

**TOWN OF MONTREAT
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

DRAFT

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,792,657	\$ 753,373	\$ 2,546,030
Taxes receivable, net	1	-	1
Accounts receivable, net	98,805	71,780	170,585
Inventories	-	19,078	19,078
Prepaid items	10,767	860	11,627
Restricted cash and cash equivalents	231,781	2,909	234,690
Total current assets	2,134,011	848,000	2,982,011
Non-current assets:			
Capital assets:			
Land and construction in progress	1,692,230	367,968	2,060,198
Other capital assets, net of depreciation	2,223,427	1,300,947	3,524,374
Total non-current assets	3,915,657	1,668,915	5,584,572
Total assets	6,049,668	2,516,915	8,566,583
Deferred Outflows of Resources:			
Pension deferrals	141,596	-	141,596
Contributions to pension plan in current fiscal year	45,161	-	45,161
Total deferred outflows of resources	186,757	-	186,757
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	211,369	22,450	233,819
Liabilities payable from restricted assets	-	2,909	2,909
Current portion of long-term liabilities	29,677	83,928	113,605
Current portion of compensated absences	13,303	-	13,303
Total current liabilities	254,349	109,287	363,636
Long-term liabilities:			
Unfunded LEO	77,602	-	77,602
Net pension liability	200,773	-	200,773
Due in more than one year	256,185	552,768	808,953
Total long-term liabilities	534,560	552,768	1,087,328
Total liabilities	788,909	662,055	1,450,964
Deferred Inflows of Resources:			
Pension deferrals	12,525	-	12,525
Prepaid taxes	1,500	-	1,500
Total deferred inflows of resources	14,025	-	14,025
Net Position:			
Net investment in capital assets	3,749,519	1,032,219	4,781,738
Restricted for:			
Stabilization for State statute	98,805	-	98,805
Streets	231,781	-	231,781
Unrestricted	1,353,386	822,641	2,176,027
Total net position	\$ 5,433,491	\$ 1,854,860	\$ 7,288,351

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, 2017**

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 604,294	\$ 89,095	\$ 95,651	\$ -
Public safety	439,093	3,371	-	-
Transportation	380,618	-	40,917	-
Environmental protection	96,173	6,521	10,882	3,694
Cultural and recreation	20,419	-	-	-
Interest on long-term debt	6,221	-	-	-
Total governmental activities	<u>1,546,818</u>	<u>98,987</u>	<u>147,450</u>	<u>3,694</u>
Business-Type Activities:				
Water	<u>272,343</u>	<u>351,697</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>272,343</u>	<u>351,697</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,819,161</u>	<u>\$ 450,684</u>	<u>\$ 147,450</u>	<u>\$ 3,694</u>

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, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (419,548)	\$ -	\$ (419,548)
Public safety	(435,722)	-	(435,722)
Transportation	(339,701)	-	(339,701)
Environmental protection	(75,076)	-	(75,076)
Cultural and recreation	(20,419)	-	(20,419)
Interest on long-term debt	(6,221)	-	(6,221)
Total governmental activities	<u>(1,296,687)</u>	<u>-</u>	<u>(1,296,687)</u>
Business-Type Activities:			
Water	<u>-</u>	<u>79,354</u>	<u>79,354</u>
Total business-type activities	<u>-</u>	<u>79,354</u>	<u>79,354</u>
Total primary government	<u>(1,296,687)</u>	<u>79,354</u>	<u>(1,217,333)</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	974,695	-	974,695
Local option sales tax	402,651	-	402,651
Investment earnings, unrestricted	3,643	244	3,887
Miscellaneous	6,115	-	6,115
Total general revenues	<u>1,387,104</u>	<u>244</u>	<u>1,387,348</u>
Change in net position	90,417	79,598	170,015
Net Position:			
Beginning of year - July 1	<u>5,269,195</u>	<u>1,775,262</u>	<u>7,044,457</u>
Prior period adjustment	<u>73,879</u>	<u>-</u>	<u>73,879</u>
Beginning of year, as restated	<u>5,343,074</u>	<u>1,775,262</u>	<u>7,118,336</u>
End of year - June 30	<u>\$ 5,433,491</u>	<u>\$ 1,854,860</u>	<u>\$ 7,288,351</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2017

	General Fund
Assets:	
Cash and cash equivalents	\$ 1,792,657
Taxes receivable, net	1
Accounts receivable, net	98,805
Prepaid items	10,767
Restricted cash	<u>231,781</u>
Total assets	<u>\$ 2,134,011</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:	
Liabilities:	
Accounts payable	\$ 209,390
Total liabilities	<u>209,390</u>
Deferred Inflows of Resources:	
Property tax receivable	1
Prepaid taxes	<u>1,500</u>
Total deferred inflows of resources	<u>1,501</u>
Fund Balance:	
Non-spendable:	
Prepays	10,767
Restricted:	
Stabilization by State statute	98,805
Streets	231,781
Committed:	
Open space	34,983
Assigned:	
Public safety	54,579
Subsequent year's expenditures	127,718
Unassigned	<u>1,364,487</u>
Total fund balance	<u>1,923,120</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,134,011</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2017

	<u>General Fund</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balance	\$ 1,923,120
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	3,915,657
Net pension liability - LGERS	(200,773)
Total pension liability - LEOSSA	(77,602)
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	5,150
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	181,607
Long-term liabilities, compensated absences, and interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	(301,144)
Pension related deferrals	(12,525)
Deferred inflows 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 position in the Statement of Net Position.	<u>1</u>
Net position of governmental activities	<u>\$ 5,433,491</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, 2017

	General Fund
Revenues:	
Ad valorem taxes	\$ 974,703
Other taxes and licenses	402,651
Unrestricted intergovernmental revenues	94,995
Restricted intergovernmental revenues	47,438
Permits and fees	89,095
Sales and services	14,909
Investment earnings	3,643
Miscellaneous	9,809
Total revenues	<u>1,637,243</u>
Expenditures:	
Current:	
General government	409,101
Public safety	449,767
Transportation	486,518
Environmental protection	158,977
Cultural and recreation	7,644
Debt service:	
Principal	29,308
Interest	4,242
Total expenditures	<u>1,545,557</u>
Net change in fund balance	91,686
Fund Balance:	
Beginning of year - July 1	<u>1,831,434</u>
End of year - June 30	<u>\$ 1,923,120</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, 2017

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)	\$ 91,686
--	-----------

Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes	(8)
----------------	-----

Change in deferred outflow - pension	1,264
--------------------------------------	-------

Change in deferred inflows - pension	16,739
--------------------------------------	--------

Change in net pension liability	(152,887)
---------------------------------	-----------

Change in pension deferral	125,718
----------------------------	---------

Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(29,218)
--	----------

Expenses related to interest expense that do not require current financial resources are not reported as expenditures.	(1,979)
--	---------

Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	284,259
--	---------

Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(156,720)
---	-----------

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(115,101)
---	-----------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	45,161
---	--------

Expenses related to pensions that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(45,161)
--	----------

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, 2017**

Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.

29,308

Expenses that do not require current financial resources are not reported in expenditures in the governmental funds statement.

LEO expense

(2,644)

Change in net position of governmental activities per Exhibit B

\$ 90,417

DRAFT

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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Over/Under
Revenues:				
Ad valorem taxes	\$ 965,600	\$ 965,600	\$ 974,703	\$ 9,103
Other taxes and licenses	402,000	402,000	402,651	651
Unrestricted intergovernmental revenues	105,000	105,000	94,995	(10,005)
Restricted intergovernmental revenues	40,500	40,500	47,438	6,938
Permits and fees	90,000	90,000	89,095	(905)
Sales and services	14,700	14,700	14,909	209
Investment earnings	2,200	2,200	3,643	1,443
Miscellaneous	136,200	136,200	9,809	(126,391)
Total revenues	<u>1,756,200</u>	<u>1,756,200</u>	<u>1,637,243</u>	<u>(118,957)</u>
Expenditures:				
General government	570,200	561,700	409,101	152,599
Public safety	438,300	456,000	449,767	6,233
Transportation	656,600	646,800	486,518	160,282
Environmental protection	162,200	162,800	158,977	3,823
Cultural and recreation	18,000	18,000	7,644	10,356
Debt service:				
Principal	29,400	29,400	29,308	92
Interest	4,300	4,300	4,242	58
Total debt service	<u>33,700</u>	<u>33,700</u>	<u>33,550</u>	<u>150</u>
Total expenditures	<u>1,879,000</u>	<u>1,879,000</u>	<u>1,545,557</u>	<u>333,443</u>
Revenues over (under) expenditures	<u>(122,800)</u>	<u>(122,800)</u>	<u>91,686</u>	<u>214,486</u>
Other Financing Sources (Uses):				
Fund balance appropriated	122,800	122,800	-	(122,800)
Debt issued	-	-	-	-
Total other financing sources (uses)	<u>122,800</u>	<u>122,800</u>	<u>-</u>	<u>(122,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	91,686	<u>\$ 91,686</u>
Fund Balance:				
Beginning of year - July 1			<u>1,831,434</u>	
End of year - June 30			<u>\$ 1,923,120</u>	

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

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2017

	<u>Water Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 753,373
Accounts receivable, net	71,780
Inventory	19,078
Prepays	860
Restricted cash and cash equivalents	2,909
Total current assets	<u>848,000</u>
Non-current assets:	
Land and construction in process	367,968
Other capital assets, net	1,300,947
Total capital assets	<u>1,668,915</u>
Total assets	<u>2,516,915</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	22,450
Bonds payable, current	28,000
ARRA debt, current	26,523
Note payable, current	29,405
Liabilities payable from restricted assets:	
Customer deposits	2,909
Total current liabilities	<u>109,287</u>
Non-current liabilities:	
Bonds payable	90,000
ARRA debt	352,368
Note payable	110,400
Total non-current liabilities	<u>552,768</u>
Total liabilities	<u>662,055</u>
Net Position:	
Net investment in capital assets	1,032,219
Unrestricted	822,641
Total net position	<u>\$ 1,854,860</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ 301,765
Other	<u>49,932</u>
Total operating revenues	<u>351,697</u>
Operating Expenses:	
Water operations	163,482
Depreciation	<u>91,788</u>
Total operating expenses	<u>255,270</u>
Operating income (loss)	<u>96,427</u>
Non-Operating Revenues (Expenses):	
Investment earnings	244
Interest expense	<u>(17,073)</u>
Total non-operating revenues (expenses)	<u>(16,829)</u>
Change in net position	79,598
Net Position:	
Beginning of year - July 1	<u>1,775,262</u>
End of year - June 30	<u><u>\$ 1,854,860</u></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, 2017

	<u>Water Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 375,859
Cash paid for goods and services	(130,947)
Cash paid to employees for services	(34,149)
Net cash provided (used) by operating activities	<u>210,763</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(19,874)
Principal payment on long-term debt	(83,592)
Interest payment on long-term debt	(17,816)
Net cash provided (used) by capital and related financing activities	<u>(121,282)</u>
Cash Flows from Investing Activities:	
Interest received	<u>244</u>
Net increase (decrease) in cash, cash equivalents, and investments	89,725
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>666,557</u>
End of year - June 30	<u><u>\$ 756,282</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Operating income (loss)	\$ 96,427
Depreciation	91,788
Change in assets and liabilities:	
Accounts receivables	23,829
Inventories	332
Accounts payable and accrued liabilities	(1,946)
Customer deposits	<u>333</u>
Net cash provided (used) by operating activities	<u><u>\$ 210,763</u></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, 2017

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Mayor and a five-member Board of Commissioners.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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, 2017

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Town's enterprise fund are charges to customers for sales

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

D. Budgetary Data

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

E. Excess Expenditures Over Appropriations

For the fiscal year ended June 30, 2017, the Town made expenditures in excess of the approved budget in the public safety department of the General Fund.

The Town will be more diligent in the future in monitoring the budget of the General Fund along with pre-auditing before approval.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

DRAFT

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they 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.

Restricted cash at June 30, 2017 consists of the following:

Governmental Activities:

General Fund:

Powell Bill	\$ 231,781
Total governmental activities	<u>231,781</u>

Business-Type Activities:

Water Fund:

Customer deposits	<u>2,909</u>
Total business-type activities	<u>2,909</u>

Total restricted cash	<u><u>\$ 234,690</u></u>
-----------------------	--------------------------

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 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Inventory and Prepaid Items

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; building and improvements, \$5,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; \$5,000 computer software and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

two items that meet this criterion; pension related deferrals and contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

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

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

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

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.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Montreat's governing body (highest level of decision-making authority). The governing board can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Committed for Open Space:

Donor contribution	\$ 14,868
Town contribution	<u>20,115</u>
Total	<u>\$ 34,983</u>

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

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

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

Assigned Fund Balance:

Public safety	\$ 54,579
Subsequent year's expenditures	<u>127,718</u>
Total	<u>\$ 182,297</u>

Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only governmental fund that reports a positive unassigned fund balance.

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

The Town of Montreat has adopted a minimum fund balance policy for the general fund, which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 1,923,120
Less:	
Stabilization by State statute	(98,805)
Non-spendable	<u>(10,767)</u>
Fund balance available for appropriation	<u>\$ 1,813,548</u>

12. Pensions

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

II. Detail Notes On All Funds

A. Assets

1. Deposits

All of the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$2,767,256 and a bank balance of \$2,794,610. Of the bank balance, \$500,000 was covered by Federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2017, the Town's petty cash fund totaled \$245.

2. Investments

At June 30, 2017, the Town of Montreat had \$13,219 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard & Poor's. The Town has no policy regarding credit risk.

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

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017.

3. Receivables – Allowance for Doubtful Accounts

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

Enterprise Fund:	
Water Fund - accounts receivable	\$ 3,697
Total	<u>\$ 3,697</u>

The Town of Montreat has no allowance for doubtful accounts for its governmental fund.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

4. Capital Assets

Primary Government

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

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,355,224	\$ -	\$ -	\$ 1,355,224
Construction in progress	490,430	-	(153,424)	337,006
Total capital assets not being depreciated	<u>1,845,654</u>	<u>-</u>	<u>(153,424)</u>	<u>1,692,230</u>
Capital Assets Being Depreciated:				
Buildings	1,921	-	-	1,921
Building improvements	59,507	-	-	59,507
Infrastructure	1,564,089	185,867	-	1,749,956
Equipment	777,857	-	-	777,857
IT equipment	82,164	1,500	(10,410)	73,254
Vehicles	542,222	96,892	(218,760)	420,354
Total capital assets being depreciated	<u>3,027,760</u>	<u>284,259</u>	<u>(229,170)</u>	<u>3,082,849</u>
Less Accumulated Depreciation:				
Buildings	48	48	-	96
Building improvements	38,018	3,594	-	41,612
Infrastructure	344,511	74,818	-	419,329
Equipment	69,338	1,421	-	70,759
IT equipment	79,312	1,056	(7,114)	73,254
Vehicles	438,968	34,164	(218,760)	254,372
Total accumulated depreciation	<u>970,195</u>	<u>\$ 115,101</u>	<u>\$ (225,874)</u>	<u>859,422</u>
Total capital assets being depreciated	<u>2,057,565</u>			<u>2,223,427</u>
Governmental activity capital assets, net	<u>\$ 3,903,219</u>			<u>\$ 3,915,657</u>

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

General government	\$ 4,030
Public safety	19,062
Transportation	79,234
Environmental protection	-
Cultural and recreation	12,775
Total depreciation expense	<u>\$ 115,101</u>

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Proprietary Capital Assets

The capital asset activity of the Proprietary Fund for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 367,968	\$ -	\$ -	\$ 367,968
Total capital assets not being depreciated	<u>367,968</u>	<u>-</u>	<u>-</u>	<u>367,968</u>
Capital Assets Being Depreciated:				
Buildings	142,110	-	-	142,110
Improvements	601,155	-	-	601,155
Infrastructure	1,981,518	19,874	-	2,001,392
Equipment	98,938	-	-	98,938
IT equipment	23,776	-	-	23,776
Vehicles	67,675	-	(27,868)	39,807
Total capital assets being depreciated	<u>2,915,172</u>	<u>19,874</u>	<u>(27,868)</u>	<u>2,907,178</u>
Less Accumulated Depreciation:				
Buildings	60,378	3,553	-	63,931
Improvements	63,618	19,909	-	83,527
Infrastructure	1,257,825	53,376	-	1,311,201
Equipment	69,039	14,950	-	83,989
IT equipment	23,776	-	-	23,776
Vehicles	67,675	-	(27,868)	39,807
Total accumulated depreciation	<u>1,542,311</u>	<u>\$ 91,788</u>	<u>\$ (27,868)</u>	<u>1,606,231</u>
Total capital assets being depreciated, net	<u>1,372,861</u>			<u>1,300,947</u>
Business-type activities capital assets, net	<u>\$ 1,740,829</u>			<u>\$ 1,668,915</u>

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2017 were as follows:

	<u>Salaries and Benefits</u>	<u>Vendors</u>	<u>Total</u>
Governmental Activities:			
General	\$ 26,016	\$ 185,353	\$ 211,369
Total	<u>\$ 26,016</u>	<u>\$ 185,353</u>	<u>\$ 211,369</u>
Business-Type Activities:			
Water	\$ -	\$ 22,450	\$ 22,450
Total	<u>\$ -</u>	<u>\$ 22,450</u>	<u>\$ 22,450</u>

1. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Montreat is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Montreat employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Montreat's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Montreat were \$45,161 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Town reported a liability of \$200,773 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.00946%, which was a decrease of 0.00121% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$54,328. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,772	\$ 7,035
Changes of assumptions	13,751	-
Net difference between projected and actual earnings on pension plan investments	111,003	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,920	5,005
Town contributions subsequent to the measurement date	45,161	-
Total	<u>\$ 181,607</u>	<u>\$ 12,040</u>

\$45,161 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 19,325
2019	19,353
2020	54,373
2021	31,355
2022	-
Thereafter	-
Total	<u>\$ 124,406</u>

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

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

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100%	

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

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 476,528	\$ 200,773	\$ (29,558)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description*

The Town administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	5
Total	5

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies*

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuary Assumptions

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

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

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017, the Town reported a total pension liability of \$77,602. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$7,794.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 485
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>5,150</u>	<u>-</u>
Total	<u><u>\$ 5,150</u></u>	<u><u>\$ 485</u></u>

\$5,150 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 104
2019	104
2020	104
2021	104
2022	69
Thereafter	<u>-</u>
Total	<u><u>\$ 485</u></u>

\$5,150 paid as benefits came due are reported as deferred outflows of resources.

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>1% Decrease</u> <u>(2.86%)</u>	<u>Discount Rate</u> <u>(3.86%)</u>	<u>1% Increase</u> <u>(4.86%)</u>
Total pension liability	\$ 79,588	\$ 77,602	\$ 75,518

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

	<u>2017</u>
Beginning balance	\$ 70,293
Service cost	5,389
Interest on the total pension liability	2,509
Changes of assumptions or other inputs	(589)
Ending balance of the total pension liability	<u>\$ 77,602</u>

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

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$18,447, which consisted of \$11,422 from the Town and \$7,025 from law enforcement officers. No amounts were forfeited.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

d. Supplemental Retirement Income Plan for Employees Not Engaged in Law Enforcement

Funding Policy. The Town also contributes each month an amount equal to 5% of each non-law enforcement 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, 2017 were \$31,122, which consisted of \$21,772 from the Town and \$9,350 from the employees. No amounts were forfeited.

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

The Town has two deferred outflow of resources. Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 45,161
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>141,596</u>
Total	<u>\$ 186,757</u>

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

<u>Source</u>	<u>Amount</u>
Prepaid taxes not yet earned	\$ 1,500
Changes in assumptions	485
Differences between expected and actual experience	7,035
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,005
	<u>\$ 14,025</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability of property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance due to its geographic location.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town Administration and the Finance Officer are each individually bonded for \$50,000. The Town Clerk is bonded for \$10,000.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2017, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town Attorneys, 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, 2017

6. Long-Term Obligations

a. Installment Purchase

The Town's installment purchases at June 30, 2017 are comprised of the following individual issues:

In November 2015, the Town entered into a note with a private banking institution for \$162,000 to finance the construction of the Upper Kentucky Road Water Extension Project. The note is payable in 10 annual installments beginning in November 2016 with an interest rate of 2.12%. \$ 145,800

In December 2015, the Town entered into a note with a private banking institution for \$39,875 to finance the purchase of a vehicle. The note is payable in 36 monthly installments beginning in January 2016 with an interest rate of 2.731% 20,338

Total installment debt - General Fund \$ 166,138

Annual debt service payments of the installment purchases as of June 30, 2017, including \$16,139 of interest, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 29,677	\$ 3,515
2019	23,061	2,867
2020	16,200	2,437
2021	16,200	2,095
2022	16,200	1,741
2023-2026	<u>64,800</u>	<u>3,484</u>
Total	<u>\$ 166,138</u>	<u>\$ 16,139</u>

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In March 2013, the Town entered into \$74,750 in certificates of participation to finance the purchase of equipment. The financing contract required principal payments beginning in March 2014 with an interest rate of 2.19%. \$ 15,605

In November 2015, the Town entered into a note with a private banking institution for \$138,000 to finance the construction of the Upper Kentucky Road water extension project. The note is payable in 10 annual installments beginning in November 2016 with an interest rate of 2.12%. 124,200

ARRA principal forgiveness loan for the construction of two water-related projects. The loan has a maximum amount of \$492,995 of which \$246,947 could be debt. The loan is payable in 20 annual installments beginning at the time the project is completed. The H-ARRA-09-1289 and H-ARRA-09-1290A are interest free. The H-LRXF-08-1290A is at a 2.2% interest rate. 378,891

Total installment debt - Water Fund \$ 518,696

Annual debt service payments of the installment purchases as of June 30, 2017, including \$48,607 of interest, are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2018	\$ 55,928	\$ 7,376
2019	40,323	6,446
2020	40,323	5,858
2021	40,323	5,276
2022	40,323	4,683
2023-2027	187,815	14,603
2028-2032	113,661	4,365
Total	\$ 518,696	\$ 48,607

b. General Obligation Indebtedness

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

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The Town's bond payable at June 30, 2017 is as follows:

Water bond, Series A general obligation bond, for \$609,000 was issued on August 22, 1983 to finance the purchase and construction of facilities utilized in the operations of the water system. The bond is due in annual payments, with accelerating principal maturities, plus interest at 5%. \$ 118,000

Total general obligation debt - Water Fund \$ 118,000

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2018	\$ 28,000	\$ 5,900
2019	28,000	4,500
2020	28,000	3,100
2021	28,000	1,700
2022	6,000	300
Total	<u>\$ 118,000</u>	<u>\$ 15,500</u>

c. Changes in Long-Term Liabilities

	July 1, 2016	Increases	Decreases	June 30, 2017	Current Portion
Governmental Activities:					
Installment purchase	\$ 195,446	\$ -	\$ 29,308	\$ 166,138	\$ 29,677
Total pension liability (LEO)	144,172	7,898	74,468	77,602	-
Net pension liability (LGERS)	47,886	152,887	-	200,773	-
Compensated absences	103,809	100,232	71,014	133,027	13,303
Governmental activity long-term liabilities	<u>\$ 491,313</u>	<u>\$ 261,017</u>	<u>\$ 174,790</u>	<u>\$ 577,540</u>	<u>\$ 42,980</u>
Business-Type Activities:					
Bonds payable	\$ 146,000	\$ -	\$ 28,000	\$ 118,000	\$ 28,000
Installment purchase	574,288	-	55,592	518,696	55,928
Business-type activity long-term liabilities	<u>\$ 720,288</u>	<u>\$ -</u>	<u>\$ 83,592</u>	<u>\$ 636,696</u>	<u>\$ 83,928</u>

At June 30, 2017, the Town had a legal debt margin of \$18,849,654.

TOWN OF MONTREAT, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

III. Summary of Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

IV. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net pension for governmental activities increased by \$79,029.

TOWN OF MONTREAT, NORTH CAROLINA

SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPERATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Beginning balance	\$ 70,293
Service Cost	5,389
Interest on the total pension liability	2,509
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(589)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 77,602</u>

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

TOWN OF MONTREAT, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPERATION ALLOWANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Total pension liability	\$ 77,602
Covered payroll	227,806
Total pension liability as a percentage of covered payroll	34.06%

Notes to the schedules:

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

DRAFT

TOWN OF MONTREAT, NORTH CAROLINA**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS *****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.00946%	0.01067%	0.00934%	0.00133%
Town's proportion of the net pension liability (asset) (\$)	\$ 200,773	\$ 47,886	\$ (55,082)	\$ 124,155
Town's covered-employee payroll	\$ 623,948	\$ 631,711	\$ 587,628	\$ 614,739
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.18%	7.58%	(9.37%)	20.20%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF MONTREAT, NORTH CAROLINA**CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 45,161	\$ 43,897	\$ 45,387	\$ 41,947
Contributions in relation to the contractually required contribution	<u>45,161</u>	<u>43,897</u>	<u>45,387</u>	<u>41,947</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 595,751	\$ 623,948	\$ 631,711	\$ 587,628
Contributions as a percentage of covered-employee payroll	7.58%	7.04%	7.18%	7.14%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF MONTREAT, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 974,703	
Total	\$ 965,600	974,703	\$ 9,103
Other Taxes and Licenses:			
Local option sales taxes		401,356	
Penalties and interest		1,295	
Total	402,000	402,651	651
Unrestricted Intergovernmental Revenues:			
Utility franchise tax		91,429	
Beer and wine tax		3,566	
Total	105,000	94,995	(10,005)
Restricted Intergovernmental Revenues:			
Solid waste disposal tax		521	
Powell Bill allocation		40,917	
Local grant		6,000	
Total	40,500	47,438	6,938
Permits and Fees:			
Community service fees		49,979	
Building permits		39,116	
Total	90,000	89,095	(905)
Sales and Services:			
Public safety charges		3,371	
Sanitation fees		10,882	
Other		656	
Total	14,700	14,909	209
Other:			
Investment earnings		3,643	
Miscellaneous		6,115	
Contributions		3,694	
Total	138,400	13,452	(124,948)
Total revenues	1,756,200	1,637,243	(118,957)

TOWN OF MONTREAT, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Over/Under
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits		9,800	
Operating expenses		56,704	
Total	72,000	66,504	5,496
Administration:			
Salaries and employee benefits		180,600	
Operating expenses		111,114	
Capital outlay		1,500	
Total	304,500	293,214	11,286
Public Buildings:			
Operating expenses		37,838	
Capital outlay		11,545	
Total	185,200	49,383	135,817
Total general government	561,700	409,101	152,599
Public Safety:			
Police Department:			
Salaries and employee benefits		248,026	
Operating expenses		86,567	
Capital outlay		34,088	
Total	371,000	368,681	2,319
Planning and Zoning:			
Salaries and employee benefits		51,052	
Operating expenses		30,034	
Total	85,000	81,086	3,914
Total public safety	456,000	449,767	6,233
Transportation:			
Public Works:			
Salaries and employee benefits		56,693	
Operating expenses		19,020	
Total	83,200	75,713	7,487
Street:			
Salaries and employee benefits		114,819	
Operating expenses		98,560	
Capital outlay		197,426	
Total	563,600	410,805	152,795
Total transportation	646,800	486,518	160,282

TOWN OF MONTREAT, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Environmental Protection:			
Sanitation:			
Salaries and employee benefits		33,768	
Operating expenses		60,509	
Capital outlay		64,700	
Total	<u>162,800</u>	<u>158,977</u>	<u>3,823</u>
Total environmental protection	<u>162,800</u>	<u>158,977</u>	<u>3,823</u>
Cultural and Recreation:			
Recreation Commission:			
Operating expenses		2,644	
Capital outlay		5,000	
Total cultural and recreation	<u>18,000</u>	<u>7,644</u>	<u>10,356</u>
Debt Service:			
Principal retirement		29,308	
Interest and fees		4,242	
Total debt service	<u>33,700</u>	<u>33,550</u>	<u>150</u>
Total expenditures	<u>1,879,000</u>	<u>1,545,557</u>	<u>333,443</u>
Revenues over (under) expenditures	<u>(122,800)</u>	<u>91,686</u>	<u>214,486</u>
Other Financing Sources (Uses):			
Debt issued	-	-	
Fund balance appropriated	<u>122,800</u>	<u>-</u>	
Total other financing sources (uses)	<u>122,800</u>	<u>-</u>	<u>(122,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>91,686</u>	<u>\$ 91,686</u>
Fund Balance:			
Beginning of year - July 1		<u>1,831,434</u>	
End of year - June 30		<u>\$ 1,923,120</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 312,500	\$ 301,765	\$ (10,735)
Other	23,500	49,932	26,432
Total operating revenues	<u>336,000</u>	<u>351,697</u>	<u>15,697</u>
Non-operating revenues:			
Investment earnings	<u>500</u>	<u>244</u>	<u>(256)</u>
Total non-operating revenues	<u>500</u>	<u>244</u>	<u>(256)</u>
Total revenues	<u>336,500</u>	<u>351,941</u>	<u>15,441</u>
Expenditures:			
Operating expenditures:			
Repairs and maintenance		34,149	
Operating expenditures		<u>129,333</u>	
Total operating expenditures	<u>235,800</u>	<u>163,482</u>	<u>72,318</u>
Debt Service:			
Interest and fees		17,073	
Principal retirement		<u>83,592</u>	
Total debt service	<u>100,700</u>	<u>100,665</u>	<u>35</u>
Total expenditures	<u>336,500</u>	<u>264,147</u>	<u>72,353</u>
Revenues over (under) expenditures	<u>-</u>	<u>87,794</u>	<u>87,794</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 87,794</u>	<u>\$ 87,794</u>

**Reconciliation from Modified Accrual
 Basis to Full Accrual Basis:**

Revenues over (under) expenditures	\$ 87,794
Reconciling items:	
Payment of debt principal	83,592
Depreciation	<u>(91,788)</u>
Change in net position	<u>\$ 79,598</u>

TOWN OF MONTREAT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 1,007,190	\$ 1,007,190	\$ -
2015-2016	7	-	7	-
2014-2015	1	-	1	-
2013-2014	-	-	-	-
2012-2013	1	-	-	1
2011-2012	-	-	-	-
2010-2011	-	-	-	-
2009-2010	-	-	-	-
2008-2009	-	-	-	-
2007-2008	-	-	-	-
Total	<u>\$ 9</u>	<u>\$ 1,007,190</u>	<u>\$ 1,007,198</u>	<u>1</u>

Ad valorem taxes receivable - net

\$ 1**Reconciliation with Revenues:**

Ad valorem taxes	\$ 974,703
Ad valorem taxes - Special Assessment	33,069
Interest and penalties	1,295
Miscellaneous	<u>(1,869)</u>
Total collections and credit	<u>\$ 1,007,198</u>

TOWN OF MONTREAT, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 237,569,024	\$ 0.41	\$ 974,033	\$ 958,898	\$ 15,135
Special Assessment	8,064,390	0.41	33,064	33,064	-
Penalties	22,683	0.41	93	93	-
Total	<u>245,656,098</u>		<u>1,007,190</u>	<u>992,055</u>	<u>15,135</u>
Total property valuation	<u>\$ 245,656,098</u>				
Net Levy			1,007,190	992,055	15,135
Uncollected taxes as of June 30, 2017			-	-	-
Current Year's Taxes Collected			<u>\$ 1,007,190</u>	<u>\$ 992,055</u>	<u>\$ 15,135</u>
Current Levy Collection Percentage			<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>