection	\$ 36,210.00	\$ 37,793.00	\$ 38,015.00	\$ 23,395.00	\$ 7,995.00	\$ 9,053.00
Fire Inspection Fees	\$ 400.00	\$ 9,175.00	\$ 325.00	\$ 25.00	\$ 460.00	\$ -
Other	\$ 5,047.00	\$ 480.00	\$ 1,802.00	\$ 1,338.00	\$ 1,943.00	\$ 15.00
<b>Investment Earnings</b>						
Other Funds	\$ 14,591.00	\$ 7,921.00	\$ 5,915.00	\$ 1,850.00	\$ 1,629.00	\$ 1,073.00
<b>Miscellaneous</b>						
Contributions	\$ 52,000.00	\$ 5,550.00	\$ 5,841.00	\$ 2,000.00	\$ 1,202.00	\$ 559.00
Other	\$ 1,891.00	\$ 2,042.00	\$ 15,931.00	\$ 20.00	\$ 194.00	\$ 10,380.00
<b>Total General Fund Revenues</b>	<b>\$ 1,414,662.00</b>	<b>\$ 1,349,865.00</b>	<b>\$ 1,399,094.00</b>	<b>\$ 1,475,839.00</b>	<b>\$ 1,784,741.00</b>	<b>\$ 1,592,450.00</b>

## WATER FUND CATEGORY SUMMARY

### Water Fund

	<u>FY 2000-2001</u>	<u>FY 2001-2002</u>	<u>FY 2002-2003</u>	<u>FY 2003-2004</u>	<u>FY 2004-2005</u>
Water Revenues	186,548	204,147	207,881	207,775	184,729
Water Taps	1,700	6,100	1,150	3,800	0
Interest Earned	1,954	1,451	1,717	1,379	2,992
MSD Billing and Postage	10,287	11,559	11,459	11,608	13,266
Buncombe County 2% Sales Tax	0	0	0	0	0
Transfer from Water	0	0	0	0	0
MSD Collections	180,994	184,261	184,457	185,292	0
Miscellaneous Revenue	0	0	0	566	1,066
<b>Total Water Fund Revenues</b>	<b>381,483</b>	<b>407,518</b>	<b>406,664</b>	<b>410,420</b>	<b>202,053</b>

### Water Fund

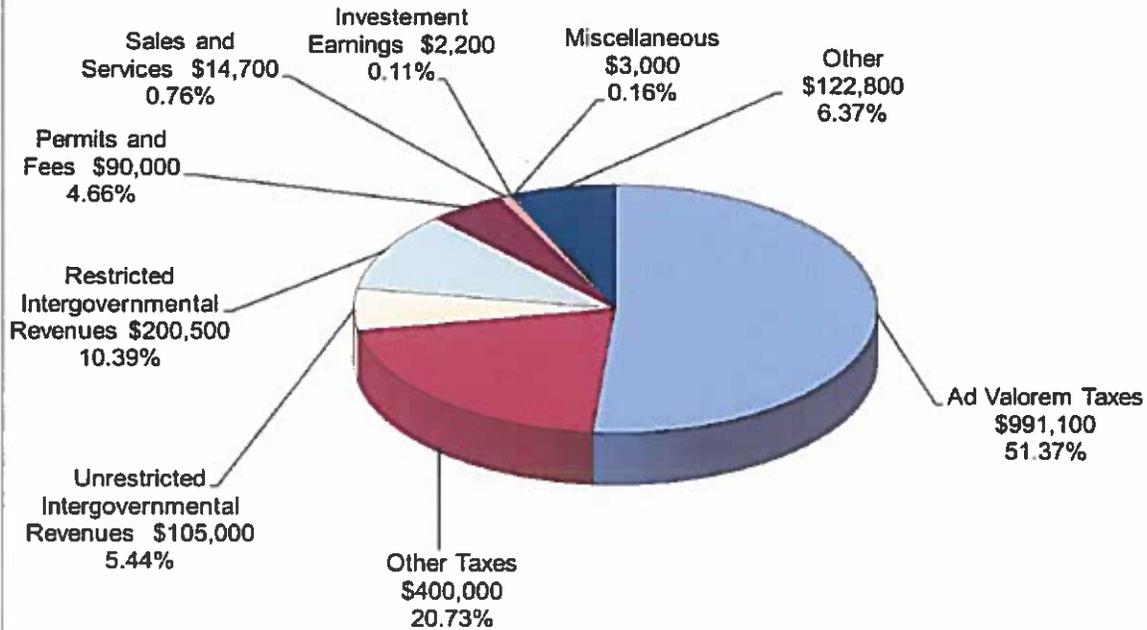
	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>	<u>FY 2007-2008</u>	<u>FY 2008-2009</u>	<u>FY 2009-2010</u>
Water Revenues	228,105	207,619	256,790	266,872	261,156
Water Taps	3,400	2,750	1,500	2,900	4,350
Interest Earned	5,926	7,809	6,771	2,916	1,128
MSD Billing and Postage	11,798	14,978	13,948	17,276	13,702
Buncombe County 2% Sales Tax	0	0	0	0	0
Transfer from Water	0	0	0	0	0
MSD Collections	0	0	0	0	0
Community Service Fee	0	0	0	0	9,734
Miscellaneous Revenue	0	1,009	2,258	9,677	245
<b>Total Water Fund Revenues</b>	<b>249,229</b>	<b>234,165</b>	<b>281,267</b>	<b>299,641</b>	<b>290,315</b>

### Water Fund

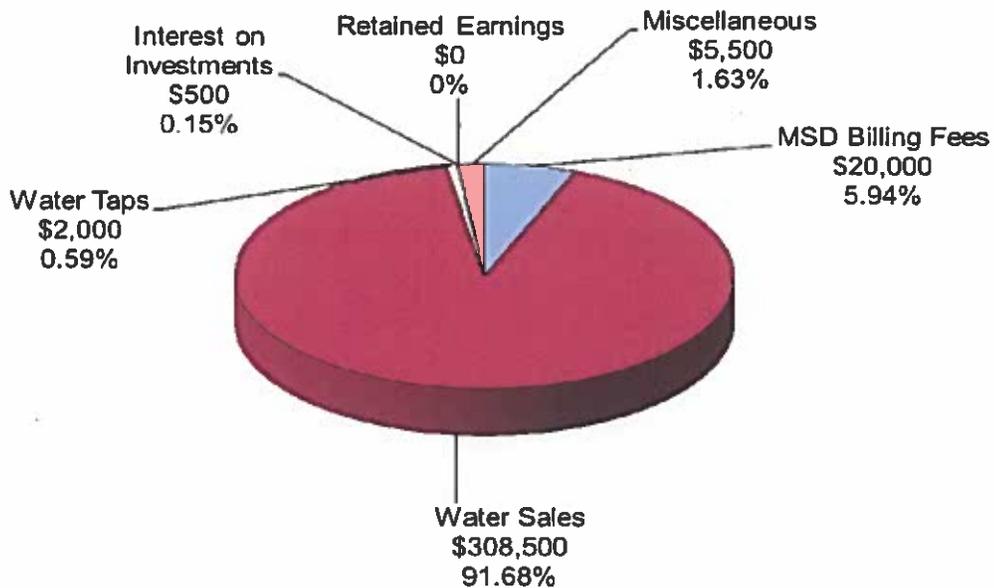
	<u>FY 2010-2011</u>	<u>FY 2011-2012</u>	<u>FY 2012-2013</u>	<u>FY 2013-2014</u>	<u>FY 2014-2015</u>
Water Revenues	257,219	256,888	273,316	307,686	293,455
Water Taps	1,950	1,850	2,025	3,800	1,900
Interest Earned	1,085	600	231	102	75
MSD Billing and Postage	15,536	16,446	23,618	20,682	19,999
Late Fees	2,452	2,307	2,225	2,140	2,383
ARRA Revolving Loan Proceeds	30,776	0	0	0	0
ARRA -Principal Forgiveness	251,022	0	0	0	0
Community Service Fee	35,880	44,514	45,769	45,614	0
Miscellaneous Revenue	35,948	-51,128	-19,472	1,052	2,655
<b>Total Water Fund Revenues</b>	<b>631,868</b>	<b>271,477</b>	<b>327,712</b>	<b>381,076</b>	<b>320,467</b>

## GENERAL AND WATER FUND CATEGORY SUMMARY

### General Fund Revenues Proposed FY 2016-2017



### Water Fund Revenues Proposed FY 2016-2017



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## **Summary of Significant Accounting Policies**

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

### **A. Reporting Entity**

The Town of Montreat is a municipal corporation, which is governed by an elected mayor and a five-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. All remaining governmental enterprise funds are aggregated and reported as non-major funds.

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.

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 administration, public safety, and street maintenance.

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 and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants 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 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 principle ongoing operations. The principle 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 the Enterprise Fund 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.

*Governmental Fund Financial Statement.* 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.

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Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad-valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in 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 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### **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 Enterprise Capital Projects 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 by more than \$2,500.

All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary.

## **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity**

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

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed 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 market value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the 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. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

### **3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill Funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through G.S. 136-41.4.

Restricted cash at June 30, 2015, consist of the following:

#### **Governmental Activities:**

General Fund:

Powell Bill	<u>\$ 198,443</u>
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Total governmental activities	<u>\$ 198,443</u>
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**Business-Type Activities:**

Water Fund:

Customer deposits \$ 3,660Total business-type activities \$ 3,660Total restricted cash \$ 202,103**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)] the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup> (lien date), the beginning of the fiscal year; however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowance for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

The inventories of the Town are valued at cost (first in, first out), which approximates market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; building and improvements, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; vehicles and motorized equipment, \$10,000, computer software, \$5,000 and computer equipment, \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are reported at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems 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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	50 years
Improvements	25 years
Furniture and equipment	10 years
Vehicles	6 years
Computer equipment	3 years

#### 8. Deferred Outflows/Inflows of Resources

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

#### 9. 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 government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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 resources, while discounts on debt issuances are reported as other financing uses. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) 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 compensation time. The portion of that time that is estimated to be used in the next fiscal year is considered a current liability and has been reported 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11. 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:

#### Non-Spendable 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.

*Prepays* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, 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 laws.

*Restricted for Stabilization by State Statue* - portion of fund balance that is restricted by State Statue {G.S. 159-8(a)}.

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*Restricted for streets – Powell Bill* – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Montreat’s governing body (highest level of decision-making authority). The governing board 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.

*Committed for Open Space* – a portion of fund balance that the Board of Commissioners has assigned for conservation efforts.

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

*Assigned for Public Safety* – portion of total fund balance that the Board of Commissioners has budgeted for employee benefits.

*Subsequent Year’s Expenditures* – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restrict or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resources or appropriation within funds up to \$100,000.

#### Unassigned Fund Balance

This classification is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

The Town of Montreat has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a matter that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

#### **Fund Balance Available for Appropriation**

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	\$	1,457,016
Less:		
Stabilization by State Statute		(69,299)
Non-spendable		<u>(9,986)</u>
Fund balance available for appropriation	\$	1,377,731

## 12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows or resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government 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 Montreat's employer contributions are recognized when due and the Town of Montreat 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.

### Detail on All Funds

#### A. Assets

##### 1. Deposits

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

At June 30, 2015, the Town’s deposits had a carrying amount of \$1,750,232 and a bank balance of \$1,825,183. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. The Town also had cash on hand of \$250 at June 30, 2015.

**2. Investments**

At June 30, 2015, the Town of Montreat had \$13,135 invested with the North Carolina Capital Management Trust’s Cash Portfolio, which carried a credit rating of AAAM by Standard & Poor’s. The Town has no policy regarding credit risk.

At June 30, 2015, the Town’s investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Cash Portfolio	\$ 13,135	N/A	AAAM

**Interest Rate Risk**

The Town has no formal investment policy regarding interest rate risk.

**3. Receivables-Allowance for Doubtful Accounts**

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2015 are net of the following allowances for doubtful accounts:

Enterprise Fund:	
Water Fund - Accounts receivable	\$ 2,808
Total	\$ 2,808

**Capital Assets**

**Primary Governmental**

Capital asset activity for governmental activities at the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,355,224		\$ -	\$ 1,355,224
Construction in progress	548,337	407,597	(533,822)	422,112
Total capital assets not being depreciated	<u>1,903,561</u>	<u>407,597</u>	<u>(533,822)</u>	<u>1,777,336</u>
<b>Capital assets being depreciated:</b>				
Buildings	-	1,921	-	1,921
Building improvements	59,507	-	-	59,507
Infrastructure	856,555	533,822	-	1,390,377
Equipment	771,145	6,712	-	777,857
IT equipment	81,402	-	-	81,402
Vehicles	469,903	28,364	-	498,267
Total capital assets being depreciated	<u>2,238,512</u>	<u>570,819</u>	<u>-</u>	<u>2,809,331</u>
<b>Less accumulated depreciation for:</b>				
Building improvements	30,074	3,972	-	34,046
Infrastructure	206,457	69,027	-	275,484
Equipment	63,073	2,513	-	65,586
IT equipment	62,125	8,858	-	70,983
Vehicles	385,958	<u>23,038</u>	-	408,996
Total accumulated depreciation	<u>747,687</u>	<u>107,408</u>	<u>\$ -</u>	<u>855,095</u>
Total capital assets begin depreciated	<u>1,490,825</u>			<u>1,954,236</u>
Governmental activity capital assets, net	<u>\$ 3,394,386</u>			<u>3,731,572</u>

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

General Government	\$ 9,209
Public Safety	18,557
Transportation	65,468
Environmental Protection	1,399
Cultural and recreation	<u>12,775</u>
Total Depreciation Expense	<u>\$107,408</u>

#### Proprietary Capital Assets

The capital asset activity of the Proprietary Fund for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
<b>Business-Type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 367,968	\$ -	\$ -	\$ 367,968
Construction in progress	8,678	165,136	(173,814)	-
Total capital assets not being depreciated	<u>376,646</u>	<u>165,136</u>	<u>(173,814)</u>	<u>376,968</u>
<b>Capital assets being depreciated:</b>				
Buildings	142,110	-	-	142,110
Improvements	601,155	-	-	601,155
Infrastructure	1,807,704	173,814	-	1,981,518
Equipment	98,938	-	-	98,938
IT equipment	23,776	-	-	23,776
Vehicles	67,675	-	-	67,675
Total capital assets being depreciated	<u>2,741,358</u>	<u>-</u>	<u>-</u>	<u>2,915,172</u>
<b>Less accumulated depreciation:</b>				
Buildings	53,272	3,553	-	56,825
Improvements	23,800	19,909	-	43,709
Infrastructure	1,155,418	49,031	-	1,204,449
Equipment	39,139	14,950	-	54,089
IT equipment	22,391	1,385	-	23,776
Vehicles	67,675	-	-	67,675
Total accumulated depreciation	<u>1,361,695</u>	<u>88,828</u>	<u>\$ -</u>	<u>1,450,523</u>
Total capital assets begin depreciated, net	<u>1,379,663</u>			<u>1,464,649</u>
Governmental activity capital assets, net	<u>1,756,309</u>			<u>1,832,617</u>

Construction Commitments

<b>Project</b>	<b>Remaining Construction Commitment</b>
Texas Bridge Project	\$ 45,850
Total	<u>- 45,850</u>

80% of the Texas Bridge Project will be reimbursed by NCDOT.

**B. Liabilities**

Payables

Payables at the government-wide level at June 30, 2015 were as follows:

	<u>Salaries and Benefits</u>	<u>Vendors</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 23,361</u>	<u>\$ 27,327</u>	<u>\$ 54,622</u>

Total	<u>\$ 23,361</u>	<u>\$ 27,327</u>	<u>\$ 54,622</u>
Business-Type Activities:			
Water	\$ -	<u>\$ 30,358</u>	<u>\$ 30,358</u>
Total	<u>\$ -</u>	<u>\$ 30,358</u>	<u>\$ 30,358</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

*Plan Description.* The Town contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEO) 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 State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Montreat 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 Montreat's contractually required contribution rate for the year ended June 30m 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Montreat were \$45,387 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of \$55,082 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.00009%, which was a decrease of 0.00001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City recognized pension expense of \$2,152. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	\$6,019
Changes of assumptions	-	-
Net difference between projected and actual		
Earnings on pension plan investments	-	\$128,230
Changes in proportion and differences between		
Town contributions and proportionate share of		
contributions		\$5,191
Town contributions subsequent to the measurement		
date	<u>\$45,387</u>	<u>-</u>
Total	\$45,387	\$139,440

\$45,387 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$(34,867)
2017	\$(34,867)
2018	\$(34,867)
2019	\$(34,839)
2020	-
Thereafter	-

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

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

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

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

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

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

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

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town’s proportionate share of the net pension liability (asset)	\$186,973	\$(55,082)	\$(252,885)

*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.

Law Enforcement Officers Special Separation Allowance

*Plan Description.* The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>5</u>
Total	<u>5</u>

A separate report was not issued for the plan.

**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.

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

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

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

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. .

*Annual Pension Cost and Net Pension Obligation.* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 11,534
Interest on net pension obligation	6,549
Adjustment to annual required contribution	<u>(11,064)</u>
Annual pension cost	7,019
Contributions made	<u>--</u>
Increase in net pension obligation	7,019
Net pension obligation, beginning of year	130,979
Net pension obligation, end of year – June 30	\$ 137,998

Three Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 7,764	0.00%	\$ 126,064
2014	\$ 4,915	0.00%	\$ 130,979
2015	\$ 7,019	0.00%	\$ 137,998

*Funded Status and Fund Progress.* As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$89,439. The covered payroll (annual payroll of active employees covered by the plan) was \$218,628, and the ratio of the UAAL to the covered payroll was 40.91%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$20,012, which consisted of \$10,690 from the Town and \$9,322 from the law enforcement officers.

Supplemental Retirement Income Plan for Employees Not Engaged in Law Enforcement

*Funding Policy.* The Town also contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$28,618, which consisted of \$20,915 from the Town and \$7,703 from the employees.

Other Employment Benefits

The Town has also 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, costs-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 in active service 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. 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.

Deferred Inflows/Unavailable Revenues

The Town has one deferred outflow of resources consisting of \$45,387 of contributions to pension plan in the current fiscal year.

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

**General Fund:**

Pension deferrals	\$139,440
Prepaid taxes not yet earned	\$ 1,500
Taxes receivable, net	\$ 3,161
Total	<u>\$ 144,101</u>

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 a self-funded risk financing pool 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, workers' compensation coverage up to statutory limits, and employee health coverage. The liability of property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually

by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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 Administration and the Finance Officer are each individually bonded for \$50,000. The Town Clerk is bonded for \$10,000.

#### Claims, Judgments, and Contingent Liabilities

At June 30, 2015, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

#### Long-Term Obligations

Installment debt at June 30, 2015 is comprised of the following:

In March 2013, the Town entered into \$74,750 in certificates of participation to finance the purchase of equipment. The financing contract required principal payments beginning in March 2014 with an interest rate of 2.19 percent	\$ 45,818
ARRA principal forgiveness loan for the construction of two water-related projects. The loan has a maximum amount of \$492,995, of which \$246,947 could be debt. The loan is payable in 20 annual installments beginning at the time the project is completed. The H-ARRA-09-1289 and H-ARRA-09-1290A are interest free. The H-LRXF-08-1290A is at a 2.2% interest rate.	\$ 431,935
<b>Total installment debt – Water and Sewer Fund</b>	<b><u>\$ 477,753</u></b>

Annual debt service payments of the installment purchases as of June 30, 2016, including \$46,563 of interest, are as follows:

<b>Year Ending June 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ 41,466	\$ 5,948
2017	41,793	5,330
2018	42,128	4,739
2019	26,523	4,073
2020	26,523	3,782
2021-2025	132,615	14,545
2026-2030	132,606	7,273
2031-2032	34,099	873
<b>Total</b>	<b>\$ 477,753</b>	<b>\$ 46,563</b>

### General Obligation Indebtedness

The Town's general obligation bond was issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

The Town's bond payable at June 30, 2015 is as follows:

Water bond, Series A general obligation bond, for \$609,000 was issued on August 22, 1983 to finance the purchase and construction of facilities utilized in the operations of the water system. The bond is due in annual payments, with accelerating principal maturities, plus interest of 5%.	\$174,000
<b>Total general obligation debt – Water Fund</b>	<b>\$174,000</b>

Annual debt service requirements to maturity for long-term debt are as follows:

<b>Year Ending June 30</b>	<b>Business-Type Activities</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ 28,000	\$ 8,700
2017	\$ 28,000	\$ 7,300
2018	\$ 28,000	\$ 5,900
2019	\$ 28,000	\$ 4,500
2020	\$ 28,000	\$ 3,100
2021-2022	\$ 34,000	\$ 2,000
<b>Total</b>	<b>\$ 174,000</b>	<b>\$ 31,500</b>

Changes in Long-Term Liabilities

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Unfunded pension obligation	130,979	7,019	-	137,998	-
Net pension liability	124,155		124,155		
Compensated absences	8,918	60,938	46,335	104,951	\$ 10,495
Long-term liabilities	<u>\$ 264,052</u>	<u>\$67,957</u>	<u>\$ 170,490</u>	<u>\$ 242,949</u>	<u>\$ 10,495</u>
<b>Business-Type Activities:</b>					
Bonds payables	\$ 201,000	\$ -	\$ 27,000	\$174,000	\$ 28,000
Installment purchase	518,899	-	41,146	477,753	41,446
Long-term liabilities	<u>\$ 719,899</u>	<u>\$ -</u>	<u>68,146</u>	<u>\$ 651,753</u>	<u>\$ 69,466</u>

The LEGRS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the year.

At June 30, 2015, the Town of Montreat had a legal debt margin of \$18,599,892.

Prior Period Adjustment

During the fiscal year ended June 30, 2015, the Town determined that accrued compensated absences as of June 30, 2014, were incorrectly stated. Therefore, an adjustment to beginning fund balance has been recorded to account for this error, the net effect of which decreased beginning net position by \$81,429.

**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

**Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$82,207.

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## MAJOR REVENUES BY FUND

General Fund	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Ad Valorem Taxes	277,043	303,940	301,372	353,351	359,933	407,412
Other Taxes	95,711	109,283	110,868	111,230	130,004	171,958
Unrestricted Intergovernmental Revenues	60,882	61,668	66,869	58,865	62,104	69,184
Restricted Intergovernmental Revenues	35,778	39,010	39,029	44,740	42,401	46,562
Permits and Fees	11,310	16,182	17,329	16,243	19,149	18,941
Sales and Services	72,995	45,388	41,072	25,628	27,088	28,871
Investment Earnings	3,584	4,815	6,079	8,732	10,122	12,879
Miscellaneous	3,371	9,258	3,784	7,901	8,364	4,357
<b>Total General Fund Revenues</b>	<b>\$560,674</b>	<b>\$589,544</b>	<b>\$586,402</b>	<b>\$626,690</b>	<b>\$659,165</b>	<b>\$760,164</b>
<b>General Fund</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Ad Valorem Taxes	421,629	424,179	482,456	492,480	573,564	616,184
Other Taxes	183,073	192,546	177,995	204,053	234,971	265,804
Unrestricted Intergovernmental Revenues	78,461	77,046	69,603	60,234	55,189	40,072
Restricted Intergovernmental Revenues	46,489	44,545	47,271	44,780	52,358	223,244
Permits and Fees	13,465	16,079	17,168	18,022	22,181	28,141
Sales and Services	24,077	18,904	19,744	19,259	21,962	25,938
Investment Earnings	14,256	16,196	7,327	8,617	5,311	12,389
Miscellaneous	4,847	22,439	6,046	3,842	5,403	9,470
<b>Total General Fund Revenues</b>	<b>\$786,297</b>	<b>\$811,934</b>	<b>\$827,610</b>	<b>\$851,287</b>	<b>\$970,939</b>	<b>\$1,221,242</b>

## MAJOR REVENUES BY FUND

General Fund	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Ad Valorem Taxes	634,727	843,074	858,966	865,993	877,564	873,310
Other Taxes	283,491	302,903	330,010	298,781	277,467	280,616
Unrestricted Intergovernmental Revenues	42,617	57,058	58,489	71,242	60,802	56,934
Restricted Intergovernmental Revenues	41,243	190,347	45,980	60,945	45,907	37,609
Permits and Fees	42,058	44,102	34,849	39,884	39,412	35,626
Sales and Services	23,175	51,039	63,751	52,685	45,028	50,257
Investment Earnings	42,858	74,902	56,008	22,347	14,591	7,921
Miscellaneous	5,166	18,387	13,253	7,628	53,891	7,592
<b>Total General Fund Revenues</b>	<b>\$1,115,335</b>	<b>\$1,581,812</b>	<b>\$1,461,306</b>	<b>1,419,505</b>	<b>1,414,662</b>	<b>1,349,865</b>
<b>General Fund</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>		
Ad Valorem Taxes	879,659	895,333	973,858	970,016		
Other Taxes	307,211	313,951	332,403	355,621		
Unrestricted Intergovernmental Revenues	55,856	41,756	59,392	86,869		
Restricted Intergovernmental Revenues	49,160	97,902	300,024	76,307		
Permits and Fees	36,003	94,898	102,255	79,467		
Sales and Services	43,518	28,129	13,784	12,158		
Investment Earnings	5,915	1,850	1,629	1,073		
Miscellaneous	21,772	2,020	1,396	10,939		
<b>Total General Fund Revenues</b>	<b>1,399,094</b>	<b>1,475,839</b>	<b>1,784,741</b>	<b>1,592,450</b>		

## MAJOR REVENUES BY FUND

Water Fund	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Water Sales	139,674	148,195	153,084	165,684	163,212	166,756
MSD Billing Fee and Postage	9,058	8,345	8,673	10,235	9,987	10,146
Water Taps	3,350	1,620	3,100	2,301	2,450	2,574
MSD Charges Collected	184,484	189,206	196,563	187,447	186,379	167,722
MSD Maintenance Charges	3,057	2,448	0	0	0	0
Miscellaneous	2,677	4,620	3,434	592	365	1,810
Investment Earnings	575	1,114	1,314	2,068	4,156	4,483
Local Option Sales Tax	25,341	29,781	28,604	28,925	33,371	0
Tax Refunds	1,661	1,564	0	0	0	0
<b>Total Water Fund Revenues</b>	<b>\$369,877</b>	<b>\$386,893</b>	<b>\$394,772</b>	<b>\$397,252</b>	<b>\$399,920</b>	<b>\$353,491</b>
<b>Water Fund</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Water Sales	191,002	186,548	204,147	207,881	207,775	184,729
MSD Billing Fee and Postage	12,040	10,287	11,559	11,459	11,608	13,266
Water Taps	2,100	1,700	6,100	1,150	3,800	0
MSD Charges Collected	178,532	180,994	184,261	184,457	185,292	0
MSD Maintenance Charges	0	0	0	0	0	0
Miscellaneous	0	0	0	0	566	1,066
Investment Earnings	1,589	1,954	1,451	1,717	1,379	2,992
Local Option Sales Tax	0	0	0	0	0	0
Tax Refunds	0	0	0	0	0	0
<b>Total Water Fund Revenues</b>	<b>\$385,263</b>	<b>\$381,483</b>	<b>\$407,518</b>	<b>\$406,664</b>	<b>\$410,420</b>	<b>\$202,053</b>

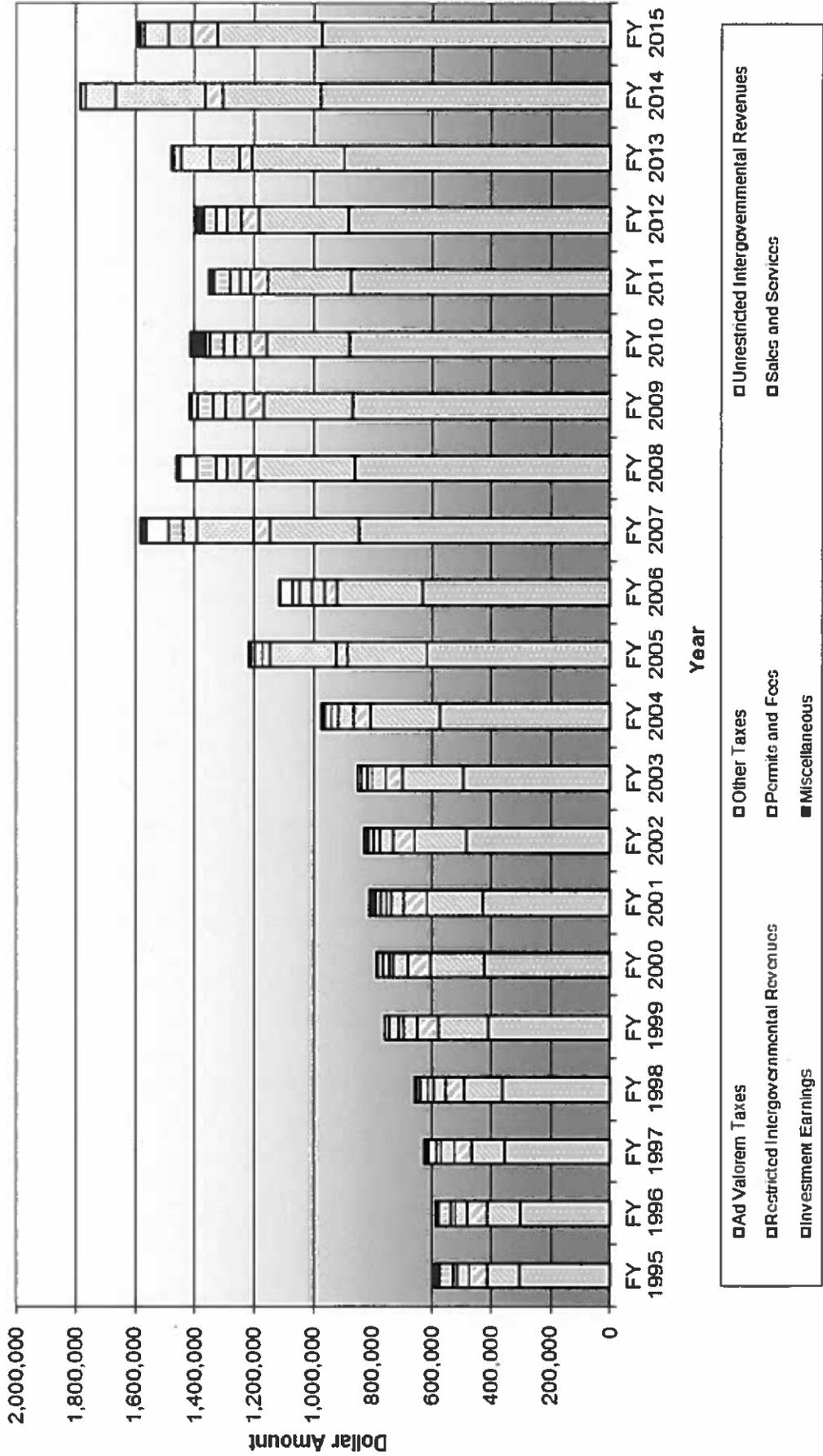
## MAJOR REVENUES BY FUND

Water Fund	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Water Sales	228,105	207,619	256,790	266,872	261,156	257,219
MSD Billing Fee and Postage	11,798	14,978	13,948	17,276	13,702	15,536
Water Taps	3,400	2,750	1,500	2,900	4,350	1,950
ARRA Revolving Loan Fees	0	0	0	0	0	30,776
ARRA – Principal Forgiveness	0	0	0	0	0	251,022
Miscellaneous	0	1,009	2,258	9,677	245	35,948
Investment Earnings	5,926	7,809	6,771	2,916	1,128	1,085
Community Service Fee	0	0	0	0	9,734	35,880
Late Fees	0	0	0	0	0	2,452
<b>Total Water Fund Revenues</b>	<b>\$249,229</b>	<b>\$234,165</b>	<b>\$281,267</b>	<b>299,641</b>	<b>290,315</b>	<b>631,868</b>

Water Fund	FY 2012	FY 2013	FY 2014	FY 2015
Water Sales	256,888	273,316	307,686	293,455
MSD Billing Fee and Postage	16,446	23,618	20,682	19,999
Water Taps	1,850	2,025	3,800	1,900
ARRA Revolving Loan Fees	0	0	0	0
ARRA – Principal Forgiveness	0	0	0	0
Miscellaneous	-51,128	-19,472	1,052	2,655
Investment Earnings	600	231	102	75
Community Service Fee	44,514	45,769	45,614	0
Late Fees	2,307	2,4700	2,140	2,383
<b>Total Water Fund Revenues</b>	<b>271,477</b>	<b>327,712</b>	<b>381,076</b>	<b>320,467</b>

# TRENDS OF GENERAL FUND REVENUES

## Major Revenues General Fund



# TRENDS OF WATER FUND REVENUES

## Major Revenues Water Fund

