

**TOWN OF MONTREAT
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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TOWN OF MONTREAT, NORTH CAROLINA

**PRINCIPAL OFFICERS
JUNE 30, 2012**

ELECTED OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Total Length Of Service</u>	<u>Term Expires</u>
Mayor	Letta Jean Taylor	15 years	December, 2013
Mayor Pro Tem	Eric Nichols	7 years	December, 2013
Councilperson	Dr. Ruth Currie	8 years	December, 2013
Councilperson	Dr. Mary Standaert	3 years	December, 2013
Councilperson	Jack McCaskill	5 years	December, 2015
Councilperson	Martha Campbell	1 year	December, 2015

Audit Committee Members

<u>Name</u>	<u>Title</u>
Jack McCaskill	Chair
Dr. Ruth Currie	Vice Chair
Phillip Arnold	Secretary
William Hollins	Committee Member
Martha Campbell	Committee Member

Ron Nalley	Town Administrator
Stefan Stackhouse	Finance Officer

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TOWN OF MONTREAT, NORTH CAROLINA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

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TOWN OF MONTREAT, NORTH CAROLINA

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TOWN OF MONTREAT, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

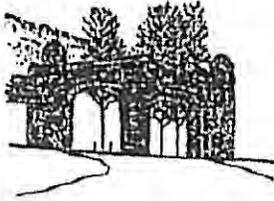
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INTRODUCTORY SECTION

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Town of Montreat

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Phone: (828) 669-8002 • Fax: (828) 669-3810
www.townofmontreat.org

October 31, 2012

The Honorable Mayor and Members of the Board of Commissioners
Town of Montreat
Montreat, North Carolina

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 is hereby submitted. This is the first year that we have attempted to produce a full CAFR. Thus, a few words of introductory explanation are in order.

In the simplest possible terms, one could think of a CAFR as a financial reporting sandwich. The audited financial statements with which you are already familiar could be thought of as the meat of the sandwich. In a CAFR we add material to both ends of the audited material, just as there are slices of bread on each side of the meat. In the front end we add introductory materials such as a table of contents, this transmission letter, an organization chart, and similar items. In the rear of this CAFR you will find a set of supplementary statistical information, providing additional data beyond what is presented in the audited financial statements. While virtually all governmental units (including all North Carolina local governments) must produce annual audited financial statements, a CAFR is considered to be a step beyond this minimal requirement. Local governments produce CAFRs in an attempt to better inform their elected officials and the general public about their financial condition. In some cases, lenders may also expect to see a CAFR for the sake of the additional information they provide.

The basic structure of this and all CAFRs conform to standards that have been established by the Government Finance Officers Association (GFOA). These standards are somewhat flexible, given that there are so many differences between governmental units at the state and local level. This CAFR reflects the attempt of the Town's administration to provide the reader with that information which we believe to be most relevant to our particular situation and to the needs of our elected officials and our citizens.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation (including all disclosures within this report) rests with the administration of the Town of Montreat. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Martin

Starnes and Associates, C.P.A.s, P.A. Their unqualified opinion is included in the financial section of this CAFR.

In this CAFR and the audited financial statements contained herein, we are reporting on the financial accounts and activities considered to be controlled by or dependent upon the Town's Board of Commissioners, as defined by the Governmental Standards Accounting Board (GASB). The Town of Montreat is a small municipality, and provides a substantial but limited range of services to our citizens. Our General Fund accounts for the police, building inspections and zoning, streets, sanitation, and Open Space programs undertaken by the Town, as well as its general governmental activities. Our Water Fund accounts for the activities associated with operating, maintaining, and expanding the Town's water system. Some other functions that might be typically provided by municipal governments, such as fire protection or wastewater treatment, are provided in Montreat by other governmental entities (i.e., the East Buncombe Fire District and the Metropolitan Sewer District of Buncombe County) which service a wider region and thus are not included within the purview of this CAFR.

An obvious question that any reader of a document such as this one will ask immediately is: How are we doing? What is the financial condition of the Town? The administration of the Town of Montreat can confidently report that our Town is in good financial condition. Our revenues and expenditures have been in balance with each other, remaining relatively steady from year to year, and remaining adequate to meet our highest priorities. Our fund balances and cash assets are ample, and our indebtedness is prudently low. We provide a more complete review of the Town's financial condition in the Management Discussion and Analysis (MD&A) section of the audited financial statements, immediately following the auditor's opinion letter below. That document and this letter are intended to be read together. Combined, it is hoped that the reader will derive a comprehensive overview of the Town's present situation.

Profile of the Town

The Town of Montreat is situated on the Southern slopes of the Black Mountains of the Blue Ridge range, including Mt. Mitchell, the tallest peak East of the Mississippi, and the Eastern Continental Divide. Our community is placed entirely within a narrow box canyon bisected by the rapidly running clear water of Flat Creek, a tributary of the Swannanoa River. It is a heavily wooded, rugged mountainous terrain and enjoys four distinct seasons of natural beauty. Our healthy natural environment teams with wildlife, including the black bears that are symbolic of our community and are commonly seen by our residents and visitors.

Montreat is a small community with an official population of only 688 people according to the U.S. Census Bureau. This figure is somewhat deceptive as far more people than that abide in Montreat temporarily over the course of the year. Several hundred of these are college students that are only here during the academic year, while others reside here part time only in the warmer months. Our population swells to as much as ten thousand people during the peak of the summer conference and vacation season. Only a couple hundred people are actual year-round residents.

While the community of Montreat is over a century old, the Town has only been incorporated since 1967. Montreat is predominantly a residential community. While some of our residents live here year-round, many have their primary residence elsewhere and come here only seasonally or for vacation. There are also a large number of single family, multi-family, and group seasonal rental units in Montreat. Our community is home to two large institutions: The Montreat Conference Center and Montreat College. These two institutions, along with the town's residences and the Town government, all have an intertwined history and continue to cooperate together to the present day. The Town exercises direct jurisdiction over 2.78 square miles, and exercises limited extraterritorial jurisdiction for land use regulation over much of the remaining territory within our cove up to the ridgelines.

There are no industrial and only minimal commercial entities within the Montreat Town limits, although there are a wider range of such entities within the immediately adjacent Town of Black Mountain. While a large portion of our population (disregarding conferees and vacationers) are either college students or retirees, many of our working-age population commute to employment in Black Mountain, Asheville, or other nearby communities.

Montreat operates under a mayor-council form of government. The Town Board of Commissioners consists of a mayor and five commissioners, all elected at large to staggered four year terms. The Town provides police, water, solid waste disposal, streets, and code enforcement services to its residents. Fire protection, sewers, and public education are provided by other governmental entities serving part or all of Buncombe County.

Local Economic Conditions

As indicated above, Montreat is a small residential community with no industry and – excepting the two large not-for-profit institutions - a trivial commercial sector. Most of our residents are either college students or retirees living here for part or all of the year. Only a small minority of our population is employed, and most of these people commute to jobs in Black Mountain, Asheville, or other nearby communities. In turn, most of the employees of the Town, the Montreat Conference Center, and Montreat College do not live in Montreat but rather commute in from other nearby communities. A total of 340 people were employed in Montreat, earning a total of \$8,767,000 in wages and salaries in 2010, according to Census Bureau data. Most of the income received by Montreat residents thus comes from either wages and salaries earned elsewhere, or from pension, investment, and government transfer payments that all derive from outside the community. With the exception of the payment of property taxes, water bills, and – in the case of college students – tuition, most of the income received by Montreat residents is expended outside of our town limits. The Montreat Conference Center also receives fees paid by conferees that live outside of the area. In consequence of all of this, the local Montreat economy is extremely integrated with and dependent upon the wider regional and national economy, and there is very little that can or does happen here that has an impact upon the flow of funds through our community.

The Asheville Metropolitan Statistical Area and the entire Southern Highlands region have become an attractive destination for retirees over the past few decades. As a consequence, the median age for the Asheville MSA is 42.2 years vs. 36.9 years nationally, according to Census Bureau data. The source of household income within the entire region is skewed more toward unearned income (investment income, rents, pensions, government transfer payments) and away from earned income (salaries and wages) than the national average. The advantage of this is that the unearned income tends to be more stable than is the case with earned income subject to cyclical fluctuations in employment. This in turn means that the regional economy has been more stable and less vulnerable to the extremes of the boom and bust cycles that have been inflicted upon the national economy as a whole. The unemployment rate in the Asheville MSA has generally remained slightly below national averages, and stood at 7.9% vs. 8.4% nationally as of June, 2012, according to N.C. Employment Security Commission data. Nevertheless, regional employment has suffered through the recent recession, as it has throughout the nation, and has been slow to recover. Montreat has seen a local manifestation of this in the announced elimination of 29 faculty and staff positions at Montreat College this past January.

While we have been spared the worst of the recent recession, the regional employment market has nevertheless offered limited opportunities for job seekers even during good times, especially for those who are highly educated or skilled, and as a consequence individual and household incomes in this area have generally been below national averages. For example, the median household income in the Asheville MSA in 2010 was \$36,419 vs. a national median of \$42,257, while the average household income of \$59,922 was less than the national average of \$72,148, according to the Economic Development Coalition of Asheville-Buncombe County. Montreat is a more affluent community than is typical for our area, and our residents thus enjoy higher incomes: a 2010 household median of \$48,430, and a household average of \$60,893, according to CLRsearch.com.

The best performing sector in our region has been the health care industry, which has been expanding in response to the increased demand driven by the continuous influx of retirees. The local private educational sector, composed of several private colleges and secondary schools, has also posted strong growth. Since 2000, employment in health care and private education has increased 44.4% in the Asheville MSA, and 4.2% over the past twelve months ending in June, 2012.

Tourism has been another strong regional industry going back for over a century. People have always been drawn to the beautiful scenery, comfortable climate, and abundant recreational opportunities offered by our mountains. Tourism is an industry in which Montreat participates directly through the Montreat Conference Center. Because most of our visitors come from North Carolina and other nearby states rather than internationally, our area has been seen as a relatively inexpensive vacation destination and an affordable value for many people living in the Eastern half of the nation. The Leisure and Hospitality industry in the Asheville MSA has posted an 18.9% increase in employment since 2000.

As in much of the rest of the nation, the construction industry in the Asheville MSA was hit hard by the recent downturn, as indicated by a decrease in employment of 29.9% since 2000. Because of our limited area for development due to our mountainous terrain, Montreat saw less new construction during the boom times through the mid-2000s than did the rest of the region and the nation. At the same time, we are continuing to see a few new houses built each year, and our homeowners – generally more affluent than the national average – continuing to contract for repairs, remodeling, and additions at a steady or even increasing pace. Thus, Montreat is actually a little bit of a bright spot for local contractors, and their business here has been doing quite a bit better than the regional and national statistics would suggest. While housing values in the U.S. have dropped 14.57% over the past five years, the Asheville MSA has only seen a decrease of 0.36%, according to the Federal Housing Finance Agency. Anecdotally, we have reason to believe that housing values within Montreat have not declined at all but rather have continued to rise. According to CLRsearch.com, in 2010 the median home value in Montreat was \$296,739, compared to \$177,046 for the U.S. as a whole.

Local government, represented by the Town of Montreat, is itself an important industry in the local economy. Montreat is fortunate in enjoying a relatively stable and affluent tax base, and has thus not had to implement the severe expenditure reductions that many other local jurisdictions have been forced to do. Our general and water fund budgets (excluding extraordinary grant-funded activities) and our property tax and water rates have remained relatively stable over the past five years. While governments at all levels in the Asheville MSA had to reduce employment by 2.0% over the past year, the Town of Montreat was able to hold its staffing steady at fourteen full-time employees.

Long-Term Financial Planning & Major Initiatives

The Town's Board of Commissioners and staff are dedicated to managing the Town's financial affairs in a professional and prudent manner, and to maintaining the Town in sound financial condition. To this end, we strive to maintain fund balances that are in excess of annual operating expenditures. We avoid running operating deficits and funding them with appropriated fund balance unless absolutely necessary for the internal funding of extraordinary expenditures to avoid taking on additional debt. Our indebtedness is far below the maximums mandated by North Carolina state law. We strive to manage the Town's operations efficiently and to avoid the need to resort to increases in the ad valorem tax rate. The water fund is operated as much as possible on a fully self-supporting basis, and we attempt to set water rates that are fair to all users.

The Board of Commissioners, in collaboration with the Town staff, establishes a set of goals as a part of the annual budget process. These goals are discussed in the Town's annual budget document, which is available on the Town's website (www.townofmontreat.org).

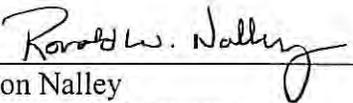
The Town also maintains a multi-year Capital Improvement Plan as a part of its annual budget process. Projects largely or entirely completed in FYE 12 included: the repaving, widening, and inclusion of a bicycle lane on Assembly Drive; the implementation of a paperless agenda project; the inspection and maintenance of water tanks; and the

extension of water lines on Greybeard Trail. Projects planned for FYE 13 include: the Texas Road repaving, storm drainage, and bridge replacement; greenway improvements along Assembly Drive; a police vehicle and backhoe replacement; and water line replacements or extensions in the Texas Spur, Upper Kentucky Road, and Peace Lane areas.

Awards and Acknowledgements

While the Town of Montreat has had audited financial statements for many years, we have not previously prepared a comprehensive annual financial report, nor have we participated in the Government Finance Officer's Association's Certificate of Achievement for Excellence in Financial Reporting program. It is our intent to submit this CAFR to the GFOA in application for their Certificate of Achievement, and it has been prepared in conformity with their requirements.

The preparation of this comprehensive annual financial report was made possible with the assistance of Martin Starnes & Associates, C.P.A.s, P.A., and with the assistance of Town of Montreat staff members, to whom we express our appreciation. We also acknowledge the support of the Mayor, Board of Commissioners, and members of the Audit Committee of the Town of Montreat in our efforts to improve the professionalism and quality of our management and reporting of the Town's financial affairs.



Ron Nalley
Town Administrator



Stefan Stackhouse
Finance Officer

Town of Montreat, North Carolina
List of Principal Officials
June 30, 2012

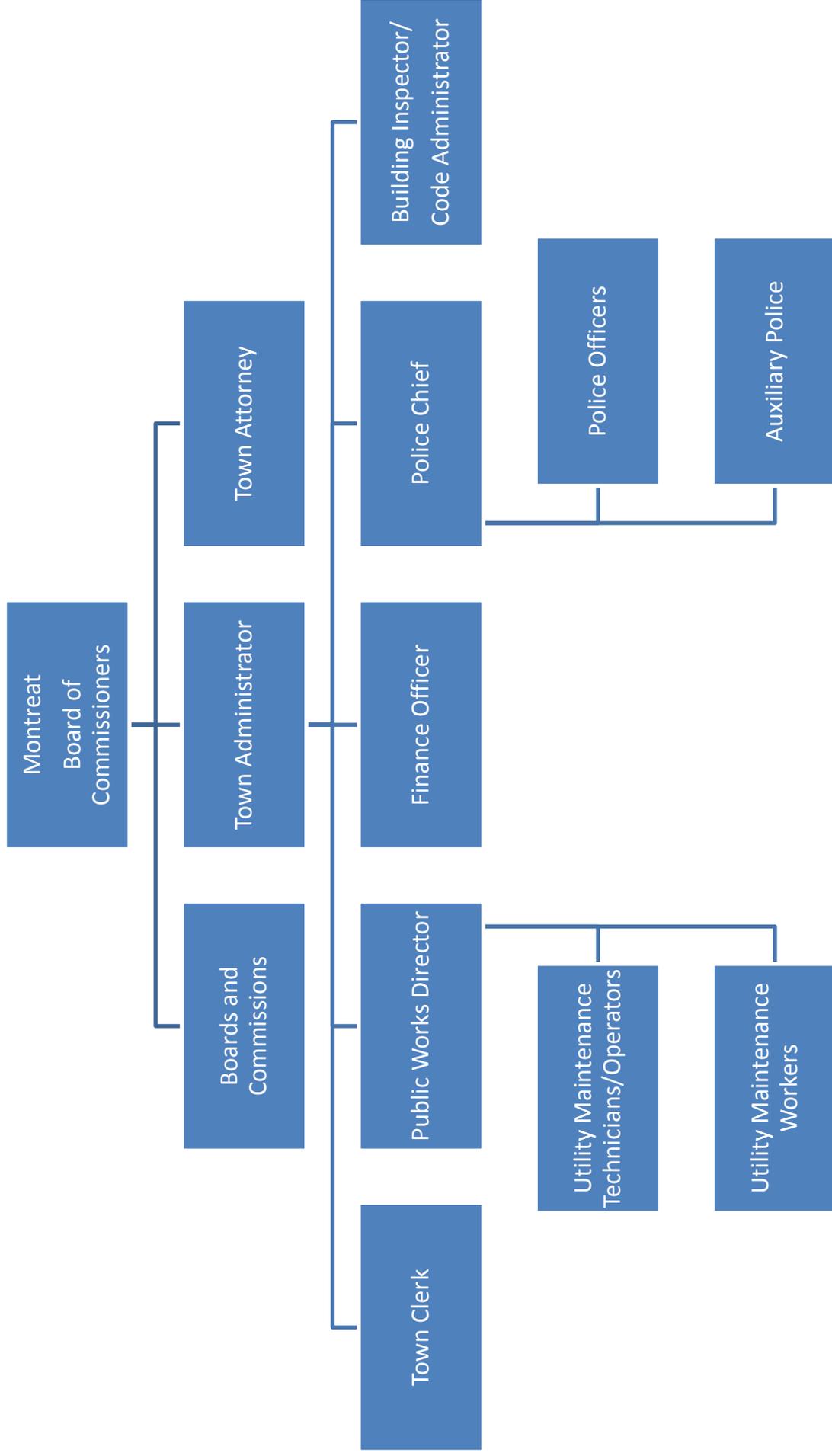
TOWN COUNCIL

Honorable Letta Jean Taylor, Mayor
Mary Standaert, Mayor Pro Tem
Ruth Currie
Eric Nichols
John McCaskill
Martha Campbell

ADMINISTRATION

Ron Nalley, Town Administrator
Misty Gedlinske, Town Clerk
Stefan Stackhouse, Finance Officer
William McClintock, Chief of Police
David Currie, Building Inspector/Code Administrator
Stephen Freeman, Director of Public Works

TOWN OF MONTREAT ORGANIZATIONAL CHART



FINANCIAL SECTION

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Board of Commissioners
Town of Montreat, North Carolina

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each aggregate remaining fund information of the Town of Montreat, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Montreat's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Montreat as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2012, on our consideration of the Town of Montreat's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over final reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance. Management has omitted the Non-Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employers Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Montreat, North Carolina, as a whole. The introductory section, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budget and actual schedules and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

October 12, 2012

Management's Discussion and Analysis

As management of the Town of Montreat, we offer readers of the Town of Montreat's financial statements this narrative overview and analysis of the financial activities of the Town of Montreat for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

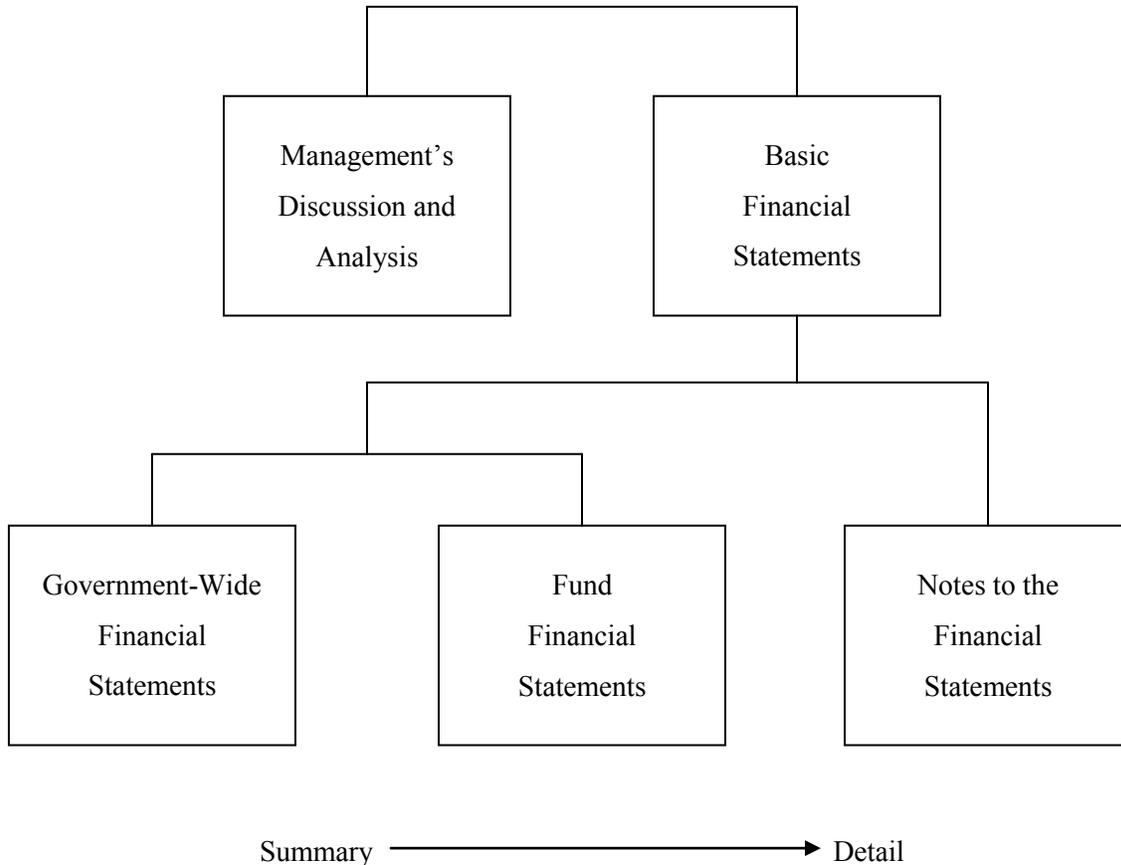
- The assets of the Town of Montreat exceeded its liabilities at the close of the fiscal year by \$4,771,247 (*net assets*).
- The Town's total net assets increased by \$508,982, primarily due to increases in the net assets of governmental activities.
- As of the close of the current fiscal year, the Town of Montreat's governmental fund reported total ending fund balances of \$1,598,957, a decrease of \$211,985, in comparison with the prior year. Approximately 16.9 percent of the total amount, or \$269,501, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$1,510,960, or 90 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The Town of Montreat adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the

legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Montreat has one proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Montreat uses enterprise funds to account for its water activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

Government-Wide Financial Analysis

Following is a comparative summary of the Statement of Net Assets as of June 30, 2012 and 2011.

Town of Montreat's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 1,634,620	\$ 1,830,865	\$ 546,779	\$ 589,173	\$ 2,181,399	\$ 2,420,038
Capital assets	<u>1,887,129</u>	<u>1,144,711</u>	<u>1,840,429</u>	<u>1,876,960</u>	<u>3,727,558</u>	<u>3,021,671</u>
Total assets	<u>3,521,749</u>	<u>2,975,576</u>	<u>2,387,208</u>	<u>2,466,133</u>	<u>5,908,957</u>	<u>5,441,709</u>
Liabilities:						
Current liabilities	144,522	128,644	23,794	5,670	168,316	134,314
Long-term liabilities	<u>88,292</u>	<u>85,498</u>	<u>881,102</u>	<u>959,632</u>	<u>969,394</u>	<u>1,045,130</u>
Total liabilities	<u>232,814</u>	<u>214,142</u>	<u>904,896</u>	<u>965,302</u>	<u>1,137,710</u>	<u>1,179,444</u>
Net Assets:						
Invested in capital assets, net of related debt	1,887,129	1,144,711	959,327	917,329	2,846,456	2,062,040
Restricted	269,501	283,792	-	-	269,501	283,792
Unrestricted	<u>1,132,305</u>	<u>1,332,931</u>	<u>522,985</u>	<u>583,502</u>	<u>1,655,290</u>	<u>1,916,433</u>
Total net assets	<u>\$ 3,288,935</u>	<u>\$ 2,761,434</u>	<u>\$ 1,482,312</u>	<u>\$ 1,500,831</u>	<u>\$ 4,771,247</u>	<u>\$ 4,262,265</u>

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Montreat exceeded liabilities by \$4,771,247 as of June 30, 2012. The Town's net assets increased by \$508,982 for the fiscal year ended June 30, 2012. Of the net asset balance, \$2,846,456 reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Montreat uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Montreat's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Montreat's net assets, \$269,501, or (6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,655,290 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental and business-type net assets:

- Governmental activity revenues exceeded expenses by \$527,501, primarily due to a consistent tax levy collection percentage, and increases in capital grants over the prior year.

Town of Montreat Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 40,195	\$ 48,083	\$ 270,153	\$ 348,989	\$ 310,348	\$ 397,072
Operating grants	134,045	132,343	-	-	134,045	132,343
Capital grants	385,151	5,550	-	281,797	385,151	287,347
General revenues:						
Property taxes	886,345	873,863	-	-	886,345	873,863
Other taxes	307,211	280,616	-	-	307,211	280,616
Investment earnings	5,915	7,921	1,324	1,081	7,239	9,002
Other	15,931	1,134	-	-	15,931	1,134
Total revenues	<u>1,774,793</u>	<u>1,349,510</u>	<u>271,477</u>	<u>631,867</u>	<u>2,046,270</u>	<u>1,981,377</u>
Expenses:						
General government	411,493	348,601	-	-	411,493	348,601
Public safety	450,064	418,103	-	-	450,064	418,103
Transportation	338,622	317,661	-	-	338,622	317,661
Environmental protection	17,779	27,743	-	-	17,779	27,743
Culture and recreation	96,161	90,850	-	-	96,161	90,850
Interest on long-term debt	-	467	-	-	-	467
Water and sewer	-	-	223,169	151,828	223,169	151,828
Total expenses	<u>1,314,119</u>	<u>1,203,425</u>	<u>223,169</u>	<u>151,828</u>	<u>1,537,288</u>	<u>1,355,253</u>
Increase in net assets before transfers	<u>460,674</u>	<u>146,085</u>	<u>48,308</u>	<u>480,039</u>	<u>508,982</u>	<u>626,124</u>
Transfers	<u>66,827</u>	<u>85,800</u>	<u>(66,827)</u>	<u>(85,800)</u>	<u>-</u>	<u>-</u>
Change in net assets	527,501	231,885	(18,519)	394,239	508,982	626,124
Net Assets:						
Beginning of year - July 1	2,761,434	2,529,549	1,672,575	1,278,336	4,434,009	3,807,885
Prior period adjustment	-	-	(171,744)	-	(171,744)	-
Beginning of year - July 1, as restated	<u>2,761,434</u>	<u>2,529,549</u>	<u>1,500,831</u>	<u>1,278,336</u>	<u>4,262,265</u>	<u>3,807,885</u>
End of year - June 30	<u>\$ 3,288,935</u>	<u>\$ 2,761,434</u>	<u>\$ 1,482,312</u>	<u>\$ 1,672,575</u>	<u>\$ 4,771,247</u>	<u>\$ 4,434,009</u>

Governmental Activities. Governmental activities increased the Town's net assets by \$527,501. Key elements of this increase are as follows:

- Capital contributions increased the Town's net assets in the current year by \$369,016
- Charges for services remained constant.
- A transfer of \$66,827 from the Water Fund to the General Fund was made in reimbursement for administrative overhead and other expenses in support of the water operations.

Business-Type Activities. Business-type activities in the Water Fund decreased the Town of Montreat's net assets by \$18,519. Key elements of this decrease are as follows:

- The Town had ARRA grant revenues of \$158,309 associated with the Town's two capital project funds in the prior year that were not received this year.
- A net transfer of \$66,827 from the Water Fund to the General Fund was made in reimbursement for administrative overhead and other expenses in support of the water operations.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Montreat's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Montreat's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Montreat. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,222,858; available fund balance was \$1,510,960, while total fund balance reached \$1,598,957. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents over 90% of total General Fund expenditures, while total fund balance represents 95% of that same amount.

General Fund Budgetary Highlights

General Fund expenditures were less than budgeted appropriations for all departments. Total budgeted appropriations exceeded actual expenditures by \$649,844, primarily due to heightened cost savings efforts.

Proprietary Funds. The Town of Montreat's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$522,985. The total decrease in net assets for the fund was \$18,519. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Montreat's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Montreat's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totals \$3,727,558 (net of accumulated depreciation). These assets include land, buildings, building improvements, equipment, infrastructure, vehicles, and water system.

Town of Montreat's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 508,024	\$ 138,183	\$ 366,892	\$ 354,000	\$ 874,916	\$ 492,183
Construction in progress	554,218	133,370	598,054	584,881	1,152,272	718,251
Buildings	-	-	59,196	65,127	59,196	65,127
Building improvements	21,909	17,649	-	-	21,909	17,649
Equipment	35,279	38,474	-	-	35,279	38,474
Infrastructure	738,351	760,338	-	-	738,351	760,338
Vehicles	29,348	56,697	5,303	7,786	34,651	64,483
Water system	-	-	810,984	865,166	810,984	865,166
Total	<u>\$ 1,887,129</u>	<u>\$ 1,144,711</u>	<u>\$ 1,840,429</u>	<u>\$ 1,876,960</u>	<u>\$ 3,727,558</u>	<u>\$ 3,021,671</u>

Additional information on the Town's capital assets can be found in Note 2 of the basic financial statements.

Long-Term Debt. As of June 30, 2012, the Town of Montreat had long-term debt obligations of \$881,102.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds payable	\$ -	\$ -	\$ 251,000	\$ 274,000	\$ 251,000	\$ 274,000
Installment debt	-	-	630,102	685,625	630,102	685,625
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 881,102</u>	<u>\$ 959,625</u>	<u>\$ 881,102</u>	<u>\$ 959,625</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Montreat is \$19,573,665.

Additional information regarding the Town of Montreat's long-term debt can be found in Note 2 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The population of Montreat is estimated to have grown by 15% over the past 10 years, from 630 in 2000 to 724 in 2010. This has been due in part to increases in the residential housing stock, and in part due to increases in enrollment at Montreat College. The Town's population has more recently declined to 688 in 2012, due to decreases in the college's enrollment. (Source: US Census Bureau and NC State Demographics Unit)
- While Montreat is mainly a residential community, there are two large institutions located within our town limits: the Mountain Retreat Association d/b/a Montreat Conference Center, and Montreat College. The number of conferees hosted by the Montreat Conference Center has remained relatively steady from 11,664 for 2011 to 12,000 for 2012. The number of full-time equivalent employees at the Montreat Conference Center has remained unchanged from 2010 at approximately 60-70. The operating budget for Montreat Conference Center was \$6.6 million in 2011 and \$6.3 million in 2012. The total headcount enrollment of full and part-time students on the Montreat College main campus increased from 425 in fall 2011 to 455 in fall 2012. The number of employees at the Montreat campuses decreased from 202 in fall 2011 to 149 in fall 2012. The operating budget for Montreat College decreased from \$15.2 million for the fiscal year ending 2011 to \$14.5 million for the fiscal year ending 2012. (Source: Montreat Conference Center and Montreat College)
- The total valuation of real property within the jurisdiction of the Town of Montreat for calendar year 2011 was \$234,776,027. (Source: Buncombe County)
- Sales tax revenues were about 9% higher than the previous fiscal year. This is evidence that the recession of the past few years has bottomed out, but is beginning to recover.
- A total of 112 building permits were issued by the Town. This compares with 114 building permits for the previous year, a decrease of 2%. (Source: Town of Montreat)
- The Town delivered a total of 30,881,130 gallons through fiscal year ended 2012, an increase of 1%. (Source: Town of Montreat)

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities:

- Budgeted General Fund revenues for the fiscal year ending June 30, 2013 have been estimated at \$2,268,860. This represents an increase of \$431,735, or 24%, from the final actual revenues of \$1,837,125 for the fiscal year ended June 30, 2012. This increase is almost due entirely to intergovernmental grant funds to be received.
- Budgeted expenditures in the General Fund for the fiscal year ending June 30, 2013 equal \$2,709,720. This represents an increase of \$381,970, or 16%, from the final actual expenditures of \$2,327,750 for fiscal year ended June 30, 2012. Most of the increase is due to anticipated expenditures funded by federal grants.
- Other financing sources for the General Fund for fiscal year ending 2013 are budgeted at \$440,860. This compares with actual financing sources for the fiscal year ending 2012 of \$490,635, which is a decrease of \$49,765. The change is due entirely to decreases in the appropriated fund balance and the interfund transfer from the Water Fund. Note that the Town routinely budgets an appropriation of fund balance in excess of what it ultimately uses. In the fiscal year ended 2012, an appropriation of fund balance of \$408,525 was left entirely unused.

Business–Type Activities:

- Budgeted Water Fund revenues for the fiscal year ending June 30, 2013 have been estimated at \$443,050. This represents an increase of \$171,573, or 63%, from the final actual revenues of \$271,477 for the fiscal year ended June 30, 2012. This increase is mostly due to a change in the amount of special assessment project debt proceeds anticipated.
- Budgeted Water Fund expenditures and debt service for the fiscal year ending June 30, 2013 equal \$443,505. This is an increase of \$117,833 from the final actual expenditures of \$325,672 for fiscal year ended June 30, 2011. This is due to a change in the capital project expenditures.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Ron Nalley, Town Administrator, P.O. Box 423, Montreat, North Carolina 28757, or call (828) 669-8002.

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,354,787	\$ 476,742	\$ 1,831,529
Taxes receivable, net	9,441	-	9,441
Accounts receivable, net	87,997	53,624	141,621
Inventories	-	15,553	15,553
Prepaid items	-	860	860
Restricted cash and cash equivalents	182,395	-	182,395
Total current assets	1,634,620	546,779	2,181,399
Capital assets:			
Land and construction in progress	1,062,242	964,946	2,027,188
Other capital assets, net of depreciation	824,887	875,483	1,700,370
Total capital assets	1,887,129	1,840,429	3,727,558
Total assets	3,521,749	2,387,208	5,908,957
Liabilities:			
Current liabilities:			
Accounts payable	25,702	21,666	47,368
Customer prepayments	-	2,128	2,128
Unearned revenue	520	-	520
Long-term liabilities:			
Unfunded LEO	118,300	-	118,300
Due within one year	8,829	100,523	109,352
Due in more than one year	79,463	780,579	860,042
Total liabilities	232,814	904,896	1,137,710
Net Assets:			
Invested in capital assets, net of related debt	1,887,129	959,327	2,846,456
Restricted for:			
Stabilization for State statute	87,997	-	87,997
Streets	181,504	-	181,504
Unrestricted	1,132,305	522,985	1,655,290
Total net assets	\$ 3,288,935	\$ 1,482,312	\$ 4,771,247

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

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 411,493	\$ -	\$ 57,658	\$ 10,294
Public safety	450,064	39,701	-	-
Environmental protection	17,779	494	38,015	374,857
Cultural and recreation	96,161	-	-	-
Total governmental activities	<u>1,314,119</u>	<u>40,195</u>	<u>134,045</u>	<u>385,151</u>
Business-Type Activities:				
Water	223,169	270,153	-	-
Total business-type activities	<u>223,169</u>	<u>270,153</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,537,288</u>	<u>\$ 310,348</u>	<u>\$ 134,045</u>	<u>\$ 385,151</u>

General Revenues:

Taxes:

Other taxes and licenses

Miscellaneous

Total general revenues, not including transfers

Transfers

Total general revenues and transfers

Change in net assets

Beginning of year - July 1

Prior period adjustment

Beginning of year - July 1, as restated

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (343,541)	\$ -	\$ (343,541)
(410,363)	-	(410,363)
395,587	-	395,587
(96,161)	-	(96,161)
(754,728)	-	(754,728)
-	46,984	46,984
-	46,984	46,984
(754,728)	46,984	(707,744)
307,211	-	307,211
15,931	-	15,931
1,215,402	1,324	1,216,726
66,827	(66,827)	-
1,282,229	(65,503)	1,216,726
527,501	(18,519)	508,982
2,761,434	1,672,575	4,434,009
-	(171,744)	(171,744)
2,761,434	1,500,831	4,262,265
\$ 3,288,935	\$ 1,482,312	\$ 4,771,247

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

TOWN OF MONTREAT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2012

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,354,787
Taxes receivable, net	9,441
Accounts receivable, net	87,997
Restricted cash	<u>182,395</u>
Total assets	<u>\$ 1,634,620</u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 25,702
Deferred revenues	<u>9,961</u>
Total liabilities	<u>35,663</u>
Fund Balances:	
Restricted:	
Stabilization by State statute	87,997
Streets	181,504
Committed - Open Space	52,675
Assigned for public safety	53,923
Unassigned	<u>1,222,858</u>
Total fund balances	<u>1,598,957</u>
Total liabilities and fund balance	<u>\$ 1,634,620</u>
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) are different because:	
Total fund balances - total governmental funds	\$ 1,598,957
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	1,887,129
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(88,292)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(118,300)
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	<u>9,441</u>
Net assets of governmental activities	<u>\$ 3,288,935</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 879,659
Other taxes and licenses	307,211
Unrestricted intergovernmental revenues	55,856
Restricted intergovernmental revenues	49,160
Permits and fees	36,003
Sales and services	43,518
Investment earnings	5,915
Miscellaneous	21,772
Total revenues	<u>1,399,094</u>
Expenditures:	
Current:	
General government	391,258
Public safety	424,235
Transportation	750,075
Environmental protection	96,161
Cultural and recreation	16,177
Total expenditures	<u>1,677,906</u>
Revenues over (under) expenditures	<u>(278,812)</u>
Other Financing Sources (Uses)	
Transfer from Enterprise Fund	82,100
Transfer to Enterprise Fund	(15,273)
Total other financing sources (uses)	<u>66,827</u>
Net change in fund balance	(211,985)
Fund Balance:	
Beginning of year - July 1	<u>1,810,942</u>
End of year - June 30	<u>\$ 1,598,957</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Amounts reported for governmental activities in the Statement of Activities
(Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D).	\$ (211,985)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	6,686
Contribution of capital assets in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds statement.	369,017
Capital outlays are reported as expenditures in the governmental fund statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	439,232
Compensated absences expense and net pension obligation reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds statement.	(9,618)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	<u>(65,831)</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ 527,501</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 873,500	\$ 873,500	\$ 879,659	\$ 6,159
Other taxes and licenses	312,000	312,000	307,211	(4,789)
Unrestricted intergovernmental revenues	58,000	58,000	55,856	(2,144)
Restricted intergovernmental revenues	38,500	48,225	49,160	935
Permits and fees	36,500	36,500	36,003	(497)
Sales and services	41,700	41,700	43,518	1,818
Investment earnings	10,200	10,200	5,915	(4,285)
Miscellaneous	452,000	457,000	21,772	(435,228)
Total revenues	<u>1,822,400</u>	<u>1,837,125</u>	<u>1,399,094</u>	<u>(438,031)</u>
Expenditures:				
General government	412,800	413,100	391,258	21,842
Public safety	467,950	472,950	424,235	48,715
Transportation	1,305,600	1,321,400	750,075	571,325
Environmental protection	96,600	100,400	96,161	4,239
Cultural and recreation	24,000	19,900	16,177	3,723
Total expenditures	<u>2,306,950</u>	<u>2,327,750</u>	<u>1,677,906</u>	<u>649,844</u>
Revenues over (under) expenditures	<u>(484,550)</u>	<u>(490,625)</u>	<u>(278,812)</u>	<u>211,813</u>
Other Financing Sources (Uses):				
Fund balance appropriated	402,450	408,525	-	(408,525)
Transfer from Enterprise Fund	82,100	82,100	82,100	-
Transfer to Enterprise Fund	-	-	(15,273)	(15,273)
Total other financing sources (uses)	<u>484,550</u>	<u>490,625</u>	<u>66,827</u>	<u>(423,798)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(211,985)</u>	<u>\$ (211,985)</u>
Fund Balance:				
Beginning of year - July 1			<u>1,810,942</u>	
End of year - June 30			<u>\$ 1,598,957</u>	

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

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Water Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 476,742
Accounts receivable, net	53,624
Inventory	15,553
Prepays	860
Total current assets	<u>546,779</u>
Non-current assets:	
Land and construction in process	964,946
Other capital assets, net	875,483
Total capital assets	<u>1,840,429</u>
Total assets	<u>2,387,208</u>
Liabilities:	
Current liabilities:	
Accounts payable	21,666
Customer deposits	2,128
Bonds payable, current	24,000
ARRA debt, current	26,523
Note payable, current	50,000
Total current liabilities	<u>124,317</u>
Non-current liabilities:	
Bonds payable	227,000
ARRA debt	484,979
Note payable	68,600
Total non-current liabilities	<u>780,579</u>
Total liabilities	<u>904,896</u>
Net Assets:	
Invested in capital assets, net of related debt	959,327
Unrestricted	522,985
Total net assets	<u>\$ 1,482,312</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ 270,153
Total operating revenues	<u>270,153</u>
Operating Expenses:	
Water operations	91,034
Depreciation	65,760
Other expenses	<u>52,675</u>
Total operating expenses	<u>209,469</u>
Operating income (loss)	<u>60,684</u>
Non-Operating Revenues (Expenses):	
Investment earnings	1,324
Interest expense	<u>(13,700)</u>
Total non-operating revenues (expenses)	<u>(12,376)</u>
Income (loss) before transfers	48,308
Transfer from General Fund	15,273
Transfer to General Fund	<u>(82,100)</u>
Total transfers	<u>(66,827)</u>
Change in net assets	<u>(18,519)</u>
Net Assets:	
Beginning of year - July 1	1,672,575
Prior period adjustment	<u>(171,744)</u>
Beginning of year - July 1	<u>1,500,831</u>
End of year - June 30	<u>\$ 1,482,312</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2012

Water Fund**Cash Flows from Operating Activities:**

Cash received from customers	\$ 367,706
Cash paid for goods and services	(121,841)
Net cash provided (used) by operating activities	<u>245,865</u>

Cash Flows from Non-Capital Financing Activities:

Transfers to (from) other funds	(66,827)
Net cash provided (used) by non-capital financing activities	<u>(66,827)</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition and construction of capital assets	(29,229)
Principal payment on long-term debt	(78,523)
Interest payment on long-term debt	(13,700)
Net cash provided (used) by capital and related financing activities	<u>(121,452)</u>

Cash Flows from Investing Activities:

Interest received	<u>1,324</u>
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Net increase (decrease) in cash, cash equivalents, and investments	58,910
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Cash and Cash Equivalents:

Beginning of year - July 1	<u>417,832</u>
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End of year - June 30	<u>\$ 476,742</u>
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**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) By Operating Activities:**

Operating income (loss)	\$ 60,684
Depreciation	65,760
Change in assets and liabilities:	
Accounts receivables	97,754
Prepays	(860)
Inventories	4,403
Accounts payable	18,325
Customer deposits	(201)
Net cash provided (used) by operating activities	<u>\$ 245,865</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Montreat (the “Town”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government and its component unit. 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 and enterprise funds are aggregated and reported as nonmajor funds.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. It is used to account 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 and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 funds 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 Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Buncombe County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Buncombe County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 assets 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.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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. A project ordinance was adopted for the Water Capital Project Fund. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT), an SEC-registered mutual fund.

The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, an SEC-registered (2a-7) 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.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

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 136-41.4.

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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011.

Allowances for Doubtful Accounts

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

Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

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

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 land, \$10,000; building and improvements, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

In conjunction with implementing GASB Statement No. 34, “The New Reporting Model”, the Town began capitalizing public domain (“infrastructure”) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town’s capitalization threshold of \$1,500 will be reported as capital assets in the Statement of Net Assets. General governmental infrastructure assets acquired prior to July 1, 1980 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Assets only include assets purchased after July 1, 1980.

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

Long-Term Obligations

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

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

Restricted Fund Balance

This classification included amounts that are restricted to specific purposes externally imposed by creditors or imposed by laws.

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

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.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Committed Fund Balance

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that 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 – portion of fund balance committed by the Board for Open Space Conservation Program.

Committed for Open Space:

Donor contribution	\$	14,675
Town contribution		<u>38,000</u>
Total	\$	<u>52,675</u>

Assigned Fund Balance

This classification is the 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 has been budgeted for employee benefits.

Assigned fund balance	\$	53,923
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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 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.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The Town of Montreat currently does not have an adopted fund balance policy.

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	\$	1,598,957
Less:		
Stabilization by State statute		<u>(87,997)</u>
Fund balance available for appropriation	\$	<u>1,510,960</u>

2. Detail Notes On All Funds

A. Assets

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 the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and 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 G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the Town's deposits had a carrying amount of \$2,000,549 and a bank balance of \$2,004,983. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$1,504,983 was covered by collateral held under the Pooling Method. The Town also had cash on hand of \$250 at June 30, 2012.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Investments

At June 30, 2012, the Town had \$13,125 invested with the NC Capital Management Trust's - Cash Portfolio, which carried a credit rating of AAA by Standard & Poors. The Town has no policy regarding credit risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 13,125	N/A	AAAm
Total	<u>\$ 13,125</u>		

Credit Risk

The Town has no formal policy regarding credit risk, but has internal management procedures that limits its investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in NC Capital Management Trust - Cash Portfolio carried a credit rating of AAAM by Standard & Poors as of June 30, 2012.

Receivables

Receivables at the government-wide level at June 30, 2012 were as follows:

<u>Fund</u>	
Governmental activities:	
Taxes receivable	\$ 9,441
Accounts receivable	<u>87,997</u>
Total	<u>\$ 97,438</u>
Business-type activities:	
Accounts receivable	<u>\$ 53,624</u>

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets

Primary Governmental

Capital asset activity for governmental activities for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 138,183	\$ 369,841	\$ -	\$ 508,024
Construction in progress	133,370	421,673	(825)	554,218
Total capital assets not being depreciated	271,553	791,514	(825)	1,062,242
Capital Assets Being Depreciated:				
Building improvements	37,864	7,028	-	44,892
Equipment	147,959	9,707	-	157,666
Infrastructure	837,610	825	-	838,435
Vehicles	418,072	-	(23,887)	394,185
Total capital assets being depreciated	1,441,505	17,560	(23,887)	1,435,178
Less Accumulated Depreciation:				
Building improvements	20,215	2,768	-	22,983
Equipment	109,485	12,902	-	122,387
Infrastructure	77,272	22,812	-	100,084
Vehicles	361,375	27,349	(23,887)	364,837
Total accumulated depreciation	568,347	\$ 65,831	\$ (23,887)	610,291
Total capital assets being depreciated	873,158			824,887
Governmental activity capital assets, net	\$ 1,144,711			\$ 1,887,129

Depreciation was charged to governmental functions as follows:

General government	\$ 35,000
Public safety	19,009
Transportation	10,220
Environmental protection	1,602
Total depreciation expense	\$ 65,831

TOWN OF MONTREAT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Proprietary Capital Assets

The capital asset activity of the Proprietary Fund for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 354,000	\$ 12,892	\$ -	\$ 366,892
Construction in progress	<u>584,881</u>	<u>16,337</u>	<u>(3,164)</u>	<u>598,054</u>
Total capital assets not being depreciated	<u>938,881</u>	<u>29,229</u>	<u>(3,164)</u>	<u>964,946</u>
Capital Assets Being Depreciated:				
Buildings	142,110	-	-	142,110
Leasehold improvements	3,891	-	-	3,891
Equipment	47,965	-	-	47,965
Vehicles	67,675	-	-	67,675
Water system	<u>1,804,540</u>	<u>3,164</u>	<u>-</u>	<u>1,807,704</u>
Total capital assets being depreciated	<u>2,066,181</u>	<u>3,164</u>	<u>-</u>	<u>2,069,345</u>
Less Accumulated Depreciation:				
Buildings	42,613	3,553	-	46,166
Leasehold improvements	3,891	-	-	3,891
Equipment	82,335	2,378	-	84,713
Vehicles	59,889	2,483	-	62,372
Water system	<u>939,374</u>	<u>57,346</u>	<u>-</u>	<u>996,720</u>
Total accumulated depreciation	<u>1,128,102</u>	<u>\$ 65,760</u>	<u>\$ -</u>	<u>1,193,862</u>
Total capital assets being depreciated, net	<u>938,079</u>			<u>875,483</u>
Business-type activities capital assets, net	<u>\$ 1,876,960</u>			<u>\$ 1,840,429</u>

TOWN OF MONTREAT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt, at June 30, 2012 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 1,887,129	\$ 1,840,429
Long-term debt	-	(881,102)
Invested in capital assets, net of related debt	\$ 1,887,129	\$ 959,327

Liabilities

Payables

Payables at Exhibit A at June 30, 2012 were as follows:

	Vendors	Total
Governmental Activities:		
General	\$ 25,702	\$ 25,702
Total	\$ 25,702	\$ 25,702
Business-Type Activities:		
Water and Sewer	\$ 21,666	\$ 21,666
Total	\$ 21,666	\$ 21,666

Construction Commitments

At June 30, 2012, the Town is committed to approximately \$15,309 in activity under one construction contract. This represents a withheld 5% retainage on an uncompleted project. The Town's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Construction contract	\$ 313,829	\$ 15,309

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description

The Town contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The 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.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.97% and 7.05%, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$42,049, \$37,562, and \$28,685, respectively. The contributions made by the Town equaled the required contributions for each year.

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.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2011, 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><u>5</u></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.

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 operation 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 the employees.

The annual required contribution for the current year was determined as part of the December 31, 2011 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 ranging 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. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

TOWN OF MONTREAT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$	7,897
Interest on net pension obligation		5,574
Adjustment to annual required contribution		<u>(6,650)</u>
Annual pension cost		6,821
Employer contribution made for fiscal year ended June 30, 2012		<u>-</u>
Increase in net pension obligation		6,821
Net pension obligation:		
Beginning of year - July 1		<u>111,479</u>
End of year - June 30	\$	<u>118,300</u>

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 7,867	0.00%	\$ 103,795
6/30/2011	7,684	0.00%	111,479
6/30/2012	6,821	0.00%	118,300

Funding Status and Funding Progress

As of December 31, 2011, 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 \$89,036. The covered payroll (annual payroll of active employees covered by the Plan) was \$211,478, and the ratio of the UAAL to the covered payroll was 42.10%.

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.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 were \$15,704, which consisted of \$10,429 from the Town and \$5,275 from the law enforcement officers.

Supplemental Retirement Income Plan for Employees Not Engaged in Law Enforcement

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 all non-law enforcement employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

The Town 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, 2012 were \$34,467, which consisted of \$18,836 from the Town and \$15,631 from the employees.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Non-Law Enforcement Employees 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 non-law enforcement employees. Qualified employees include individuals employed prior to July 1, 1998. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the employees for each year of creditable service. The retirement benefits are not under the authority of the North Carolina General Assembly.

At June 30, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>1</u>
Total	<u>1</u>

A separate report is 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.

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 not 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 operation 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 the employees.

The Town has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the year ended June 30, 2012, the Town made contributions to the State for death benefits of \$777. The Town's required contribution for employees not engaged in law enforcement and for law enforcement officers represented 0.12% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Deferred Revenues/Unearned Revenues

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
General Fund:		
Prepaid taxes not yet earned	\$ 520	\$ 520
Taxes receivable, net	9,441	-
Total	<u>\$ 9,961</u>	<u>\$ 520</u>

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 this pool, the Town obtains workers' compensation coverage up to statutory limits. The pool has been reinsured through commercial companies for single occurrence claims against workers' compensation in excess of \$300,000.

The Town has general liability and auto liability coverage through commercial companies for single occurrence claims up to \$2,000,000, with general aggregate limits of \$2,000,000 and property coverage up to \$1,409,836.

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 from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town does not carry any flood insurance.

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

Claims, Judgments, and Contingent Liabilities

At June 30, 2012, 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.

TOWN OF MONTREAT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Long-Term Obligations

Proprietary Fund Long-Term Debt

Installment debt at June 30, 2012 is comprised of the following:

Water bond, Series A, 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 at 5%. \$ 251,000

Note payable for \$300,000 was signed on June 11, 2010 to finance the purchase of land from Mountain Retreat Association, a North Carolina Not-for-Profit. The Town paid an initial \$54,000 down to cover closing costs and the remaining principal is due in six annual payments with interest only accruing on the final two payments. 118,600

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 loan is interest free. 511,502

Total installment debt - Water and Sewer Fund \$ 881,102

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2013	\$ 100,523	\$ 25,294
2014	102,523	16,878
2015	72,123	19,836
2016	54,023	13,596
2017	54,523	11,704
2018-2022	251,115	32,208
2023-2027	132,615	13,092
2028-2032	113,657	4,363
Total	\$ 881,102	\$ 136,971

TOWN OF MONTREAT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

At June 30, 2012, the Town had a legal debt margin of \$19,573,665.

Changes in Long-Term Liabilities

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>	<u>Current Portion</u>
Governmental Activities:					
Unfunded pension obligation	\$ 111,479	\$ 6,821	\$ -	\$ 118,300	\$ -
Compensated absences	<u>85,498</u>	<u>44,166</u>	<u>(41,372)</u>	<u>88,292</u>	<u>8,829</u>
Governmental activity long-term liabilities	<u>\$ 196,977</u>	<u>\$ 50,987</u>	<u>\$ (41,372)</u>	<u>\$ 206,592</u>	<u>\$ 8,829</u>
Business-Type Activities:					
Bonds payable	\$ 274,000	\$ -	\$ (23,000)	\$ 251,000	\$ 24,000
Installment purchase	<u>685,625</u>	<u>-</u>	<u>(55,523)</u>	<u>630,102</u>	<u>76,523</u>
Business-type activity long-term liabilities	<u>\$ 959,625</u>	<u>\$ -</u>	<u>\$ (78,523)</u>	<u>\$ 881,102</u>	<u>\$ 100,523</u>

Business-type beginning debt amounts were restated due to a prior period adjustment of installment debt.

Compensated absences and pension obligations will be liquidated in the General Fund. Compensated absences are accounted for on an FIFO basis.

Interfund Balances and Activity

Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2012 consist of the following:

<u>Fund</u>	<u>To</u>	<u>From</u>	<u>Description</u>
Water Fund	\$ 82,100	\$ -	For reimbursement for
General Fund	-	82,100	administrative overhead
Water Fund	15,273	-	For accounting of special
General Fund	-	15,273	assessment taxes

TOWN OF MONTREAT, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary Disclosure of Significant Contingencies

State-Assisted Programs

The Town has received proceeds from 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.

Prior-Period Adjustment

Beginning net assets were decreased in the business-type activities and the Proprietary Fund Statement of Net Assets as follows to correct a prior period error in installment debt.

<u>Prior Period Adjustment</u>	<u>Amount</u>
Water Fund debt	<u>\$ 171,744</u>

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TOWN OF MONTREAT, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit		Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
			(B)				
12/31/2008	\$ -	\$	59,057	\$ 59,057	0.00%	\$ 199,036	29.67%
12/31/2009	-		73,567	73,567	0.00%	198,095	37.14%
12/31/2010	-		69,957	69,957	0.00%	206,060	33.95%
12/31/2011	-		89,036	89,036	0.00%	211,478	42.10%

TOWN OF MONTREAT, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2010	\$ 6,954	0.00%
2011	8,051	0.00%
2012	7,897	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25% to 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

TOWN OF MONTREAT, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	2012		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 878,470	
Penalties and interest		1,189	
Total	\$ 873,500	879,659	\$ 6,159
Other Taxes and Licenses:			
Local option sales taxes		307,211	
Total	312,000	307,211	(4,789)
Unrestricted Intergovernmental Revenues:			
Utility franchise tax		52,505	
Beer and wine tax		3,126	
Payments in lieu of taxes - outside sources		225	
Total	58,000	55,856	(2,144)
Restricted Intergovernmental Revenues:			
Solid waste disposal tax		494	
Powell Bill allocation		38,372	
State grant		10,294	
Total	48,225	49,160	935
Permits and Fees:			
Building permits		36,003	
Total	36,500	36,003	(497)
Sales and Services:			
Public safety charges		3,376	
Sanitation fees		38,015	
Fire inspection fees		325	
Other		1,802	
Total	41,700	43,518	1,818
Other:			
Investment earnings		5,915	
Miscellaneous		15,931	
Contributions		5,841	
Total	467,200	27,687	(439,513)
Total revenues	1,837,125	1,399,094	(438,031)

TOWN OF MONTREAT, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	2012		
	Final Budget	Actual	Variance Over/Under
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits		7,800	
Operating expenses		70,272	
Capital outlay		5,007	
Total	100,900	83,079	17,821
Administration:			
Salaries and employee benefits		162,194	
Operating expenses		101,534	
Total	264,500	263,728	772
Public Buildings:			
Operating expenses		44,451	
Total	47,700	44,451	3,249
Total general government	413,100	391,258	21,842
Public Safety:			
Police Department:			
Salaries and employee benefits		232,188	
Operating expenses		123,298	
Capital outlay		5,020	
Total	395,400	360,506	34,894
Planning and Zoning:			
Salaries and employee benefits		42,269	
Operating expenses		19,304	
Capital outlay		2,156	
Total	77,550	63,729	13,821
Total public safety	472,950	424,235	48,715
Transportation:			
Public Works:			
Salaries and employee benefits		49,701	
Operating expenses		19,394	
Total	70,100	69,095	1,005

TOWN OF MONTREAT, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>2012</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Street:			
Salaries and employee benefits		103,414	
Operating expenses		82,302	
Capital outlay		<u>456,001</u>	
Total	<u>1,207,800</u>	<u>641,717</u>	<u>566,083</u>
Powell Bill:			
Operating expenses		<u>39,263</u>	
Total	<u>43,500</u>	<u>39,263</u>	<u>4,237</u>
Total transportation	<u>1,321,400</u>	<u>750,075</u>	<u>571,325</u>
Environmental Protection:			
Sanitation:			
Salaries and employee benefits		30,036	
Operating expenses		<u>66,125</u>	
Total	<u>100,400</u>	<u>96,161</u>	<u>4,239</u>
Total environmental protection	<u>100,400</u>	<u>96,161</u>	<u>4,239</u>
Cultural and Recreation:			
Recreation Commission:			
Operating expenses		15,472	
Capital outlay		<u>705</u>	
Total cultural and recreation	<u>19,900</u>	<u>16,177</u>	<u>3,723</u>
Total expenditures	<u>2,327,750</u>	<u>1,677,906</u>	<u>649,844</u>
Revenues over (under) expenditures	<u>(490,625)</u>	<u>(278,812)</u>	<u>211,813</u>
Other Financing Sources (Uses):			
Transfer from Enterprise Fund	82,100	82,100	
Transfer to Enterprise Fund	-	(15,273)	
Fund balance appropriated	<u>408,525</u>	<u>-</u>	
Total other financing sources (uses)	<u>490,625</u>	<u>66,827</u>	<u>(423,798)</u>
Net change in fund balance	<u>\$ -</u>	<u>(211,985)</u>	<u>\$ (211,985)</u>
Fund Balance:			
Beginning of year - July 1		<u>1,810,942</u>	
End of year - June 30		<u>\$ 1,598,957</u>	

TOWN OF MONTREAT, NORTH CAROLINA

**ENTERPRISE FUND - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012**

	2012		Variance Over/Under
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services	\$ 318,000	\$ 270,153	\$ (47,847)
Other	21,500	-	(21,500)
Total operating revenues	<u>339,500</u>	<u>270,153</u>	<u>(69,347)</u>
Non-operating revenues:			
Investment earnings	2,000	1,324	(676)
Restricted intergovernmental	174,000	-	(174,000)
Total non-operating revenues	<u>176,000</u>	<u>1,324</u>	<u>(174,676)</u>
Other financing sources (uses):			
Fund balance appropriated	35,900	-	(35,900)
Total other financing sources (uses)	<u>35,900</u>	<u>-</u>	<u>(35,900)</u>
Total revenues	<u>551,400</u>	<u>271,477</u>	<u>(279,923)</u>
Expenditures:			
Operating expenditures:			
Repairs and maintenance		39,343	
Operating expenditures		51,691	
Capital outlay		81,904	
Total operating	<u>368,800</u>	<u>172,938</u>	<u>195,862</u>
Debt Service:			
Interest and fees		13,700	
Principal retirement		78,523	
Total debt service	<u>100,500</u>	<u>92,223</u>	<u>8,277</u>
Total expenditures	<u>469,300</u>	<u>265,161</u>	<u>204,139</u>
Revenues over (under) expenditures	<u>82,100</u>	<u>6,316</u>	<u>(75,784)</u>

TOWN OF MONTREAT, NORTH CAROLINA

**ENTERPRISE FUND - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012**

	2012		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfer from the General Fund	-	15,273	
Transfer to General Fund	(82,100)	(82,100)	
Total other financing sources (uses)	<u>(82,100)</u>	<u>(66,827)</u>	15,273
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (60,511)</u>	<u>\$ (60,511)</u>
Reconciliation from Modified Accrual Basis to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (60,511)	
Reconciling items:			
Payment of debt principal		78,523	
Capital outlay		29,229	
Depreciation		<u>(65,760)</u>	
Change in net assets		<u>\$ (18,519)</u>	

TOWN OF MONTREAT, NORTH CAROLINA

WATER CAPITAL PROJECT FUND - SYSTEM IMPROVEMENTS

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	
Revenues:					
Restricted intergovernmental		\$ 268,367	\$ -	\$ 268,367	
Total revenues	\$ 480,550	<u>268,367</u>	<u>-</u>	<u>268,367</u>	\$ (212,183)
Expenditures:					
Phase I & II water improvements - ARRA		315,836	-	315,836	
Phase I & II water improvements		262,075	-	262,075	
Automated meter reading system - ARRA		<u>220,900</u>	<u>-</u>	<u>220,900</u>	
Total expenditures	<u>961,100</u>	<u>798,811</u>	<u>-</u>	<u>798,811</u>	<u>162,289</u>
Revenues over (under) expenditures	<u>(480,550)</u>	<u>(530,444)</u>	<u>-</u>	<u>(530,444)</u>	<u>(49,894)</u>
Other Financing Sources (Uses):					
Installment debt issued - ARRA		268,369	-	268,369	
Installment debt issued		<u>262,075</u>	<u>-</u>	<u>262,075</u>	
Total other financing sources (uses)	<u>480,550</u>	<u>530,444</u>	<u>-</u>	<u>530,444</u>	<u>49,894</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF MONTREAT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 905,282	\$ 896,135	\$ 9,147
2010-2011	872	-	820	52
2009-2010	474	-	404	70
2008-2009	444	-	429	15
2007-2008	426	-	404	22
2006-2007	539	-	404	135
2005-2006	-	-	-	-
2004-2005	-	-	-	-
2003-2004	-	-	-	-
2002-2003	-	-	-	-
Total	<u>\$ 2,755</u>	<u>\$ 905,282</u>	<u>\$ 898,596</u>	<u>9,441</u>
Ad valorem taxes receivable - net				<u>\$ 9,441</u>
Reconciliation with Revenues:				
Ad valorem taxes				\$ 879,659
Releases, refunds, and other adjustments				(516)
Miscellaneous				18,264
Interest collected				<u>1,189</u>
Total collections and credit				<u>\$ 898,596</u>

TOWN OF MONTREAT, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2012

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 238,090,541	\$ 0.37	\$ 880,935	\$ 868,700	\$ 12,235
Special assessment	6,719,730	0.37	24,863	24,863	-
Total	<u>244,810,270</u>		<u>905,798</u>	<u>893,563</u>	<u>12,235</u>
Abatements	<u>(139,459)</u>	0.37	<u>(516)</u>	<u>(315)</u>	<u>(201)</u>
Total property valuation	<u>\$ 244,670,811</u>				
Net Levy			905,282	893,248	12,034
Uncollected taxes as of June 30, 2012			<u>(9,147)</u>	<u>(9,019)</u>	<u>(128)</u>
Current Year's Taxes Collected			<u>\$ 896,135</u>	<u>\$ 884,229</u>	<u>\$ 11,906</u>
Current Levy Collection Percentage			<u>98.99%</u>	<u>98.99%</u>	<u>98.94%</u>

**STATISTICAL
SECTION**

Town of Montreat
Net Assets By Activity
Governmental and Business-Type Functions

	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Governmental Activities				
Net Assets:				
Invested in Capital Assets, net of related debt	\$ 1,887,129	\$ 1,144,711	\$ 878,624	\$ 676,603
Restricted	269,501	283,792	180,577	192,666
Unrestricted	1,132,305	1,332,931	1,470,348	1,450,376
Subtotal, Governmental Net Assets	<u>\$ 3,288,935</u>	<u>\$ 2,761,434</u>	<u>\$ 2,529,549</u>	<u>\$ 2,319,645</u>
Business Type Activities				
Net Assets:				
Invested in Capital Assets, net of related debt	\$ 959,327	\$ 1,089,073	\$ 772,709	\$ 575,217
Restricted	-	-	-	-
Unrestricted	522,985	583,502	505,627	531,157
Subtotal, Business-Type Net Assets	<u>\$ 1,482,312</u>	<u>\$ 1,672,575</u>	<u>\$ 1,278,336</u>	<u>\$ 1,106,374</u>
Total Primary Government				
Net Assets:				
Invested in Capital Assets, net of related debt	\$ 2,846,456	\$ 2,233,784	\$ 1,651,333	\$ 1,251,820
Restricted	269,501	283,792	180,577	192,666
Unrestricted	1,655,290	1,916,433	1,975,975	1,981,533
Total Net Assets	<u>\$ 4,771,247</u>	<u>\$ 4,434,009</u>	<u>\$ 3,807,885</u>	<u>\$ 3,426,019</u>

Table 1

FYE 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004	FYE 2003
\$ 526,091	\$ 272,858	\$ 252,566	\$ 202,107	\$ 89,987	\$ 300,195
191,284	159,627	117,632	130,849	143,851	132,000
1,322,521	1,249,071	1,146,378	980,573	794,950	645,083
<u>\$ 2,039,896</u>	<u>\$ 1,681,556</u>	<u>\$ 1,516,576</u>	<u>\$ 1,313,529</u>	<u>\$ 1,028,788</u>	<u>\$ 1,077,278</u>
\$ 532,318	\$ 552,704	\$ 494,357	\$ 505,662	\$ 531,306	\$ 272,385
-	-	-	-	-	-
526,367	483,797	548,052	513,524	495,235	696,688
<u>\$ 1,058,685</u>	<u>\$ 1,036,501</u>	<u>\$ 1,042,409</u>	<u>\$ 1,019,186</u>	<u>\$ 1,026,541</u>	<u>\$ 969,073</u>
\$ 1,058,409	\$ 825,562	\$ 746,923	\$ 707,769	\$ 621,293	\$ 572,580
191,284	159,627	117,632	130,849	143,851	132,000
1,848,888	1,732,868	1,694,430	1,494,097	1,290,185	1,341,771
<u>\$ 3,098,581</u>	<u>\$ 2,718,057</u>	<u>\$ 2,558,985</u>	<u>\$ 2,332,715</u>	<u>\$ 2,055,329</u>	<u>\$ 2,046,351</u>

**Town of Montreat
Change in Net Assets
Governmental Functions**

	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Revenues:				
Program Revenues:				
Charges for Services:				
General Government	\$ -	\$ -	\$ 1,390	\$ -
Public Safety	39,701	47,610	41,793	49,806
Transportation	-	-	-	-
Environmental Protection	494	473	498	41,278
Landcare	-	-	-	-
Total Charges for Services	<u>40,195</u>	<u>48,083</u>	<u>43,681</u>	<u>91,084</u>
Operating Grants and Contributions	134,045	132,343	139,196	48,276
Capital Grants and Contributions	385,151	5,550	60,272	12,800
General Revenues:				
Taxes:				
Property Taxes	886,345	873,863	875,331	868,213
Other Taxes and Licenses	307,211	280,616	277,467	300,486
Grants and Contributions, non-program	-	-	-	146,242
Investment Earnings, unrestricted	5,915	7,921	14,591	21,996
Miscellaneous	15,931	1,134	1,891	7,628
Total Revenues	<u>1,774,793</u>	<u>1,349,510</u>	<u>1,412,429</u>	<u>1,496,725</u>
Expenses:				
General Government	411,493	348,601	400,771	372,544
Public Safety	450,064	418,103	398,889	400,467
Transportation	338,622	317,661	374,792	333,633
Environmental Protection	17,779	27,743	63,120	105,353
Landcare	96,161	90,850	54,052	2,340
Interest on Long-Term Debt	-	467	2,201	2,266
Total Expenses	<u>1,314,119</u>	<u>1,203,425</u>	<u>1,293,825</u>	<u>1,216,603</u>
Increase/(decrease) in net assets before transfers	460,674	146,085	118,604	280,122
Transfers	<u>66,827</u>	<u>85,800</u>	<u>91,300</u>	<u>87,600</u>
Increase/(decrease) in net assets	<u>\$ 527,501</u>	<u>\$ 231,885</u>	<u>\$ 209,904</u>	<u>\$ 367,722</u>

Table 2

FYE 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004	FYE 2003
\$ -	\$ -	\$ -	\$ -	\$ 22,181	\$ 18,022
51,510	54,973	53,827	43,268	21,962	19,259
-	-	-	-	-	-
42,325	26,867	-	-	-	-
-	-	-	-	-	-
<u>93,835</u>	<u>81,840</u>	<u>53,827</u>	<u>43,268</u>	<u>44,143</u>	<u>37,281</u>
46,394	190,775	41,838	219,302	47,993	44,780
-	-	-	4,560	-	-
857,051	810,549	632,033	619,402	590,236	492,480
334,775	316,204	294,897	276,615	234,971	204,053
58,489	57,058	42,617	40,072	55,189	60,234
55,594	74,474	42,263	11,771	5,311	8,617
13,253	18,387	5,166	9,470	9,768	3,842
<u>1,459,391</u>	<u>1,549,287</u>	<u>1,112,641</u>	<u>1,224,460</u>	<u>987,611</u>	<u>851,287</u>
399,433	442,914	304,947	193,825	277,118	253,404
339,693	305,020	285,396	260,565	243,814	212,261
341,160	645,048	347,453	455,932	228,157	283,020
110,613	90,637	81,355	75,393	23,423	32,899
-	1,239	710	-	-	-
3,252	2,949	-	-	-	-
<u>1,194,151</u>	<u>1,487,807</u>	<u>1,019,861</u>	<u>985,715</u>	<u>772,512</u>	<u>781,584</u>
265,240	61,480	92,780	238,745	215,099	69,703
93,100	103,500	85,362	-	(46,330)	(48,855)
<u>\$ 358,340</u>	<u>\$ 164,980</u>	<u>\$ 178,142</u>	<u>\$ 238,745</u>	<u>\$ 168,769</u>	<u>\$ 20,848</u>

**Town of Montreat
Change in Net Assets
Business-Type Functions**

	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>FYE 2009</u>
Revenues:				
Program Revenues:				
Charges for Services:				
Water	\$ 270,153	\$ 348,989	\$ 289,188	\$ 288,512
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	-	281,797	158,309	-
General Revenues:				
Taxes:				
Property Taxes	-	-	-	-
Other Taxes and Licenses	-	-	-	-
Grants and Contributions, non-program	-	-	-	-
Investment earnings, unrestricted	1,324	1,081	1,128	2,916
Miscellaneous	-	-	-	8,213
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	271,477	631,867	448,625	299,641
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Water	223,169	151,828	185,363	164,352
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	223,169	151,828	185,363	164,352
	<hr/>	<hr/>	<hr/>	<hr/>
Increase/(decrease) in net assets before transfers	48,308	480,039	263,262	135,289
Transfers	(66,827)	(85,800)	(91,300)	(87,600)
	<hr/>	<hr/>	<hr/>	<hr/>
Increase/(decrease) in net assets	\$ (18,519)	\$ 394,239	\$ 171,962	\$ 47,689
	<hr/>	<hr/>	<hr/>	<hr/>

Table 3

FYE 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004	FYE 2003
\$ 274,496	\$ 226,356	\$ 243,303	\$ 199,061	\$ 409,041	\$ 404,947
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,771	7,809	5,926	2,992	1,379	1,717
-	-	-	-	-	-
281,267	234,165	249,229	202,053	410,420	406,664
165,983	136,573	140,644	209,409	399,282	364,515
165,983	136,573	140,644	209,409	399,282	364,515
115,284	97,592	108,585	(7,356)	11,138	42,149
(93,100)	(103,500)	(85,362)	-	46,330	48,855
\$ 22,184	\$ (5,908)	\$ 23,223	\$ (7,356)	\$ 57,468	\$ 91,004

**Town of Montreat
Change in Net Assets
Total Primary Government**

	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Revenues:				
Program Revenues:				
Charges for Services:				
General Government	\$ -	\$ -	\$ 1,390	\$ -
Public Safety	39,701	47,610	41,793	49,806
Transportation	-	-	-	-
Environmental Protection	494	473	498	41,278
Landcare	-	-	-	-
Water	270,153	348,989	289,188	288,512
Operating Grants and Contributions	134,045	132,343	139,196	48,276
Capital Grants and Contributions	385,151	287,347	218,581	12,800
General Revenues:				
Taxes:				
Property Taxes	886,345	873,863	875,331	868,213
Other Taxes and Licenses	307,211	280,616	277,467	300,486
Grants and Contributions, non-program	-	-	-	146,242
Investment Earnings, unrestricted	7,239	9,002	15,719	24,912
Miscellaneous	15,931	1,134	1,891	15,841
Total Revenues	2,046,270	1,981,377	1,861,054	1,796,366
Expenses:				
General Government	411,493	348,601	400,771	372,544
Public Safety	450,064	418,103	398,889	400,467
Transportation	338,622	317,661	374,792	333,633
Environmental Protection	17,779	27,743	63,120	105,353
Landcare	96,161	90,850	54,052	2,340
Interest on Long-Term Debt	-	467	2,201	2,266
Water	223,169	151,828	185,363	164,352
Total Expenses	1,537,288	1,355,253	1,479,188	1,380,955
Increase/(decrease) in net assets before transfers	508,982	626,124	381,866	415,411
Transfers	-	-	-	-
Increase/(decrease) in net assets	\$ 508,982	\$ 626,124	\$ 381,866	\$ 415,411

Table 4

FYE 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004	FYE 2003
\$ -	\$ -	\$ -	\$ -	\$ 22,181	\$ 18,022
51,510	54,973	53,827	43,268	21,962	19,259
-	-	-	-	-	-
42,325	26,867	-	-	-	-
-	-	-	-	-	-
274,496	226,356	243,303	199,061	409,041	404,947
46,394	190,775	41,838	219,302	47,993	44,780
-	-	-	4,560	-	-
857,051	810,549	632,033	619,402	590,236	492,480
334,775	316,204	294,897	276,615	234,971	204,053
58,489	57,058	42,617	-	-	-
62,365	82,283	48,189	14,763	6,690	10,334
13,253	18,387	5,166	9,470	9,768	3,842
1,740,658	1,783,452	1,361,870	1,386,441	1,342,842	1,197,717
399,433	442,914	304,947	193,825	277,118	253,404
339,693	305,020	285,396	260,565	243,814	212,261
341,160	645,048	347,453	455,932	228,157	283,020
110,613	90,637	81,355	75,393	23,423	32,899
-	1,239	710	-	-	-
3,252	2,949	-	-	-	-
165,983	136,573	140,644	209,409	399,282	364,515
1,360,134	1,624,380	1,160,505	1,195,124	1,171,794	1,146,099
380,524	159,072	201,365	191,317	171,048	51,618
-	-	-	-	-	-
\$ 380,524	\$ 159,072	\$ 201,365	\$ 191,317	\$ 171,048	\$ 51,618

**Town of Montreat
Fund Balances/Net Assets
All Funds**

	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>FYE 2009</u>
Government Funds				
General Fund	<u>\$ 1,598,957</u>	<u>\$ 1,810,945</u>	<u>\$ 1,833,002</u>	<u>\$ 1,800,009</u>
Enterprise Funds				
Water Fund	<u>\$ 1,482,312</u>	<u>\$ 1,672,575</u>	<u>\$ 1,278,336</u>	<u>\$ 1,106,374</u>

Table 5

FYE 2008	FYE 2007	FYE 2006	FYE 2005	FYE 2004	FYE 2003
<u>\$ 1,575,053</u>	<u>\$ 1,460,352</u>	<u>\$ 1,264,825</u>	<u>\$ 1,116,574</u>	<u>\$ 902,669</u>	<u>\$ 777,083</u>
<u>\$ 1,058,685</u>	<u>\$ 1,036,501</u>	<u>\$ 1,042,409</u>	<u>\$ 1,019,186</u>	<u>\$ 1,026,541</u>	<u>\$ 969,073</u>

**Town of Montreat
General Governmental Expenditure By Function**

Fiscal Year Ended June 30	General Government	Public Safety	Transportation	Environmental Protection
2012	\$ 411,493	\$ 450,064	\$ 338,622	\$ 17,779
2011	348,601	418,103	317,661	27,743
2010	400,771	398,889	374,792	63,120
2009	372,544	400,467	333,633	105,353
2008	399,433	339,693	341,160	110,613
2007	442,914	305,020	645,048	90,637
2006	304,947	285,396	347,453	81,355
2005	193,825	260,565	455,932	75,393
2004	277,118	243,814	228,157	23,423
2003	253,404	212,261	283,020	32,899

Table 6

Landcare	Interest On Long-Term Debt	Total
\$ 96,161	\$ -	\$ 1,314,119
90,850	467	1,203,425
54,052	2,201	1,293,825
2,340	2,266	1,216,603
-	3,252	1,194,151
1,239	2,949	1,487,807
710	-	1,019,861
-	-	985,715
-	-	772,512
-	-	781,584

**Town of Montreat
General Governmental Revenue By Source**

Fiscal Year Ended June 30	Ad Valorem Taxes	Other Taxes and Licenses	Charges for Services	Operating Grants and Contributions
2012	\$ 886,345	\$ 307,211	\$ 40,195	\$ 134,045
2011	873,863	280,616	48,083	132,343
2010	875,331	277,467	43,681	139,196
2009	868,213	300,486	91,084	48,276
2008	857,051	334,775	93,835	46,394
2007	810,549	316,204	81,840	190,775
2006	632,033	294,897	53,827	41,838
2005	619,402	276,615	43,268	219,302
2004	590,236	234,971	44,143	47,993
2003	492,480	204,053	37,281	44,780

Table 7

Capital Grants and Contributions	Non-Program Grants and Contributions	Investment Earnings	Miscellaneous	Total
\$ 385,151	\$ -	\$ 5,915	\$ 15,931	\$ 1,774,793
5,550	-	7,921	1,134	1,349,510
60,272	-	14,591	1,891	1,412,429
12,800	146,242	21,996	7,628	1,496,725
-	58,489	55,594	13,253	1,459,391
-	57,058	74,474	18,387	1,549,287
-	42,617	42,263	5,166	1,112,641
4,560	40,072	11,771	9,470	1,224,460
-	55,189	5,311	9,768	987,611
-	60,234	8,617	3,842	851,287

Town of Montreat
 Property Tax Levies and Collections - General Fund

Table 8

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections, Credits and Write-offs	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
2012	\$ 905,282	\$ 896,135	98.99%	\$ 2,461	\$ 898,596	99.26%
2011	875,507	874,635	99.90%	319	874,954	99.94%
2010	872,786	871,997	99.91%	(38,433)	833,564	95.51%
2009	867,101	863,797	99.62%	234	864,031	99.65%
2008	857,049	856,390	99.92%	2,574	858,964	100.22%
2007	842,420	840,204	99.74%	181	840,385	99.76%
2006	629,804	629,620	99.97%	2,878	632,498	100.43%
2005	620,907	613,552	98.82%	1,775	615,327	99.10%
2004	588,331	571,121	97.07%	1,108	572,229	97.26%
2003	499,878	489,981	98.02%	368	490,349	98.09%

**Town of Montreat
Assessed Value of Taxable Property**

Table 9

Fiscal Year Ended June 30	TR-2 Calendar Tax Year	Real Property	Personal Property	Public Service Company Property	Total Assessed Value
2012	2011	\$ 242,958,668	\$ 868,700	\$ 982,902	\$ 244,810,270
2011	2010	231,794,950	621,110	1,009,996	233,426,056
2010	2009	230,968,650	698,437	977,045	232,644,132
2009	2008	228,962,700	776,315	854,451	230,593,466
2008	2007	228,365,500	814,900	845,103	230,025,503
2007	2006	221,916,950	1,018,870	840,468	223,776,288
2006	2005	164,673,217	683,765	725,675	166,082,657
2005	2004	161,395,585	683,788	763,695	162,843,068
2004	2003	N/A	N/A	N/A	162,582,652
2003	2002	N/A	N/A	N/A	159,998,893

N/A = Data not available

Town of Montreat
Property Tax Rates - Town of Montreat and Overlapping Jurisdictions
(Per \$100.00 of Assessed Value)

Table 10

Fiscal Year Ended June 30	Town of Montreat	Black Mountain Fire District	Buncombe County	Total Tax Rate
2012	\$ 0.3700	\$ 0.0900	\$ 0.5250	\$ 0.9850
2011	0.3700	0.0900	0.5250	0.9850
2010	0.3700	0.0900	0.5250	0.9850
2009	0.3700	0.0900	0.5250	0.9850
2008	0.3700	0.0900	0.5250	0.9850
2007	0.3700	0.0900	0.5300	0.9900
2006	0.3700	0.0900	0.5900	1.0500
2005	0.3700	0.0900	0.5900	1.0500
2004	0.3500	0.0900	0.5900	1.0300
2003	0.3100	0.0900	0.5900	0.9900

Source: Buncombe County Tax Department.

**Ratio of Net General Obligation Bonded Debt to Assessed Value and
Net General Obligation Bonded Debt per Capita**

Fiscal Year Ended June 30	Assessed Value	General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	Population	Net General Obligation Bonded Debt Per Capita
2012	\$ 244,810,270	\$ -	0.00%	688	0.00%
2011	233,426,056	-	0.00%	723	0.00%
2010	232,644,132	-	0.00%	714	0.00%
2009	230,593,466	-	0.00%	714	0.00%
2008	230,025,503	-	0.00%	730	0.00%
2007	223,776,288	-	0.00%	703	0.00%
2006	166,082,657	-	0.00%	697	0.00%
2005	162,843,068	-	0.00%	659	0.00%
2004	162,582,652	-	0.00%	681	0.00%
2003	159,998,893	-	0.00%	N/A	0.00%

N/A = Data not available

**Town of Montreat
 Computation of Legal Debt Margin
 June 30, 2012**

Table 12

Assessed value of taxable property	\$ 244,810,270
times	<u>0.08</u>
Debt limit (8% of assessed value)	<u>19,584,822</u>
Gross debt:	
Bonds Payable	251,000
Authorized and unissued bonds	-
Installment Purchase	<u>630,102</u>
Gross Debt	881,102
Less: Water Fund debts	<u>836,102</u>
Total amount of debt applicable to debt limit	<u>45,000</u>
Legal debt margin	<u><u>\$ 19,539,822</u></u>

Town of Montreat
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
To Total General Governmental Expenditures

Table 13

Fiscal Year Ended June 30	Principal	Interest on Bonds	Total Debt Service	Total General Governmental Expenditures	Ratio, Debt Service to Total General Governmental Expenditures
2012	\$ -	\$ -	\$ -	\$ 1,314,119	0.00%
2011	-	-	-	1,203,425	0.00%
2010	-	-	-	1,293,825	0.00%
2009	-	-	-	1,216,603	0.00%
2008	-	-	-	1,194,151	0.00%
2007	-	-	-	1,487,807	0.00%
2006	-	-	-	1,019,861	0.00%
2005	-	-	-	985,715	0.00%
2004	-	-	-	772,512	0.00%
2003	-	-	-	781,584	0.00%

**Town of Montreat
Demographic Statistics**

Table 14

Fiscal Year Ended June 30	Population	Per Capita Income	Median Age	School Enrollment	Unemployment Rate % (June)*
2012	688	N/A	N/A	10	9.4
2011	723	N/A	24.2	N/A	10.6
2010	701	N/A	N/A	N/A	10.8
2009	714	N/A	N/A	N/A	10.6
2008	730	N/A	N/A	N/A	6.0
2007	703	N/A	N/A	N/A	4.7
2006	697	N/A	N/A	N/A	4.8
2005	659	N/A	N/A	N/A	5.3
2004	681	N/A	N/A	N/A	5.5
2003	N/A	N/A	N/A	N/A	N/A
2000	630	\$ 16,669	22.8	N/A	3.6

N/A = Data not available

* Unemployment rate data is for all of Buncombe County, Montreat-only data not available

Source: NC Office of State Budget and Management, State Data Center,
Buncombe County Schools, Employment Security Commission

**Town of Montreat
Ten Largest Taxpayers
June 30, 2012**

Table 15

Taxpayer	Classification	2011 Assessed Valuation	Percentage of Total Assessed Valuation
Mountain Treatment Association	Institutional	\$ 4,546,280	1.95%
Neale, Henry W. and Margaret C.	Residential	1,300,100	0.56%
Lou G. Ogden Living Trust	Residential	1,182,600	0.51%
Mcaskil, William C. and Susanne B.	Residential	1,047,030	0.45%
Shortridge, Jr., Kenneth W. and Linda TC	Residential	1,027,700	0.44%
Gettys, Jr., Joseph M.	Residential	1,025,000	0.44%
Hannah, Walter W.	Residential	999,200	0.43%
Bes-Lu, LLC	Residential	989,800	0.42%
Evans E. Craig	Residential	971,000	0.42%
Mandeville, LLC	Residential	948,600	0.41%

Source: Buncombe County Tax Department.

**Town of Montreat
Miscellaneous Statistics
June 30, 2012**

Table 16

Date of establishment	1966
Form of Government	Council-Manager
Employees	
Full-time permanent	14
Vacancies	0
Other (Police Reserve)	4
Area	2.78 sq. miles
Town Facilities and Services	
Miles of Streets	15.2
Number of Street Lights	0
Police Protection:	
Number of full-time officers	5
Number of reserve officers	4
Inspections:	
Building permits issued	112
Water Service:	
Number of customers	668
Average daily consumption	86,000 gal.
Miles of water mains	19
Number of wells	11
Facilities and Services provided by other entities:	
Fire Protection:	
Provided by Black Mountain/East Buncombe Fire District	
Education:	
Public K-12 school system operated by Buncombe County Schools	
Cultural and Recreational:	
All recreational facilities owned and operated by Montreat Conference Center	
Sewers:	
Sanitary sewer system operated by the Municipal Sewer District of Buncombe County	