

COUNTY OF MONTGOMERY NORTH CAROLINA



MONTGOMERY COUNTY: A GOLDEN OPPORTUNITY

**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

**** COMPARATIVE INFORMATION TO PRIOR YEAR INCLUDED ****

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015

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ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2015

This report was compiled by staff of the County's Finance Office, in cooperation with the County Manager and certain staff of various other departments, primarily Social Services, Public Utilities, Property Taxes, Information Technology, and Human Resources. Thompson, Price, Scott, Adams, & Co, P.A. printed this report.

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County Manager's Budget

FY2015-2016

May 14, 2015

I. Introduction to Budget Message:

The proposed County budget for fiscal year FY2016 has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act and General Statute 153A-82. The proposed budget is balanced with a property tax rate of fifty-seven (57) cents per one hundred (100) dollars of property value. The budget ordinance will be available for public inspection on May 14th.

In addition to the County Manager's budget, the Board of County Commissioners will consider requests from the Montgomery County Board of Education and the Montgomery Community College Board of Trustees to create a capital reserve fund to meet the current and future educational needs of the County. The requests ask the Commissioners to approve a fund as outlined by the facilities committee, a joint educational task force, which had evaluated improvements based on a five (5) cent tax increase. If passed in its entirety, the property tax rate for FY16 would be set at sixty-two (62) cents per one hundred (100) dollars of value.

A formal presentation of the budget will be conducted at the regularly scheduled Board of Commissioners meeting on May 19th. A public hearing will be scheduled during the same meeting for public comment.

On June 16th, the Board will vote on the budget ordinance, making appropriations and levying taxes. A second public hearing will precede the vote for adoption of the budget ordinance.

II. General Fund Revenues:

The General Fund Revenue projections for FY16, including collections from ad valorem taxes at a rate of fifty-seven (57) cents, will total twenty-eight million, nine hundred eighty-six thousand, eight hundred eighty four (28,986,884) dollars. This amount is a scant nineteen hundred (1900) dollars higher than the FY15 budget.

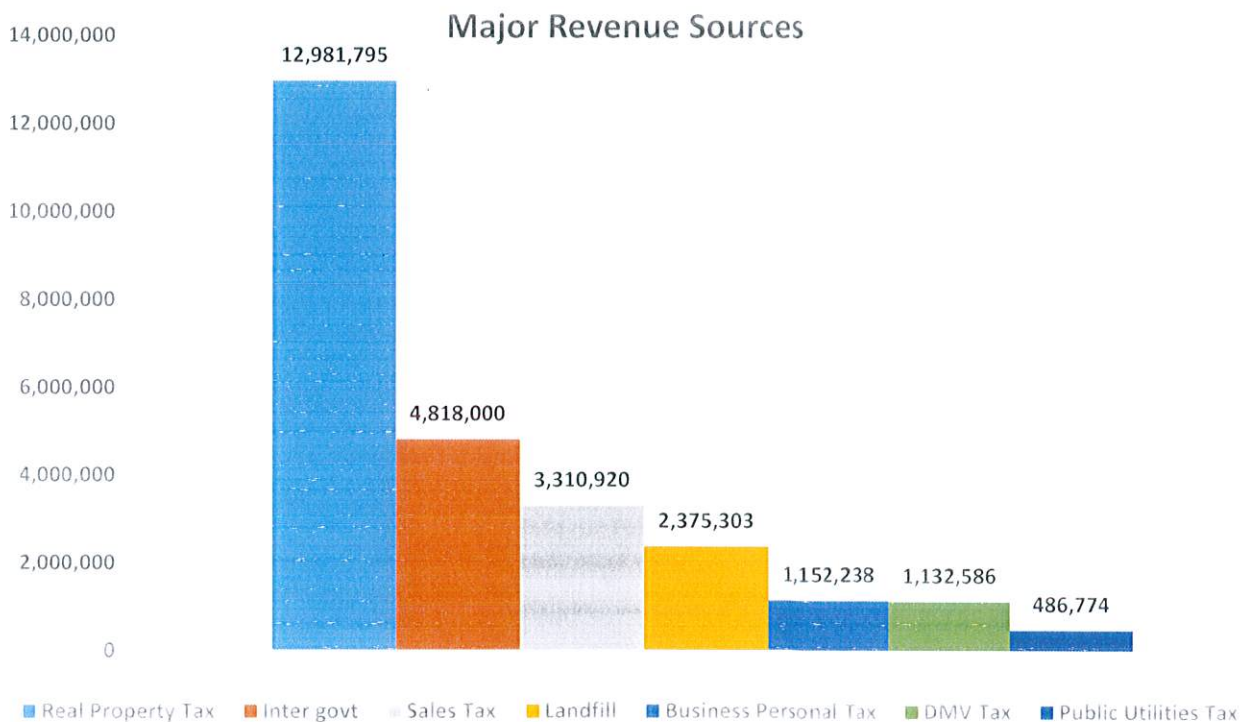
Ad valorem tax levies are slightly higher for FY16, indicating marginal growth and investment, but these small gains are offset by reductions in state and federal funding for Health and Human Services.

Sales tax revenue collections should also be higher next year. The FY16 budget for sales tax revenue is based on realized receipts through the third quarter.

Included in Intergovernmental funds, the County will draw down two hundred fifty thousand (250,000) dollars from state lottery funds to be applied toward the debt service of Greenridge Elementary. The County has a current reserve of four hundred eighty two thousand (482,000) dollars in its State held lottery account. This account earns interest.

Revenues from fees for services support County functions. The Office of the Register of Deeds and the department of Building Inspections collectively yield two hundred seventy five thousand (275,000) dollars in additional revenue. The number of construction permits issued by the Inspections department has increased, which is an encouraging sign of an upturn in development. Lake area property sales are improving and new residential homes are being constructed.

The chart below illustrates the source of a majority of funding for County functions:



III. General Fund Expenditures:

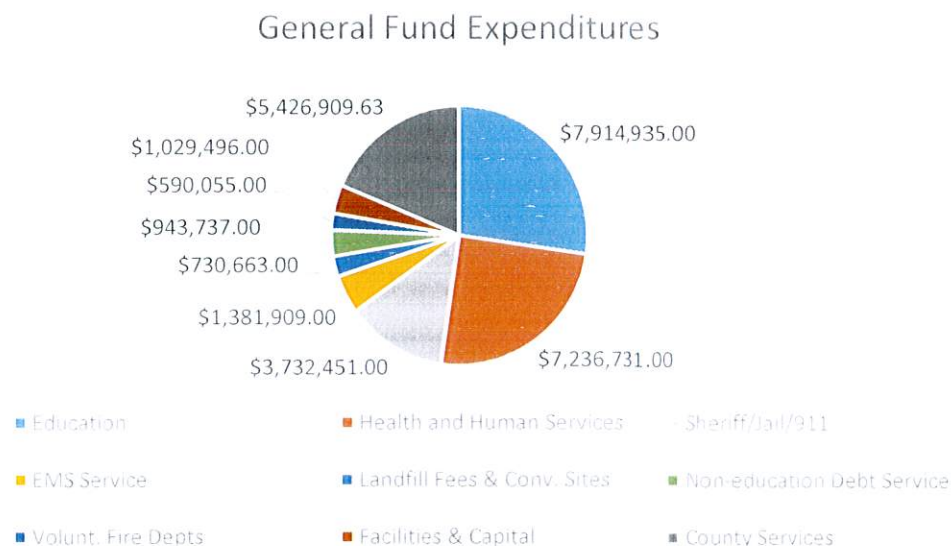
Twenty-seven (27) percent of the County budget is allocated to education. Education expenses include unrestricted current operating allocations for the public schools and the community college, restricted appropriations for capital facility needs, school resource officers, debt service for Greenridge Elementary and Bldg. 200 at Montgomery Community College, and funding for an additional Pre-K class to alleviate the County waiting list.

Health and Human Services functions include the Health Department and the Department of Social Services. The County's cost share of mandated programs equals twenty-five (25) percent of the County's budget and over half of all County employees work in these areas. Included with Health and Human Services is the Veterans' Services Office. The Office will be staffed to guard against any lapse in service to County veterans.

Public Safety expenditures account for twenty (20) percent of the County budget and include the functions of the Sheriff's Office, the County Jail, the 911 center, EMS service, and the County owned fire trucks for the ten volunteer departments in the County.

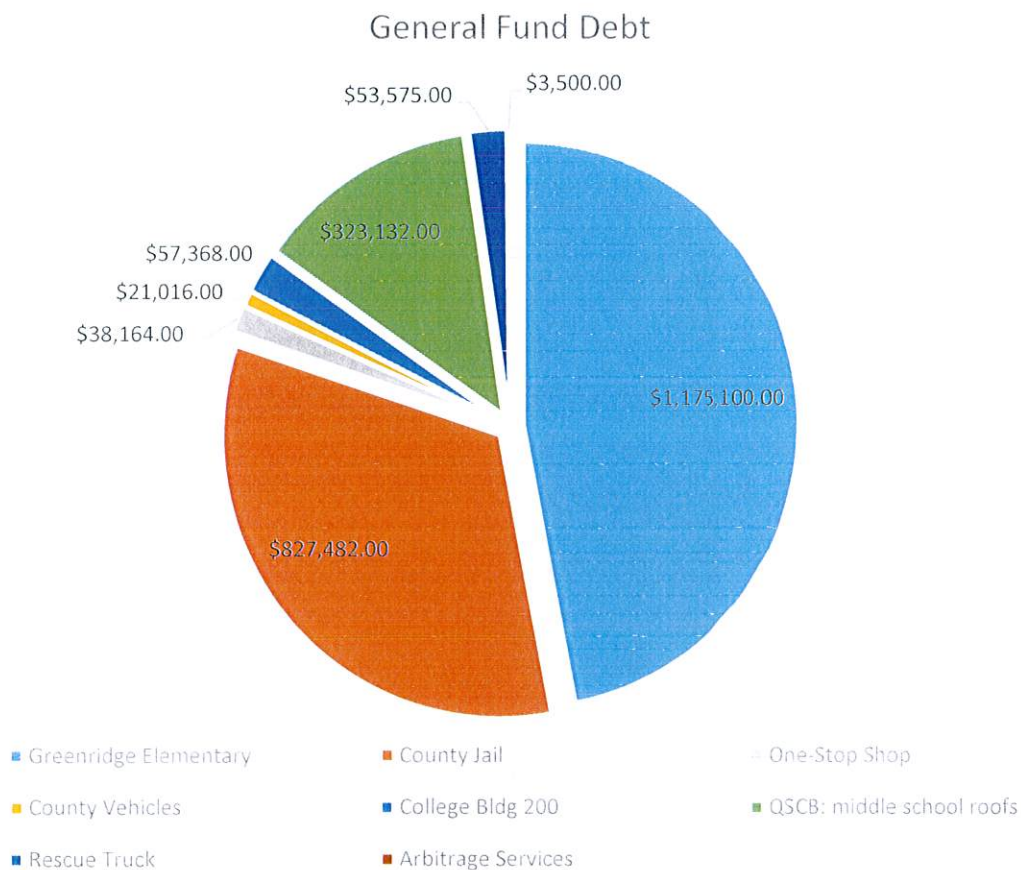
Combined, the functions of public safety, mandated social programs, and education account for seventy-two (72) percent of the County budget. Additionally, eighty (80) percent of all County employees work in either Health and Human Services or Public Safety.

Other County Services include County Administration (Human Resources, Information Technology, Finance), Tax, Register of Deeds, Animal Control, Soil and Water, Building Inspections, Economic Development, Planning and Zoning, Library, Elections, Public Facilities, and Housekeeping. The County also cost shares the functions of the Cooperative Extension Office with North Carolina State University and NC A&T.



IV. Debt Service:

In 2014, the County allocated approximately four million dollars toward a refinancing of the 2007 series COPS for Greenridge Elementary and the County Jail. The refinancing resulted in a lower interest rate and cut the length of the debt service by five years, from 2030 to 2025. In total, the refinancing saved the County three and one-half million dollars.



The combined General Fund Debt service is two million four hundred ninety-nine thousand three hundred thirty-seven (2,499,337) dollars or approximately nine (9) percent of County expenditures. All of the current County debt will be paid in full no later than 2025.

V. Capital Expenditures:

General Fund capital facility projects completed in FY15 include the Courthouse roof replacement, the construction of the Animal Shelter, the renovations to the Badin EMS facility, the installation of automated ADA doors to the Administration and Social Services entrances, remodeling of the Commissioners Assembly room, and the feasibility study for repairs to

exterior envelope of the Courthouse, as well as interior renovations for ADA accessibility, increased security, and office functionality.

For the upcoming year, renovations will be made to the One-Stop Shop for Inspections, Planning, and Environmental Health. The library parking and driveway area will be resurfaced, as well as mechanical system upgrades in Health and Social Services and roof replacement for the Administration building.

The County will continue for the third year a fleet budget for the Sheriff's Office/Jail. Two hundred seventy thousand (270,000) dollars is allocated each year for the overall sustainability of the fleet. Fuel, upkeep, and replacement of Sheriff Office/Jail vehicles should be met with these funds.

For FY16, the County will be creating a capital reserve fund in the amount of two hundred seventy five thousand (275,000) dollars. This fund will be available for future County facility needs. In the coming years, numerous large capital projects will be undertaken, including renovations to the 1921 Courthouse and to address parking issues around the County and Court buildings.

VI. Economic Development and Investment:

During FY15 the County stopped appropriations to the non-profit 501(c)(3) Montgomery County Economic Development Corporation. The decision was made to create an Economic Development Director position within County government. The goal was to unite the efforts of the County to promote development and business retention/recruitment.

The County has recently worked on two expansion projects with the NC Department of Commerce. One was an industrial expansion project which earned a two hundred thousand (200,000) dollar state grant. The other project was in the service sector and is under review from Commerce for an additional state award.

The County also completed work on a three and one-half (3.5) million dollar grant from Golden LEAF in FY15. This grant paid for, among other capital, the equipment for yogurt processing at Carolina Dairy. New job creation at the Biscoe plant reached fifty jobs (50) from October 2014 to March 2015. This project has yielded the highest job creation in recent years.

VII. Education:

The proposed FY16 budget increases funding for both the current, unrestricted allocations and the restricted capital facilities allocations to Montgomery County Public Schools and Montgomery Community College. The County is also sponsoring a new Golden LEAF grant proposal to fund facility needs at the College, which would require a County match from fund balance.

While County funding for educational capital needs has increased considerably over the last couple of years, the funds being allocated are not nearly enough to meet facility needs. An inspection of existing facilities, which range in age from 1938 to 1992 (with the exception of Greenridge Elementary constructed in 2009) shows the serious need for renovations.

Population shifts in the County also have contributed to the need for larger facilities in some areas. There is also a serious need to provide vocational training facilities and equipment to prepare graduates with job ready skills.

In terms of economic development, quality education and a skilled workforce are primary concerns of businesses--those employers already in the County and for prospective employers looking to locate in Montgomery County. Quality education is also a motivating factor for attracting and retaining residential households with school aged children.

Many management level employees working in the County, both public and private, live outside of Montgomery and commute for work. There are many reasons for this trend. Inferior educational opportunities may be one.

Realizing the importance of education, a joint task force from the Board of Education, the College Trustees, and the County Board of Commissioners was formed for the challenge of creating short term and long term improvement plans. Adding significantly to the task at hand, the Committee labors under the confines of what the County can afford to expend on education.

While the planning and development of proposals will continue, included in the Proposed Budget Ordinance for FY16 is an Educational Capital Fund Reserve. As stated previously, the College Trustees and the Board of Education passed resolutions asking the County Commissioners to create this fund.

The request from the public school system and the College was for the Board of Commissioners to follow the recommendations outlined by the joint committee, which had studied the impact of revenue generated from a five (5) cents tax increase. The joint task force considered immediate debt issuance to meet facility needs, as well as staged projects based on pay-as-you-go financing with increased revenues resulting from a tax increase. Of the options evaluated, the five (5) cent increase proved least burdensome on taxpayers while meeting the educational needs.

The Educational Capital Reserve Fund will be restricted for capital use and may not be diverted in the future to meet current expenses. If adopted at five (5) cents, the collections from one (1) cent of the additional tax would be directed toward the upkeep of existing facilities. Four (4) cents would be utilized toward the adopted plans for educational improvements.

VIII. Employee Benefits and Salary and Position Schedule:

After much lobbying, the County of Montgomery was accepted into the State Employees Health Plan (SHP) effective January 1, 2015. The significance of this inclusion cannot be overstated.

The County had been struggling for years with high loss ratios, escalating premiums, and reduced benefit packages for employees. The SHP brings fiscal stability to what had been a struggle to direct funds toward annual rate increases between fifteen and thirty (15-30) percent. The Plan costs the County one hundred fifty thousand (150,000) dollars less. It also provides enhanced benefits for employees and their spouses/dependents. Employee turnover has dropped significantly since the implementation of the SHP.

The County Salary and Position Schedule follows. This schedule is a continuation of work from the last several years as the County strives to bring equity to employment positions and to provide career opportunities for employees. The positions are ranked in order of the scope and skill required. The rankings accurately reflect similar position rankings amongst counties state-wide.

While many employee salaries do not fall into these ranges, the salary and position schedule is a working model used to make adjustments as funding allows. The County started making adjustments three years ago toward this model. The emphasis was first directed to the lowest paid employees, all of whom now fall into their respective ranges.

Funding for this model has come mainly from employee attrition. Under the old County step and grade schedule, tenured workers had higher salaries. As these workers leave or retire, funds are available to adjust salaries for workers who fall below the stated ranges. Additionally, this year's budget has fewer employee positions than years previous. Departments continue to streamline services and through employee attrition, job duties are evaluated and consolidation is implemented whenever and wherever possible.

As a result of decreasing the number of funded positions and salary redistribution, the County budget adjusts thirty-four (34) employee salaries in FY16, moving them into range or closer to the range. In FY15, the County was able to adjust seventy (70) salaries.

To address cost of living increases, the County will provide for all other employees (those not receiving pay increases) a December bonus of seven hundred fifty (750) dollars. This holiday bonus will be paid to all employees employed by the County on or before June 30, 2015 who were not otherwise compensated by a pay adjustment on or after July 1.

Grade	Title	Departments	Salary Range
1	Housekeeper I	Housekeeping	\$21,000-\$24,000
	Library Asst. I	Library	\$21,000-\$24,000
2	DSS Level I / Health Level I	DSS & Health	\$22,000-\$25,000
	Office Asst. I	Tax, Deeds, Soil & Water	\$22,000-\$25,000
3	Office Asst. II	Elections, Tax, Deeds, Inspections, EH, Sheriff	\$24,000-\$27,000
	Library Asst. II	Library	\$24,000-\$27,000
	Detention Officer I	Jail	\$24,000-\$27,000
	Public Utility Worker I	Public Utilities	\$24,000-\$27,000
	Animal Control I	Animal Control	\$24,000-\$27,000
	Housekeeper II	Housekeeping	\$24,000-\$27,000
4	DSS Level II	DSS	\$28,000-\$31,000
	Water Plant Operator I	Public Utilities	\$28,000-\$31,000
	Deputy I	Sheriff	\$28,000-\$31,000
	Detective I	Sheriff	\$28,000-\$31,000
	Telecommunicator I	Emergency Management	\$28,000-\$31,000
	Office Asst. III	Sheriff	\$28,000-\$31,000
	Detention Officer II	Jail	\$28,000-\$31,000
	Public Utility Worker II	Public Utilities	\$28,000-\$31,000
	Facilities Worker I	Facilities	\$28,000-\$31,000
	Finance Technician I	Finance	\$28,000-\$31,000
	Housekeeping Supervisor	Housekeeping	\$28,000-\$31,000
5	Health Level II	Health	\$32,000-\$35,000
	Deputy II	Sheriff	\$32,000-\$35,000
	Detective II	Sheriff	\$32,000-\$35,000
	Office Asst. III	Sheriff, Public Utilities	\$32,000-\$35,000
	DSS Support Supervisor	DSS	\$32,000-\$35,000
	Telecommunicator II	Emergency Management	\$32,000-\$35,000
	Library Supervisor	Library	\$32,000-\$35,000
	Water Plant Operator II	Public Utilities	\$32,000-\$35,000
	Public Utility Worker III	Public Utilities	\$32,000-\$35,000
	Detention Officer III	Jail	\$32,000-\$35,000
	Soil and Water Supervisor	Soil and Water	\$32,000-\$35,000
	Finance Technician II	Finance	\$32,000-\$35,000
	I.T. System Administrator	IT	\$32,000-\$35,000
6	Asst to Manager/Office Asst.	Administration	\$34,000-\$38,000
	Health III	Health	\$34,000-\$38,000
	Animal Control Supervisor	Animal Control	\$34,000-\$38,000
	911 Supervisor	Emergency Management	\$34,000-\$38,000
	Tax GIS Mapping	Tax	\$34,000-\$38,000
	Water Plant Operator III	Public Utilities	\$34,000-\$38,000
	Detective III	Sheriff	\$34,000-\$38,000
	Deputy III	Sheriff	\$34,000-\$38,000
7	Elections Director	Elections	\$38,000-\$44,000
	Building Inspector II	Inspections	\$38,000-\$44,000
	Health Level IV	Health	\$38,000-\$44,000
	EH Inspector	Health	\$38,000-\$44,000

	DSS Level III	DSS	\$38,000-\$44,000
8	DSS Level IV	DSS	\$41,000-\$45,000
	Tax Assessor	Tax	\$41,000-\$45,000
	911 Addressing/EM II	Emergency Management	\$41,000-\$45,000
	Health Level V	Health	\$41,000-\$45,000
	Public Utility Supervisor	Public Utilities	\$41,000-\$45,000
	Jail Administrator	Jail	\$41,000-\$45,000
9	DSS Unit Supervisor I	DSS	\$45,000-\$50,000
	Health VI	Health	\$45,000-\$50,000
	Chief Deputy	Sheriff	\$45,000-\$50,000
10	Facilities Director	Facilities	\$50,000-\$55,000
	Planner	Planning/Zoning	\$50,000-\$55,000
	HR Director	Human Resources	\$50,000-\$55,000
	Accountant	Finance	\$50,000-\$55,000
	EM Director	Emergency Management	\$50,000-\$55,000
	Water Plant Supervisor	Public Utilities	\$50,000-\$54,000
	Register of Deeds	Office of Register of Deeds	\$50,000-\$55,000
11	DSS Unit Super APS, CPS	DSS	\$55,000-\$62,000
	Tax Administrator	Tax	\$55,000-\$62,000
	Chief Inspector	Inspections	\$55,000-\$62,000
	EH Director	Health	\$55,000-\$62,000
12	DSS Deputy Director	DSS	\$60,000-\$67,000
	IT Director	IT	\$60,000-\$67,000
	Econ Development Director	Administration	\$60,000-\$67,000
	Health Clinic Supervisor	Health	\$60,000-\$67,000
	Sheriff	Sheriff	\$60,000-\$67,000
13	Health Director	Health	\$65,000-\$75,000
	Public Utilities Director	Public Utilities	\$65,000-\$75,000
14	DSS Director	DSS	\$75,000-\$90,000
	Finance Director	Finance	\$75,000-\$90,000

IX. Enterprise Funds:

Water rates for the upcoming year will remain unchanged. Water usage has stabilized, but consumption remains half of what it was in the early 1990's. It is not foreseeable, in the near future at least, that consumption will return to those previous levels. As such, it has become a struggle to plan for system maintenance, repair and replacement.

Recognizing the importance of the utility system, both as infrastructure for economic development and for residential growth, the Board of Commissioners appointed a sub-committee in FY15 to work with staff to address the long term needs of the system. The

options being considered by the sub-committee include an availability fee for non-users who have access to the system, as well as rate increases.

For FY16, six hundred fifty thousand (650,000) dollars will be allocated to capital improvements from the sale of water. This allocation will fund new infrastructure projects. This level of funding, while significant, is not adequate to keep pace with the depreciation and overall upkeep of a system valued at eighty million (80,000,000) dollars.

The ongoing water plant project to handle alum sludge processing will be completed early in the new fiscal year. The completion of this project will be the third major project undertaken at the plant over the last two years. Additionally, the in-progress Biscoe meter vault replacement project will be completed in FY16, along with the SCADA system upgrade which is a concurrent project.

The low pressure situation on Correll Road, which resulted in a suspension of any new customers being added to that service line, should be completed in FY16. This project has been engineered and will not only improve pressure along Correll Road but will improve the functionality of the transmission system along the Hwy 109 corridor.

Repairs to the fluoridation system will result in fluoride being reintroduced to the system. The system was inspected by the Clean Water Division on May 13, 2015 and should soon be aiding the reduction of cavities in water customers.

Upgrades to the chemical feed system will also be well underway by the end of the upcoming fiscal year. The GIS mapping project will also be launched.

X. Fire Districts:

The County has ten volunteer fire departments which are supported in part by the county-wide dedication of two (2) cents from the ad valorem tax. The County tax provides each department, on a rotating basis, with two County owned fire trucks. One truck is purchased each year, so each department has at least one truck no older than ten years.

The two (2) cent allocation also provides additional funds for the upkeep of the County owned trucks. For the upcoming fiscal year, the allocation to each department for upkeep expense is projected to be seventeen thousand, five hundred (17,500) dollars.

Of the ten county departments, two are in districts with an additional fire tax (Badin Lake and Lake Tillery). Each of these Districts are governed by a Board of Commissioners, and in accordance with general statute have held a public hearing on their proposed FY16 budget.

The Montgomery County Board of Commissioners serve as the Badin Lake Fire Commission. At the public hearing held in March 2015, the Commission recommended a reduction of the fire tax from six (6) cents to five and one-half (5.5) cents. The levy will yield four hundred three

thousand, twenty three (403,023) dollars in current year property and DMV taxes. Including the County volunteer fire allocation and prior year tax collections, the levy is expected to yield four hundred thirty six thousand, six hundred forty-four (436,644) dollars to the Badin Lake Fire Department.

The Lake Tillery Fire Commission presented a budget to County finance requesting a continuation of the four (4) cent fire tax, which was reduced in 2013 from five (5) cent. The total levy, including the County allocation, will be an estimated two hundred fifteen thousand, four hundred thirty-one (215,431) dollars.

XI. Conclusion:

Montgomery County is a picturesque rural county with the Uwharrie National Forest and the western boundary lakes. It also benefits from North-South accessibility to the Triad and beyond via Interstate I-73/74.

Montgomery County also has one of the highest per capita increases in the poverty rate, one of the highest per capita teen pregnancy rates, one of the highest per capita obesity rates, a high per capita percentage of residents over the age of sixty-five, dwindling per capita household incomes, and an overall decline in the County population.

Many challenges lie ahead. Improving the quality of the education in the County and raising the expectations for success is imperative. I am proud that the emphasis of this budget is aimed toward that goal.

I am privileged to serve as the Montgomery County manager. Many thanks to all of my coworkers - I am proud of what we do.

Respectfully,



Matthew M. Woodard

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015
I: PREFACE AND INTRODUCTION
B. List of Principal County Officials

BOARD OF COUNTY COMMISSIONERS

JIM MATHENY
 Commission Chair
 Term Expires 2016

ANTHONY COPELAND
 Commissioner
 Term Expires 2016

JACKIE MORRIS
 Commissioner
 Term Expires 2018

MIKE CRISCOE
 Commissioner
 Term Expires 2018

TRIPP MYRICK
 Commission Vice-Chair
 Term Expires 2016

COUNTY OFFICIALS

MATTHEW M WOODARD
 County Manager

DOSHIA SWARINGEN (was HAYWOOD)
 Clerk to the Board / Assistant to the Manager

RUSS HOLLERS
 Attorney

LEON EVERETT
 Animal Control Director

ELECTED DEPARTMENTS

W BRIAN NORRIS
 Building Inspections Director

KAYE NORRIS + (MELISSA F PIPKIN)
 Register of Deeds (Term Expires 2016)

AMANDA WHITAKER
 Economic Development Director

CHRIS WATKINS
 Sheriff (Term Expires 2018)

C. D. CREPPS
 Finance Director

COORDINATIVE DEPARTMENTS

GRANT HUNSUCKER
 Fire Marshal / Emergency Management Director

MOLLY ALEXI
 Cooperative Extension Director

LARRY LEAKE
 Housekeeping Director

MARTHA GRIEGO + (DONNA JOHNSON)
 Elections Director *

BETH DUNN (was CRUMP)
 Human Resources Director

MARY PEREZ
 Health Director

BRIAN HELMS
 Information Technology Director

DOTTIE ROBINSON
 Social Services Director

DAVID ATKINS
 Library Director

ANTHONY ELKINS
 Soil & Water District Resource Specialist *

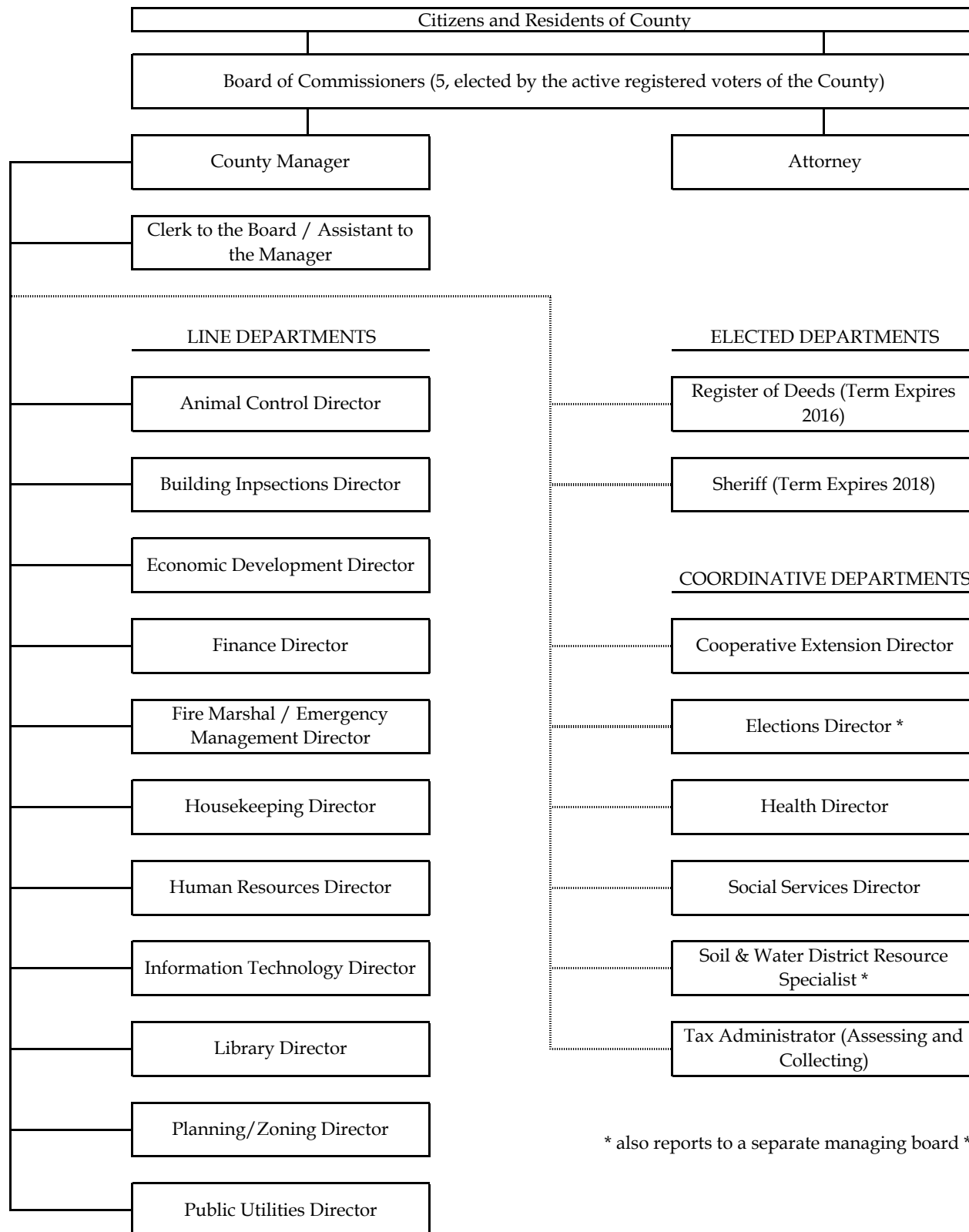
ANDREW GAHAGAN
 Planning/Zoning Director

VICKIE MANESS
 Tax Administrator (Assessing and Collecting)

CHRIS HILDRETH
 Public Utilities Director

+ retired after June 30, 2015; new person in parentheses +
 * also reports to a separate managing board *

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015
I: PREFACE AND INTRODUCTION
C. Organizational Chart



**County of Montgomery, North Carolina
Annual and Financial Compliance Report
For the Year Ended June 30, 2015
I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director**

November 11, 2015

To the Citizens, Board of County Commissioners, and other interested readers:

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable federal and state regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In May 2015, the County entered a contract with Thompson, Price, Scott, Adams, and Company, CPAs to conduct the audit for the fiscal year ended June 30, 2015. The auditor was permitted access to all requested information and no significant deficiencies have been noted. As of the date of this letter, the auditor's work is virtually completed.

More importantly, as the foundation of the County's financial planning and control, the annually adopted budget gives direction to County departments. Thus, the table on the next page depicts the County's budgeted funds for accounting purposes. For comparison, the table includes the budgeted funds for the year being audited (FY 2015), the year previous to the year being audited (FY 2014), and the year subsequent to the year being audited (FY 2016). The amounts presented are the amounts included in the original budget ordinance each year. Budget amendments are not included.

DESCRIPTION	FY2016 BUDGET ORDINANCE	FY2015 BUDGET ORDINANCE	FY2014 BUDGET ORDINANCE
GENERAL FUND CLASSIFICATION			
Primary Government Services	\$ 30,322,634	\$ 28,894,963	\$ 28,097,590
Vehicle Purchases	90,000	90,000	90,000
Property Tax Revaluation	125,000	100,000	60,000
Federal Forfeitures and State Substance Tax	34,883	40,000	69,883
County Fire Service	590,055	575,055	576,000
Court Facilities	89,015	165,000	45,000
Summer Recreation	87,125	86,303	86,000
Haltiwanger Retreat	15,000	15,000	3,000
SUBTOTAL, INCLUDING TRANSFERS	31,353,712	29,966,321	29,027,473
SPECIAL REVENUE FUND CLASSIFICATION			
E911 Emergency Telephone System	245,000	445,000	220,713
Emergency Management Performance	40,000	100,000	32,822
Community Development	-	440,000	480,000
Badin Lake Fire District	419,144	433,789	426,066
Lake Tillery Fire District	197,931	188,326	182,961
Child Support Incentives	279,365	30,000	30,000
SUBTOTAL, INCLUDING TRANSFERS	1,181,440	1,637,115	1,372,562
CAPITAL PROJECT FUND CLASSIFICATION			
Schools Projects	339,000	334,000	334,000
Educational Facilities	1,425,750	-	-
Airport Projects	379,667	470,667	2,210,804
County Projects	-	1,343,587	1,343,587
SUBTOTAL, INCLUDING TRANSFERS	2,144,417	2,148,254	3,888,391
ENTERPRISE FUND CLASSIFICATION			
Water System	4,184,518	3,720,802	3,619,953
Water Projects	2,467,413	5,881,024	6,886,073
SUBTOTAL, INCLUDING TRANSFERS	6,651,931	9,601,826	10,506,026
TOTAL, INCLUDING TRANSFERS	\$ 41,331,500	\$ 43,353,516	\$ 44,794,452

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

	<u>Identifier</u>	<u>Page No.</u>
A. Report from the Independent Auditor	Subsection II.A	21
B. Management's Discussion and Analysis	Subsection II.B	25
C. Basic Financial Statements (includes Notes to Financial Statements)	Subsection II.C	39
D. Required Supplementary Information:	Subsection II.D	89
E. Other Supplementary Information	Subsection II.E.	139

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015

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Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 3
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 395-4872

Independent Auditor's Report

To the Board of County Commissioners
Montgomery County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, North Carolina, as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Montgomery County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement. The financial statements of Montgomery County TDA were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinions, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, North Carolina as of June 30, 2015, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, the Law Enforcement Officers' Special Separation Allowance's Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Montgomery County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Period Financial Statements

The financial statements of Montgomery County as of June 30, 2014, were audited by other auditors whose report dated February 11, 2015, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2016 on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A
Wilmington, North Carolina
January 8, 2016

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2015
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
B. Management's Discussion and Analysis

Via this subsection entitled "Management's Discussion and Analysis," management of the County of Montgomery, North Carolina offer readers of this *Annual Financial and Compliance Report for the Fiscal Year Ended June 30, 2015* a narrative overview and analysis of the County's fiscal performance. This subsection follows "Subsection A: Report from the Independent Auditor" and serves as an introduction to "Section II: Financial Statements and Supplementary Information." To gain valuable insight, please read the following discussion in conjunction with the financial statements and supplementary information furnished in this section.

SIGNIFICANT FINANCIAL HIGHLIGHTS

- On a government-wide basis, the combined assets and deferred outflows exceeded the sum of liabilities and deferred inflows of resources at the close of the fiscal year by \$67,834,172 (a.k.a. total net position).
- On a government-wide basis, total net position increased by \$25,542,004 from last year, caused primarily by a large one-time influx of unspent proceeds from an advanced refunding as well as decreases in many expenditure items and increases in few revenue items while the County strategizes to save money for future capital projects and other important needs.
- The ending fund balances of all governmental funds combined equals \$15,825,768, a decrease of (\$55,337) from prior year. This decrease is primarily due to spending previously unspent debt proceeds for an advance refunding, which was mostly offset by savings in various expenditures in several funds.
- At the end of the fiscal year, fund balance available for appropriation in the General Fund was \$11,909,168, or 46.1% of total general fund expenditures for the fiscal year.
- The County added \$1,631,389 (2.7%) to total capital assets during the fiscal year, resulting in an ending balance of \$62,710,414, due primarily to acquisition of new equipment and certain construction work.
- Total long-term liabilities decreased by \$2,587,867 (7.2%) to \$33,555,138 during the fiscal year due primarily to regular decreases in outstanding principal due to meeting debt service obligations.

DESCRIPTION OF SECTION II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

This narrative, "Management's Discussion and Analysis," serves as an introduction to this section. Section II, which is the primary focus of the annual report, can be broken down into five subsections as follows:

- A. Report from the Independent Auditor
- B. Management's Discussion and Analysis,
- C. Basic Financial Statements,
- D. Required Supplementary Information, and
- E. Other Supplementary Information.

"Subsection C: Basic Financial Statements" can be further broken down into three primary parts:

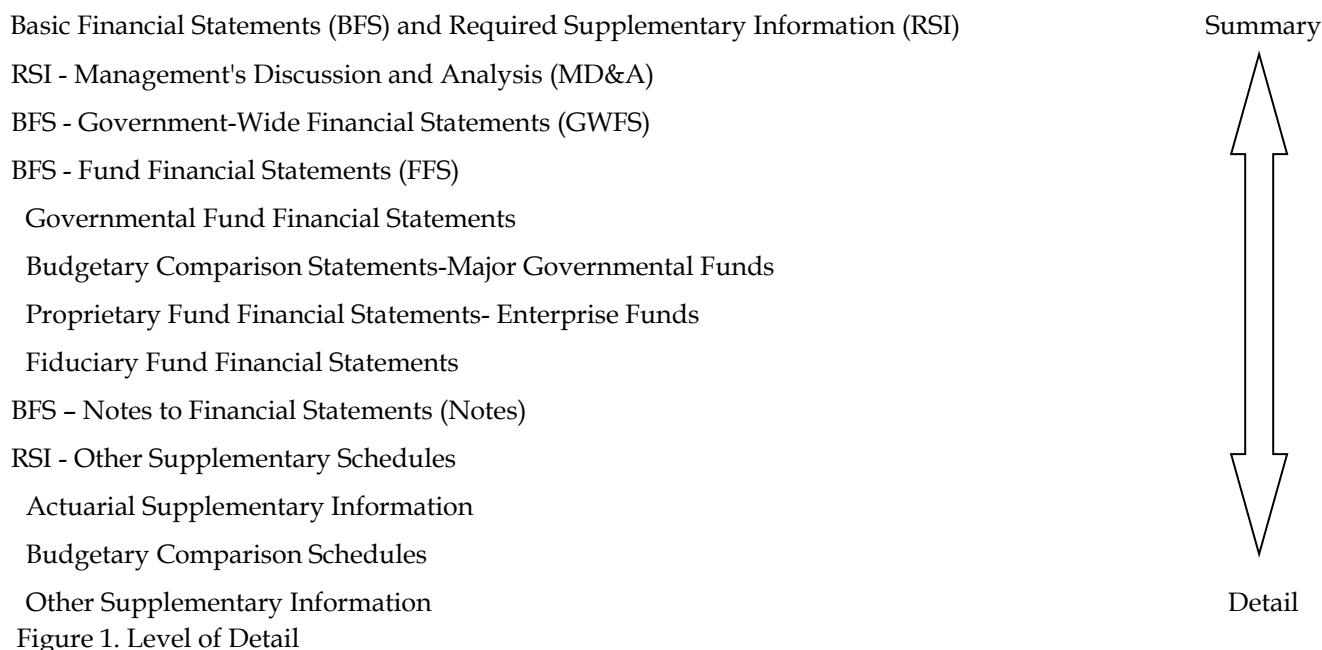
1. Government-Wide Financial Statements,
2. Fund Financial Statements, and
3. Notes to Financial Statements.

The supplementary information that follows the Basic Financial Statements provides more details to enhance our understanding of the financial condition and recent financial performance of the County. "Subsection D: Required Supplementary Information" has these seven components:

1. Financial Schedules for Law Enforcement Officers' Special Separation Allowance,
2. Financial Schedules for Other Post-Employment Benefits-Retirees' Healthcare Coverage,
3. Financial Schedules for Pension-Related Deferrals,
4. Financial Statements for Major Governmental Funds,
5. Financial Statements for Non-major Governmental Funds,

6. Financial Schedules for Major Enterprise Fund,
7. Financial Statement for Fiduciary Funds, and
8. Financial Statements for Component Unit.

The table below both depicts the level of detail as increasing as you get further into the document and identifies whether the information is considered, for audit purposes as, as either BFS (basic financial statements) or RSI (required supplementary information).



Basic Financial Statements

Through the Government-Wide Financial Statements and the Fund Financial Statements, these Basic Financial Statements present two different views of the County. The Government-Wide Financial Statements provide both short-term and long-term information about the County's overall financial status. The Fund Financial Statements, however, focus exclusively on short-term information and provide more detail on the activities of the individual components of the County's operations. Following the Fund Financial Statements, the Notes to Financial Statements explain and add insight to the data contained in the Government-Wide Financial Statements and Fund Financial Statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements comprise governmental activities and business-type activities. Governmental activities, which are financed primarily through property taxes, local sales taxes, and intergovernmental revenues, include the County's basic services such as education funding, emergency services, law enforcement provision, public health and social services. Business-type activities, which are financed through charges to customers, include the County's water and sewer services. This segregation of activities provides a summarized analysis of the cost of various governmental services and simplifies comparisons to other local government entities.

In both the Government-Wide Statement of Net Position (see Exhibit II.C.1.a) and the Government-Wide Statement of Activities (see Exhibit II.C.1.b), the County has applied accounting methods similar to those used by for-profit entities. For example, certain revenues and expenses are reported although related cash flows will occur in future periods; see special schedules on Exhibit II.C.2.a.i and Exhibit II.C.2.b.i to identify the impact from such reporting matters. Government-Wide Financial Statements report the amount of net position of the County at the end of the fiscal year and how the net position has changed over the fiscal year. By using such methods,

these two government-wide reports provide us with a business-like overview of the County's finances and both short-term and long-term information about the County's financial status as a whole.

Net position, computed similar to net worth, is the difference between the County's total assets (or possessions) and total liabilities (or debts). Measuring net position is one way to assess the County's financial condition. Through the for-profit perspective, changes in the net position from year to year help one determine whether the County's financial status is improving or deteriorating. Other additional financial and non-financial factors will also help one assess the overall financial health of the County.

Fund Financial Statements

Whereas the Government-Wide Financial Statements comprise the consolidation of the County's governmental activities and business-type activities, the Fund Financial Statements provide much more detailed data about the County's individual funds. The Fund Financial Statements have four components:

1. Governmental Fund Financial Statements (Exhibits II.C.2.a, II.C.2.a.i, II.C.2.b, and II.C.2.b.i.),
2. Budgetary Comparison Statements (Exhibits II.C.2.c),
3. Proprietary Fund Financial Statements (Exhibits II.C.2.d, II.C.2.e, and II.C.2.f), and
4. Fiduciary Fund Financial Statements (Exhibit II.C.2.g).

Like all other governmental entities in North Carolina, the County of Montgomery uses the fund concept to ensure and reflect compliance with finance-related legal requirements. Such requirements typically are derived from the North Carolina General Statutes, the Local Government Commission of North Carolina, the County's budget ordinance, or other parties interested in the County's finances. Also, the County uses fund accounting to control resources that are restricted in purpose and/or time. A fund is a grouping of possessions and related obligations that are used to maintain control over resources that have been segregated for specific activities or objectives. For an example, review the balance sheet of one or more funds in this report. (Find the larger individual funds, labeled as major funds, within the "Fund Financial Statements" part and the non-major funds within "Subsection D: Required Supplementary Information.")

Governmental Fund Financial Statements – Governmental funds are used to account for the same functions reported as governmental activities in the Government-Wide Financial Statements. The majority of the County's basic services are accounted for in governmental funds. Governmental funds are reported using an accounting method called "modified accrual basis of accounting." This method focuses on current financial resources. Therefore, governmental funds focus on what resources are left at year-end that will be available for spending in the next year. Accordingly, these funds measure the current financial position and changes in the current financial position. As a result, the Governmental Fund Financial Statements give readers a detailed short-term view that helps to determine whether working capital is sufficient to finance the County's programs. To aid the reader in gaining a long-term perspective, the relationship between governmental funds and governmental activities (reported in the Government-Wide Statement of Net Position and the Government-Wide Statement of Activities) is described in a reconciliation that is a part of the Governmental Fund Financial Statements.

Budgetary Comparison Statements – As required by North Carolina General Statutes Chapter 159, the County of Montgomery adopts an annual balanced budget ordinance, except where a project ordinance has been adopted, for each governmental fund. The process by which the budget ordinance becomes reality incorporates input from citizens, the Board of County Commissioners, and County management as to which services to provide and what resources will be used to fund the services provided. The County's budget and budgetary comparison statements are presented on the modified accrual basis of accounting. The budgetary comparison statements, provided for each major governmental fund for which an annual balanced budget ordinance is adopted, demonstrates by fund whether the County complied with the budget ordinance and how well the County performed in providing the services as planned when the budget was adopted. Similar schedules for other funds are shown as required supplementary information. Each fund shown has 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; and
4. the difference or variance between the final budget and the actual resources and charges.

Proprietary Fund Financial Statements – The County of Montgomery uses one type of proprietary fund called the enterprise fund. The Fund Financial Statements of the enterprise funds are used to report more details of the same functions that are presented as business-type activities in the Government-Wide Financial Statements. Since the activities accounted for in enterprise funds are similar to for-profit operations, enterprise funds use the ‘full’ accrual basis of accounting for governments rather than the modified accrual basis of accounting that is used by governmental funds. Therefore, enterprise funds and other types of proprietary funds provide both long-term and short-term financial information similar to that found in the Government-Wide Financial Statements.

Fiduciary Fund Financial Statements – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has numerous fiduciary funds, which are either classified as trust funds or as agency funds. Look for the Statement of Fiduciary Net Position. Additional information on fiduciary funds can be found in “Subsection D: Required Supplementary Information.” Since fiduciary resources cannot be used to finance the County’s operations, fiduciary activities are not included in the Government-Wide Financial Statements.

Notes to Financial Statements

The notes provide a summary of significant accounting policies and additional details that are essential to a full understanding of the data provided in the Government-Wide Financial Statements and the Fund Financial Statements. For example, certain schedules provide details concerning capital assets and other schedules provide various details on long-term obligations. Other details and schedules regarding various items are also found.

Required Supplementary Information and Other Supplementary Information

These two subsections include certain information needed to discern the County’s current financial situation and its financial progress over recent years. The required supplementary information concerns, first, the County’s obligation to provide post-employment benefits and, second, more detailed results for each individual fund, both major and non-major funds. Additional supplementary schedules concerning cash and investments, transfers between funds, and property taxes are also displayed to help reasonably estimate future progress.

GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

With the changes in the financial statement reporting model mandated by the Government Accounting Standards Board (GASB), the County of Montgomery was required to add two Government-Wide Financial Statements and implement other changes for the fiscal year ended June 30, 2003. The two net statements focus on net position and the changes in net position. As noted earlier, net position and the changes therein may serve as useful indicators of a government’s financial condition. The tables included herein contain data that allow opportunities for comparative analysis of the three most recent fiscal years.

Net Position and Changes in Net Position

In the fiscal year ended June 30, 2015, net position increased by \$25,542,004 to \$67,834,172. This increase is caused primarily by a large one-time influx of unspent proceeds from an advanced refunding as well as decreases in many expenditure items and increases in few revenue items while the County strategizes to save money for future capital projects and other important needs. By February 2017, these proceeds from an advanced refunding will be fully spent and the net position will reflect this decrease.

Table 1. Condensed Statement of Net Position

Category	Governmental Activities			Business-type Activities		
	2015	2014	2013	2015	2014	2013
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 35,408	\$ 17,713	\$ 16,799	\$ 4,579	\$ 2,485	\$ 1,751
Capital assets	33,200	32,034	31,801	30,304	29,045	26,518
Total assets	50,661	49,747	48,600	34,883	31,530	28,269
Total deferred outflows	1,560	467	-	38	38	-
Current and other liabilities	2,930	2,663	2,329	1,677	1,516	1,026
Long-term liabilities	18,894	23,471	24,746	11,820	10,329	10,359
Total liabilities	21,824	26,134	27,075	13,497	11,845	11,385
Total deferred inflows	1,799	32	35	135	-	-
Invested in capital assets, net	13,217	10,423	8,562	19,054	18,103	15,645
Stabilization by State Statute	2,401	2,468	1,729	-	-	-
Restricted for other reasons	1,271	1,057	1,242	-	-	-
Unrestricted	29,656	10,100	9,957	2,235	1,620	1,239
Total net position	\$ 46,545	\$ 24,048	\$ 21,490	\$ 21,289	\$ 19,723	\$ 16,884

Table 2. Condensed Statement of Activities

Category	Governmental Activities			Business-type Activities		
	2015	2014	2013	2015	2014	2013
	(amounts depicted in thousands of dollars)					
Revenues:						
Program revenues						
Charges for services	\$ 4,728	\$ 3,543	\$ 3,888	\$ 3,825	\$ 4,066	\$ 4,241
Program grants & contributions	27,126	7,411	6,684	1,152	1,377	28
General revenues						
Property taxes	16,739	16,972	16,292	-	-	-
Other taxes	3,615	4,384	3,789	-	-	-
Other	8	7	8	1	1	2
Total revenues	52,216	32,317	30,661	4,978	5,444	4,271
Program expenses:						
General government	6,388	5,974	4,182	-	-	-
Transportation	512	21	39	-	-	-
Public safety	5,313	4,324	5,015	-	-	-
Human services	7,106	7,381	7,260	-	-	-
Environmental protection	170	33	65	3,298	3,267	4,025
Education, intergovernmental	6,436	5,546	8,335	-	-	-
Economic and phys. development	657	2,801	400	-	-	-
Cultural and recreational	555	267	360	-	-	-
Interest on long-term liabilities	1,217	1,463	980	-	-	-
Total expenses	28,354	27,810	26,636	3,298	3,267	4,025
Excess (deficiency) before transfers	23,862	4,507	4,025	1,680	2,177	246
Transfers	-	(485)	299	-	485	(299)
Change in net assets	23,862	4,022	4,324	1,680	2,662	(53)
Net assets, beginning, July 1	23,581	21,490	17,166	19,685	16,884	17,404
adjustments to prior period	(898)	(1,931)	-	(76)	139	(467)
Net assets, beginning, restated	22,683	19,559	17,166	19,609	17,023	16,937
Net assets, ending	\$ 46,545	\$ 23,581	\$ 21,490	\$ 21,289	\$ 19,685	\$ 16,884

As seen in Table 1, net position has three components, namely 1) unrestricted net position, 2) restricted net position, and 3) net investment in capital assets. The figure given as the amount “net investment in capital assets” reflects the County’s costs of acquiring capital assets (e.g. land, buildings, equipment, and vehicles) less accumulated depreciation that is annually recognized as expenditures over the life of depreciable assets and less any related debt still outstanding that was issued to acquire those items. Although “net investment in capital assets” is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since capital assets cannot be used to liquidate these liabilities. Since the County uses capital assets to provide services to citizens, the assets are not available for future spending.

Each year-end balance of total net position has been reduced by the outstanding principal on debt used to finance construction of school buildings. As the principal of such debt increases or decreases, total net position decreases or increases, respectively. With debt issued for school buildings, the County will hold title until the loan is paid. Due to this arrangement, all school buildings built with this debt and future debts and the outstanding principal on this debt and future debts used to finance construction of school buildings will be included in the calculation of “net investment in capital assets.” When the County conveys title of such school buildings to the local school unit, a legally separate entity, after the loan is fully paid, the County will recognize a loss.

Restricted net position represents the portion of the County’s resources that are subject to external restrictions on how they may be used. The Stabilization by State Statute depicts a portion of restricted net position as mandated by North Carolina General Statutes. The remaining balance of net position is unrestricted and may be used to meet the government’s ongoing obligations to citizens, merchants, and creditors.

Of total revenues from both governmental and business-type activities for the year ended June 30, 2015, 49.44% from program grants and contributions, 35.59% stems from property and other taxes, and 14.95% from charges for services. For the year ended June 30, 2014, 56.56% stems from property and other taxes, 23.27% from program grants and contributions, and 20.15% from charges for services, numbers which are largely inconsistent from the prior year. The large one-time influx of unspent proceeds from an advanced refunding has been recorded as program contributions to general government activities.

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities			Business-type Activities		
	2015	2014	2013	2015	2014	2013
Revenues:						
Program revenues						
Charges for services	9.05%	10.96%	12.68%	76.84%	74.69%	99.30%
Program grants & contributions	51.95%	22.93%	21.80%	23.14%	25.29%	0.66%
General revenues						
Property taxes	32.06%	52.52%	53.14%	0.00%	0.00%	0.00%
Other taxes	6.92%	13.57%	12.36%	0.00%	0.00%	0.00%
Other	0.02%	0.02%	0.02%	0.02%	0.02%	0.04%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	22.53%	21.48%	15.70%	0.00%	0.00%	0.00%
Transportation	1.80%	0.08%	0.15%	0.00%	0.00%	0.00%
Public safety	18.74%	15.55%	18.83%	0.00%	0.00%	0.00%
Human services	25.06%	26.54%	27.26%	0.00%	0.00%	0.00%
Environmental protection	0.60%	0.12%	0.24%	100.00%	100.00%	100.00%
Education, intergovernmental	22.70%	19.94%	31.29%	0.00%	0.00%	0.00%
Economic and phys. development	2.32%	10.07%	1.50%	0.00%	0.00%	0.00%
Cultural and recreational	1.96%	0.96%	1.35%	0.00%	0.00%	0.00%
Interest on long-term liabilities	4.29%	5.26%	3.68%	0.00%	0.00%	0.00%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Of total expenses from both governmental activities and business-type activities for the year ended June 30, 2015, about 22.45% is spent toward human service programs, 20.34% toward education programs, 20.18% on general government activities, and 16.79% on public safety programs. For the year ended June 30, 2014, about 23.75% is spent toward human service programs, 19.22% on general government activities, 17.85% toward education programs, and 13.91% on public safety programs. Expenses in these main programs vary each year while other activities, such as both transportation and economic and physical development, may see more volatile changes from year to year.

To summarize, the County's total revenues are \$57.2 million and total expenses are \$31.7 for the year ended June 30, 2015, adding about \$25.5 million to the total net position of the County for the year ended June 30, 2015. For the year ended June 30, 2014, the County's total revenues were \$37.8 million and total expenses were \$31.1 million, adding about \$6.7 million to the total net position of the County. See both Table 2 and Table 3 above.

Other indicators of the County's financial condition include the net position ratio, debt-to-assets ratio, capital assets condition ratio, total margin ratio, percentage change in net position, debt service ratio, and quick ratio. Calculations of these indicators for the current report are described below. Also, see Table 4 below for 7-year trend information.

1) total margin ratio = (total resource inflow) divided by (total resource outflow)

- total resource inflow = \$57,194,224, which is total general revenues and transfers (\$20,363,212) plus program revenues (\$8,552,988 + \$24,454,565 + \$3,823,459) of the County (from Exhibit II.C.1.b)
- total resource outflow = \$31,652,220, which is total expenses of the County (from Exhibit II.C.1.b)
- total margin ratio = \$57,194,224 / \$31,652,220 = 1.807

2) percentage (%) change in net position = (change in net position) divided by (beginning net position)

- change in net position = \$25,542,004 (from Exhibit II.C.1.b)
- beginning net position = \$42,292,168 (from Exhibit II.C.1.b)
- percentage (%) change in net position = \$25,542,004 / \$42,292,168 = 60.4%

3) debt service ratio = (principal payments plus interest and fees payments) divided by (total resource outflow plus principal payments)

- principal payments = \$1,908,667 + \$701,631 = \$2,610,298 (from Exhibits II.C.2.b and II.D.6.a)
- interest and fees payments = \$1,077,924 + \$313,922 = \$1,391,846 (from Exhibits II.C.2.b and II.D.6.a)
- debt service ratio = (\$2,610,298 + \$1,391,846) / (\$31,652,220 + \$2,610,298) = 0.117

4) quick ratio =(cash and cash equivalents) divided by (current liabilities)

- cash and cash equivalents = \$16,417,548 (from Exhibit II.C.1.a)
- current liabilities = \$1,052,238 + \$121,221 + \$259,854 + \$280,264 + \$51,666 = \$1,765,243 (from Exhibit II.C.1.a)
- quick ratio = \$16,417,548 / \$1,765,243 = 9.300

Table 4. 7-Year Trend of 7 Important Government-Wide Financial Indicators

Indicator Name / Result	2015	2014	2013	2012	2011	2010	2009
total margin ratio	1.807	1.215	1.139	1.139	1.122	1.004	0.952
percentage change in net assets	60.4%	18.3%	12.5%	13.4%	13.6%	0.5%	(6.0)%
debt service ratio	0.117	0.108	0.098	0.115	0.109	0.090	0.089
quick ratio	9.300	5.920	11.560	6.932	7.169	2.030	1.815
net assets ratio	0.903	0.259	0.291	0.261	(0.166)	(0.279)	(0.269)
debt-to-assets ratio	0.392	0.444	0.485	0.495	0.538	0.575	0.581
capital assets condition ratio	0.656	0.656	0.678	0.686	0.710	0.737	0.592

5) net position ratio = (unrestricted net position) divided by (total liabilities)

- unrestricted net position = \$31,891,002 (from Exhibit II.C.1.a)
- total liabilities = \$35,320,381 (from Exhibit II.C.1.a)
- net position ratio = $\$31,891,002 / \$35,320,381 = 0.903$

6) debt-to-assets ratio = (outstanding long-term liabilities) divided by (total assets)

- outstanding long-term liabilities = \$33,555,138 (from Exhibit II.C.1.a)
- total assets = \$85,544,270 (from Exhibit II.C.1.a)
- debt-to-assets ratio = $\$33,555,138 / \$85,544,270 = 0.392$

7) capital assets condition ratio = (1.000) less ((accumulated depreciation) divided by (capital assets being depreciated))

- accumulated depreciation = $\$16,196,625 + \$15,045,441 = \$31,242,066$ (from Note b.A.5 on Capital Assets)
- capital assets being depreciated = $\$47,643,435 + \$43,119,987 = \$90,763,422$ (from Note b.A.5 on Capital Assets)
- capital assets condition ratio = $1.000 - (\$31,242,066 / \$90,763,422) = 0.656$

Governmental Activities

Governmental activities increased the County's net position by \$23,861,761, thereby responsible for 93.4% of the overall increase in total government-wide net position. See both Table 2 and Table 3 above. This increase in net position is primarily caused by a large one-time influx of unspent proceeds from an advanced refunding as well as decreases in many expenditure items and increases in few revenue items while the County strategizes to save money for future capital projects and other important needs.

Business-Type Activities

Business-type activities increased the County's net position by another \$1,680,243, accounting for the remaining 6.6% of the overall increase in total government-wide net position. See both Table 2 and Table 3 above. Due to the nature of the water and sewer system business and the large expense of maintaining and replacing existing water and sewer lines, the County intends to build cash reserves for future needs. However, there are many maintenance and other needs currently that may limit the build-up of cash reserves.

FUND HIGHLIGHTS

As noted earlier, the County of Montgomery uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds with either large balances at year-end or a large amount of activity during the year are classified as "major" funds and receive special attention throughout this *Annual Financial and Compliance Report For the Fiscal Year Ended June 30, 2015*.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Across all governmental funds, the County has a fund balance available for appropriation of about \$13.2 million, and was \$13.2 million a year ago. Also, as a measure of a fund's liquidity, it may be useful to compare both fund balance available for appropriation and total fund balance to total fund expenditures. For all governmental funds, fund balance available for appropriation amounts to 39.2% and total fund balance amounts to 47.0% of total expenditures. Last year, for all governmental funds, fund balance available for appropriation amounts to 41.9% and total fund balance amounts to 50.3% of total expenditures. More financial indicators are shown in Table 5 below, preceded by a description of each indicator.

Further, except for the amount of fund balance classified as “Restricted for Stabilization of State Statute”, all other restrictions, commitments, and assignments of fund balance for special purposes have not had a significant affect on the availability of fund resources for future use. Restricted, committed, and assigned resources are typically confined to a specific use and not a specific time period. However, some restricted resources do not promise a continuing revenue stream to support ongoing operations since the restricted resources were provided solely to complete a specific project. Such resources may be eventually depleted.

On June 30, 2015, the County reports \$15,825,768 as the combined fund balance of all governmental funds. The total decrease in the combined fund balance of all governmental funds of (\$55,337) may be primarily attributed to spending previously unspent debt proceeds of over \$1 million for an advance refunding, which was mostly offset by savings in various expenditures in several funds. On June 30, 2014, the County reported \$15,881,105 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of \$1,421,786 may be attributed to various causes.

The General Fund is the chief operating fund of the County and a major fund. At the end of the current fiscal year, fund balance available for appropriation of the General Fund was \$11,909,168, while total fund balance reached \$13,898,098. The total increase in the fund balance of the General Fund of \$783,896 can be attributed to unanticipated increases in sales taxes revenues and savings in various expenditures. Fund balance available for appropriation represents 40.5% of total General Fund expenditures, while total fund balance represents 47.3% of that same amount. This relatively large fund balance of the General Fund will likely be reduced over the next few years as the County replaces and/or improves certain educational facilities.

At June 30, 2014, fund balance available for appropriation of the General Fund was \$10,230,472, while total fund balance reached \$12,687,165. The total increase in the fund balance of the General Fund of \$3,253,950 was primarily attributed to larger than expected increases in property tax and sales tax revenues and greater use of non-County funds to support expenditures when compared to prior year. Fund balance available for appropriation represents 39.1% of total General Fund expenditures, while total fund balance represents 48.4% of that same amount. Below is a depiction of the changes in fund balance available for appropriation in relation to total General Fund expenditures over the most recent seven fiscal years.

GENERAL FUND ONLY	2015	2014	2013	2012	2011	2010	2009
available fund balance-to-expenditures	40.5%	39.1%	30.0%	24.6%	14.7%	3.6%	(0.0)%

The Board of County Commissioners has determined that the County should maintain a level of fund balance available for appropriation of between 20% to 25% of total revenues in the General Fund. Not only does maintaining such levels assist with cash flow needs, the County is also better able to weather unforeseen circumstances and take full advantage of unanticipated opportunities. While addressing present needs, the County will continue to monitor programs to achieve a calculated percentage near the suggested level.

Due to a number of large ongoing projects, the County Projects Fund remains to be a major fund for the year ended June 30, 2015. The County plans to accumulate cash to help 1) finance current and future projects and 2) purchase planned assets.

1) operations ratio = ((total revenues) plus (transfers in) less (transfers in to capital projects-type funds)) divided by ((total expenditures) plus (transfers out) and less (transfers out from capital projects-type funds))

- total revenues plus transfers in = \$37,474,288, which is total revenues (\$33,955,655) plus transfers in (\$3,518,633) of the County’s governmental funds (from Exhibit II.C.2.b)
- transfers-in to capital project-type funds = \$280,892, which is total transfers-in to capital projects funds (from Exhibit II.E.02)
- total expenditures plus transfers out = \$33,676,875, which is total expenditures (\$30,158,242) plus transfers out (\$3,518,633) of the County’s governmental funds (from Exhibit II.C.2.b)
- transfers-out from capital projects-type funds = \$0, which is total transfers-out from capital projects funds (from Exhibit II.E.02)
- operations ratio = (\$37,474,288 - \$280,892) / (\$33,676,875 - \$0) = 1.104

- 2) percentage (%) change in fund balance = (change in fund balance) divided by (beginning fund balance)
- change in fund balance = (\$55,337) (from Exhibit II.C.2.b)
 - beginning fund balance = \$15,881,105 (from Exhibit II.C.2.b)
 - percentage change in fund balance = (\$55,337) / \$15,881,105 = (0.3)%
- 3) debt service ratio = ((principal payments) plus (interest payments)) divided by ((total expenditures) plus (transfers out) and less (transfers out from capital projects-type funds))
- principal payments = \$1,908,667 (from Exhibit II.C.2.b)
 - interest payments = \$1,077,924 (from Exhibit II.C.2.b)
 - debt service ratio = (\$1,908,667 + \$1,077,924) / (\$33,676,875 - \$0) = 0.089
- 4) quick ratio = (cash and investments) divided by (current liabilities--not including deferred revenues)
- cash and cash equivalents = \$14,132,910 (from Exhibit II.C.2.a)
 - current liabilities--not including deferred revenues = \$683,357 (from Exhibit II.C.2.a)
 - quick ratio = \$14,132,910 / \$683,357 = 20.682
- 5) available fund balance-to-expenditures ratio = (available fund balance) divided by ((total expenditures) plus (transfers out) and less (transfers out from capital projects-type funds))
- available fund balance = \$13,206,872 (from Exhibit II.C.2.a)
 - available fund balance-to-expenditures ratio = \$13,206,872 / (\$33,676,875 - \$0) = 0.392
- 6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)
- long-term debt = \$19,343,116 (from detail notes in Exhibit II.C.3.b.B.7.e)
 - total assessed value used for property tax purposes = \$2,955,172,328 (from Exhibit II.E.03)
 - debt-to-assessed value ratio = \$19,343,116 / \$2,955,172,328 = 0.0065
- 7) intergovernmental ratio = (intergovernmental revenues) divided by ((total revenues) plus (transfers in) less (transfers in to capital projects-type funds))
- intergovernmental revenues = \$8,448,316 (from Exhibit II.C.2.b)
 - intergovernmental ratio = \$8,448,316 / (\$37,474,288 - \$280,892) = 0.227

Table 5. 7-Year Trend of 7 Important Governmental Funds Financial Indicators

Indicator Name / Result	2015	2014	2013	2012	2011	2010	2009
operations ratio	1.104	1.052	1.151	1.105	1.095	1.015	0.697
% change in fund balance	(0.3)%	9.8%	37.7%	36.0%	48.5%	10.3%	(73.9)%
debt service ratio	0.089	0.085	0.086	0.087	0.103	0.090	0.067
quick ratio	20.682	9.682	15.886	4.733	4.095	1.836	1.077
available fund balance-to-expenditures	0.392	0.426	0.484	0.313	0.239	0.117	0.069
debt-to-assessed value ratio	0.0065	0.0079	0.0087	0.0101	0.0106	0.0113	0.0121
intergovernmental ratio	0.227	0.243	0.235	0.242	0.216	0.263	0.216

Proprietary Funds. The County of Montgomery's proprietary (i.e. enterprise) funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,234,610 and total net position of the fund is \$21,288,934. Factors concerning the finances of the enterprise fund has already been addressed in the discussion of the County's business-type activities.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

Capital assets. The County's capital assets for its governmental and business-type activities as of June 30, 2015 totals \$62,710,414 (net of accumulated depreciation), which represents an increase of \$1,631,389 from prior year, whereas total capital assets as of June 30, 2014 were \$61,079,025 (net of accumulated depreciation), which

represented an increase of \$4,040,942 from prior year. These assets include construction in progress, equipment and vehicles, buildings, land, improvements to both land and buildings, water distribution lines, and other items. See Table 6 below. Major capital asset transactions during the year include:

- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, construction, or received donation of land and buildings (\$4,094,589 increase to reported capital assets).
- Purchase and other additions of vehicles and other equipment (\$427,033 increase).
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$683,794 and on capital assets other than equipment and vehicles of \$2,037,381 (total \$2,721,175 decrease).
- Retirement of older vehicles, net of related depreciation, of \$169,058.

The County's investments in capital assets increased over 2.7% from the previous year. Find additional information on the County's capital assets in the Notes to Financial Statements, see Note 1.E. and Note 3.A.

Table 6. Capital Assets, net of Accumulated Depreciation

Category	Governmental Activities			Business-type Activities		
	2015	2014	2013	2015	2014	2013
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 853	\$ 819	\$ 819	\$ 88	\$ 88	\$ 88
Construction in progress	162	2,228	3	2,086	3,271	314
Buildings and improvements	26,424	27,215	28,283	27,896	25,462	26,298
Equipment (including vehicles)	5,023	1,772	994	179	224	239
Total capital assets, net	\$ 32,462	\$ 32,034	\$ 30,099	\$ 30,249	\$ 29,045	\$ 26,939

Long-term Liabilities. As of June 30, 2015, the County had total long-term liabilities outstanding of \$33,555,138, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to \$31,883,681. During the year ended June 30, 2015, the change in total long-term liabilities was - (\$2,587,867) (or - (7.2%)) and the change in outstanding indebtedness was - (\$2,832,839) (or - (8.2%)). During the year, the County met all normal debt service requirements (both principal and interest payments) of \$3,882,707.

Also, during the year, the County refunded two loans from 2007 and realized a new loan for the water system. More details on these matters are found in the Notes to Financial Statements.

As of June 30, 2014, the County had total long-term liabilities outstanding of \$36,143,005, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to \$34,716,520. During the year ended June 30, 2014, the change in total long-term liabilities was - (\$3,270,544) (or - (4.99%)) and the change in outstanding indebtedness was - (\$3,435,999) (or - (4.99%)). During the year, the County met all normal debt service requirements (both principal and interest payments) of \$3,409,768.

In September 2014, Standard & Poor's Rating Services upgraded the County from an A- bond rating to an A bond rating with a stable outlook.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. After calculating the County's legal debt limit (which is 8% of total assessed value) and subtracting current outstanding long-term debt, the legal debt margin for the County is \$197,923,345. Additional information regarding the County's long-term obligations can be found in the Notes to Financial Statements, see Note a.E.9 and Note b.B.7.

BUDGETARY HIGHLIGHTS

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to continue incomplete projects from

the prior fiscal year; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 4) increases in appropriations that become necessary to maintain services. And, the Commissioners have granted the County Manager authority to carry-forward unspent donations and other designated proceeds for which budget was approved by the Commissioners in a prior year but some expenditures have not yet occurred. See Table 7 following the discussion below for a summary of budget amendments by fund.

General Fund: Total amendments to the General Fund increased budgeted revenues by \$872,827, appropriations of fund balance by \$3,264,234, and incoming transfers from other funds by \$0 for a total budgetary increase of \$4,137,061 and a final budget of \$33,142,141. The primary reasons for these increases were: (1) to carry-forward budget related to a) unspent grant awards and other restricted resources (such as donations), b) unpaid obligations (i.e. year-end outstanding encumbrances), and c) other incomplete projects, (2) to accept new grants and other new resources for the purchase of various supplies, equipment, and services, and (3) to budget County funds for the advance refunding of two older loans.

County Projects Fund. Budget amendments to the County Projects Fund increased revenues and expenditures by \$17,231,958 and a final budget of \$18,575,545 for two reasons: (1) for construction of a new Animal Shelter and (2) to budget for the advance refunding of two older loans.

Water and Sewer Fund. In the County's sole enterprise fund, no amendments were made.

Non-major Funds. Total amendments to non-major funds of \$1,436,218 include the carry-forward budget of incomplete special projects, carry-forward budget for new special projects (including grants), and carry-forward budget for unspent funds.

Table 7. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 29,005,080	\$ 4,137,061	\$ 33,142,141
County Projects Fund	1,343,587	17,231,958	18,575,545
Water & Sewer Fund	3,720,802	-	3,720,802
Non-major Funds	12,524,174	1,436,218	13,960,392
Totals	\$ 46,593,643	\$ 22,805,237	\$ 69,398,880

ECONOMIC HIGHLIGHTS AND OTHER IMPORTANT FACTS

The area's unemployment rate has been higher than the state average for several years. In recent years, many industries had either reduced or relocated their workforce. Many others had closed operations. These actions had a significant impact on the County's revenues and expenditures since many of those formerly employed reduce personal spending and now seek services provided by the County. And, of course, the closure or reduction of activity also results in reduction of equipment and facilities subject to property taxation. In addition, lower personal spending had resulted in lower property taxes on personal vehicles and lower revenues from sales taxes.

Though local retail sales have not recovered since the sudden downturn in retail sales that began in late 2008, sales tax revenues were above budgeted estimates. Plus, the collection rate of property taxes remains consistent when compared to prior years. During 2015, the State agreed to changes to how sales tax revenues are distributed, a change that is expected to improve sales tax revenues even further. For the year that began July 1, 2015, the Board of County Commissioners raised the property tax rates in the County-wide district from 57 cents per \$100 in assessed property value to 62 cents per \$100 in assessed property value. The revenues from this rate increase are solely for the purpose of raising money to address needs for improved educational facilities. Although the County's current cycle is to conduct property revaluations every eight years, the next revaluation will become effective with the fiscal year beginning July 1, 2020.

Governmental Activities: An increase in assessed property values should lead to increased property tax revenues. And, revenues from the local option sales taxes are showing continued improvement. The County budgets for normal increases in personnel costs, including employee compensation and benefits adjustments, and other planned expenditures.

Business – type Activities: Water and sewer activities in fiscal year 2016 should see increases in collections of departmental fees when compared to prior year. In addition, to set aside cash for future obligations related to replacement of water and sewer lines, the County will continue to monitor its revenues from fees for services and adjust the fee structure as needed.

All Funds: Total County budget for fiscal year 2016 decreases estimated revenues and appropriations by - (\$2,022,016) (or - (4.66%)) from the prior year's beginning budget figure.

The total County budget for fiscal year 2015 decreased estimated revenues and appropriations by - (\$1,440,936) (or - (3.22%)) from the prior year. Though the General Fund's beginning budget increased by \$938,848, or 3.23%, the Airport Projects Fund decreased by - (\$1,740,137), or - (78.71%) and the Water Projects Fund decreased by - (\$1,005,049), or - (14.60%). All other funds combined for a net increase of \$365,402.

For a look at the County's adopted budget for fiscal years 2016, 2015, and 2014, please review Subsection I.A, Message from the County Manager, found at the beginning of Section I.

Governmental Funds: The fiscal year 2016 budget for the General Fund increases estimated revenues and appropriations by \$1,387,391, or 4.63%. The fiscal year 2016 beginning budget for the County Projects Fund was zero due to completion of projects. Due to an increase in the County-wide property tax rate of 5 cents per \$100 in assessed value that is committed for the future improvement of educational facilities, a new fund will house these resources. The Community Development Fund also began with a budget of \$0 in fiscal year 2016. All other governmental funds combined for a net decrease of - (\$101,675).

Enterprise Funds: The fiscal year 2016 budget for the Water and Sewer Fund increases estimated revenues and appropriations by \$463,716, or 12.46%, to address needed improvements to maintain a healthy water system. The Water Projects Fund (a sub-fund of the Water & Sewer Fund) decreased beginning budget by - (\$3,413,611) due to completion of a couple major projects.

REQUESTS FOR ADDITIONAL FACTS

For those with an interest, the remainder of this annual financial report provides a more detailed overview of the County's finances. For additional information or answers to questions concerning any of the information found in this report, please visit our website (<http://www.montgomerycountync.com/>), contact us by telephone (910-576-4221, extension 1303), submit your request via fax (910-576-4566), or address your request to:

County Finance Director
Administration -- Finance Department
County of Montgomery, North Carolina
Post Office Box 425
Troy, North Carolina 27371-0425

County of Montgomery, North Carolina
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County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

C. Basic Financial Statements (includes Notes to Financial Statements)

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2. Fund Financial Statements	Part II.C.2	45
3. Notes to Financial Statements	Part II.C.3	55

The Basic Financial Statements provide a dual perspective summary overview of the financial position and operating results of the government as a whole ("Government-Wide Financial Statements") and of all funds ("Fund Financial Statements"). They also serve as a condensed introduction to the more detailed statements and schedules that follow. And, more detailed data is shown in the "Notes to the Financial Statements" that help to explain some of the information in the financial statements.

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

C. Basic Financial Statements (includes Notes to Financial Statements)

1. Government-Wide Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. Government-Wide Statement of Net Position	Exhibit II.C.1.a	41
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	42

The Government-Wide Financial Statements provide both long-term and short-term information about the County's overall financial status and provide a broad overview of the County's finances that is similar in format to a financial statement of a private-sector business.

County of Montgomery, North Carolina
a. Government-Wide Statement of Net Position

June 30, 2015
 With Comparative Totals as of June 30, 2014

	Primary Government				Component Unit		
	Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority		
			2015	2014	2015	2014	
ASSETS							
Cash and cash equivalents	\$ 14,132,910	\$ 2,284,638	\$ 16,417,548	\$ 13,377,318	\$ 73,992	\$ 61,066	
Taxes receivable, net	832,457	-	832,457	866,344	3,508	4,124	
Accounts receivable, net	1,696,493	356,091	2,052,584	2,761,200	-	-	
Due from other governments	346,358	31,187	377,545	254,169	-	-	
Inventories	40,716	289,595	330,311	293,877	-	-	
Prepaid items	176,883	11,295	188,178	146,416	470	-	
Restricted cash	18,181,944	1,606,096	19,788,040	2,498,548	-	-	
Net pension asset	738,815	55,164	793,979	49,453	-	-	
Capital assets					-	-	
Land and construction in progress	1,014,957	2,174,101	3,189,058	6,406,056	-	-	
Other capital assets, net of accumulated depreciation	31,446,810	28,074,546	59,521,356	54,672,969	-	-	
Total capital assets	32,461,767	30,248,647	62,710,414	61,079,025	-	-	
Total Assets	\$ 68,608,343	\$ 34,882,713	\$ 103,491,056	\$ 81,326,350	\$ 77,970	\$ 65,190	
DEFERRED OUTFLOWS OF RESOURCES:							
Pension-related deferrals	\$ 467,467	\$ 37,758	\$ 505,225	\$ 505,083			
Deferred charges from advance refunding	1,092,790	-	1,092,790	-			
Total Deferred Outflows	\$ 1,560,257	\$ 37,758	\$ 1,598,015	\$ 505,083	\$ -	\$ -	
LIABILITIES							
Accounts payable and accrued expenses	\$ 557,332	\$ 494,906	\$ 1,052,238	\$ 1,175,678	\$ -	\$ -	
Unearned revenues	121,221	-	121,221	1,500	-	-	
Accrued interest payable	245,108	35,156	280,264	423,322	-	-	
Payable from restricted assets	-	259,854	259,854	235,574	-	-	
Due to other taxing units	-	51,666	51,666	-	-	-	
Net pension liability	-	-	-	1,528,427	-	-	
Long-term liabilities							
Current portion of long-term liabilities	2,006,218	835,184	2,841,402	2,342,687	-	-	
Non-current portion of long-term liabilities	18,894,027	11,819,709	30,713,736	33,800,318	-	-	
Total Long-term liabilities	20,900,245	12,654,893	33,555,138	36,143,005	-	-	
Total Liabilities	\$ 21,823,906	\$ 13,496,475	\$ 35,320,381	\$ 39,507,506	\$ -	\$ -	
DEFERRED INFLOWS OF RESOURCES:							
Unearned revenues	\$ 124,197	\$ -	\$ 124,197	\$ 31,759	\$ -	\$ -	
Pension-related deferrals	1,675,259	135,062	1,810,321	-	-	-	
Total Deferred Inflows	\$ 1,799,456	\$ 135,062	\$ 1,934,518	\$ 31,759	\$ -	\$ -	
NET POSITION							
Net investment in capital assets	\$ 13,217,288	\$ 19,054,324	\$ 32,271,612	\$ 28,526,012	\$ -	\$ -	
Restricted net position:							
Stabilization of State Statute	2,401,297	-	2,401,297	2,468,248	-	-	
General government	195,417	-	195,417	-	-	-	
Public Safety	472,414	-	472,414	945,765	-	-	
Human services	311,654	-	311,654	98,070	-	-	
Schools capital outlay	98,637	-	98,637	-	-	-	
Economic and physical development	131,472	-	131,472	12,903	77,970	65,190	
Cultural and recreational	60,667	-	60,667	-	-	-	
Total restricted net position	3,671,558	-	3,671,558	3,524,986	77,970	65,190	
Unrestricted net position	29,656,392	2,234,610	31,891,002	10,241,170	-	-	
Total Net Position	\$ 46,545,238	\$ 21,288,934	\$ 67,834,172	\$ 42,292,168	\$ 77,970	\$ 65,190	

The "Notes to Financial Statements" are an integral part of this exhibit.

County of Montgomery, North Carolina
b. Government-Wide Statement of Activities

(continued on next page)

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net Program Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES, PROGRAM REVENUES, AND NET RESULTS					
Governmental activities:					
General government	\$ (6,388,240)	\$ 408,238	\$ 18,248,033	\$ -	\$ 12,268,031
Transportation	(511,853)	18,255	-	58,793	(434,805)
Public safety	(5,312,733)	1,208,433	372,220	90,022	(3,642,058)
Human services	(7,106,097)	416,380	5,304,013	-	(1,385,704)
Environmental protection	(169,875)	2,458,305	62,531	-	2,350,961
Education (intergovernmental)	(6,435,725)	-	250,000	386,067	(5,799,658)
Economic and physical development	(657,389)	5,930	112,211	2,217,466	1,678,218
Cultural and recreational	(555,102)	212,410	24,800	-	(317,892)
Interest on long-term liabilities	(1,217,329)	-	-	-	(1,217,329)
Subtotal governmental activities	(28,354,343)	4,727,951	24,373,808	2,752,348	3,499,764
Business-type activities					
Water distribution system	(3,297,877)	3,825,037	80,757	1,071,111	1,679,028
Total primary government	\$ (31,652,220)	\$ 8,552,988	\$ 24,454,565	\$ 3,823,459	\$ 5,178,792
Component unit:					
Tourism development authority	\$ (19,796)	\$ -	\$ -	\$ -	\$ (19,796)

GENERAL REVENUES AND TRANSFERS:

Property taxes, levied for general purposes
 Local option sales taxes
 Occupancy taxes
 Other taxes and licenses
 Investment earnings, general (unrestricted)

Total general revenues**CHANGE IN NET POSITION**

Net position, beginning (July 1)
 Adjustment to prior period
 Restatement (GASBS 68)
 Net position, beginning-restated

Net position, ending (June 30)

The "Notes to Financial Statements" are an integral part of this exhibit.

(continued on next page)

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Primary Government				Component Unit	
Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority	
		2015	2014	2015	2014
\$ 12,268,031	\$ -	\$ 12,268,031	\$ (2,594,927)	\$ -	\$ -
(434,805)	-	(434,805)	174,333	-	-
(3,642,058)	-	(3,642,058)	(3,883,530)	-	-
(1,385,704)	-	(1,385,704)	(2,358,268)	-	-
2,350,961	-	2,350,961	(32,799)	-	-
(5,799,658)	-	(5,799,658)	(5,545,628)	-	-
1,678,218	-	1,678,218	(916,538)	-	-
(317,892)	-	(317,892)	(235,602)	-	-
(1,217,329)	-	(1,217,329)	(1,462,530)	-	-
3,499,764	-	3,499,764	(16,855,489)	-	-
-	1,679,028	1,679,028	2,176,381	-	-
3,499,764	1,679,028	5,178,792	(14,679,108)	-	-
-	-	-	-	(19,796)	(12,910)
16,739,468	-	16,739,468	16,971,680	-	-
3,614,182	-	3,614,182	3,335,190	-	-
-	-	-	-	32,576	27,952
658	-	658	1,048,761	-	-
7,689	1,215	8,904	7,600	-	-
20,361,997	1,215	20,363,212	21,363,231	32,576	27,952
23,861,761	1,680,243	25,542,004	6,684,123	12,780	15,042
23,580,775	19,685,284	43,266,059	38,374,317	65,190	50,148
-	-	-	(1,792,381)	-	-
(897,298)	(76,593)	(973,891)	-	-	-
22,683,477	19,608,691	42,292,168	36,581,936	65,190	50,148
\$ 46,545,238	\$ 21,288,934	\$ 67,834,172	\$ 43,266,059	\$ 77,970	\$ 65,190

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
2. Fund Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	46
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Position'	Exhibit II.C.2.a.i	47
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	48
b.i. Reconciliation of the 'Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances' to the 'Government-Wide Statement of Activities'	Exhibit II.C.2.b.i	49
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	50
d. Enterprise Fund: Public Utilities: Statement of Fund Net Position	Exhibit II.C.2.d	51
e. Enterprise Fund: Public Utilities: Statement of Revenues, Expenses, and Changes in Fund Net Position	Exhibit II.C.2.e	52
f. Enterprise Fund: Public Utilities: Statement of Cash Flows	Exhibit II.C.2.f	53
g. Fiduciary Funds: Statement of Fiduciary Net Position	Exhibit II.C.2.g	54

The Fund Financial Statements focus exclusively on short-term information and provide a more detailed look at the County's operating funds. (A fund is a grouping of assets and related debts that are used to maintain control over resources that have been segregated for specific activities or objectives.)

County of Montgomery, North Carolina

Page 1 of 2

a. Governmental Funds: Balance Sheet

(continued on next page)

June 30, 2015

With Comparative Totals as of June 30, 2014

	Governmental Funds					
	Major:	Major:	Non-major:	Totals		
	General	County Projects	All Others	2015	2014	
ASSETS						
Cash and cash equivalents	\$ 12,565,986	\$ 80,586	\$ 1,486,338	\$ 14,132,910	\$ 12,268,287	
Taxes receivable, net	809,493	-	22,964	832,457	866,344	
Accounts receivable, net	1,543,635	-	152,858	1,696,493	1,947,712	
Due from other governments	228,988	-	117,370	346,358	187,306	
Due from other governmental funds	4,804	-	-	4,804	635,817	
Inventories	40,716	-	-	40,716	34,108	
Prepaid items	166,608	-	10,275	176,883	146,416	
Restricted cash	136,511	10	98,637	235,158	2,262,974	
Total assets	\$ 15,496,741	\$ 80,596	\$ 1,888,442	\$ 17,465,779	\$ 18,348,964	
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 549,267	\$ -	\$ 8,065	\$ 557,332	\$ 629,852	
Unearned revenues	115,696	-	5,525	121,221	1,500	
Due to other governmental funds	-	-	4,804	4,804	635,817	
Total liabilities	664,963	-	18,394	683,357	1,267,169	
Deferred inflows of resources						
Property taxes receivable, net	809,493	-	22,964	832,457	866,344	
Unearned tax revenues	124,187	-	10	124,197	31,759	
Other unavailable revenues	-	-	-	-	302,587	
Total deferred inflows	933,680	-	22,974	956,654	1,200,690	
Fund balances						
Non-spendable						
Inventories	40,716	-	-	40,716	34,108	
Prepaid items	166,608	-	10,275	176,883	146,416	
Restricted						
Stabilization of State Statute	1,781,606	-	619,691	2,401,297	2,468,248	
General Government	195,417	-	-	195,417	397,633	
Public Safety	166,271	21,224	306,143	493,638	1,081,878	
Human Services	2,917	-	308,737	311,654	98,070	
Education (intergovernmental)	-	59,372	-	59,372	960,201	
Schools Capital Outlay	-	-	98,637	98,637	669,560	
Economic and Physical Development	-	-	131,472	131,472	12,903	
Cultural and Recreational	60,667	-	-	60,667	-	
Committed						
Public Safety	760,518	-	-	760,518	-	
Schools Capital Outlay	-	-	340,304	340,304	632,210	
Cultural and Recreational	50,555	-	-	50,555	-	
Assigned						
Incomplete projects	-	-	-	-	196,827	
Transportation	-	-	34,499	34,499	-	
Unassigned	10,672,823	-	(2,684)	10,670,139	9,183,051	
Total fund balances	13,898,098	80,596	1,847,074	15,825,768	15,881,105	
Total liabilities, deferred inflows, and fund balances	\$ 15,496,741	\$ 80,596	\$ 1,888,442	\$ 17,465,779	\$ 18,348,964	

The "Notes to Financial Statements" are an integral part of this exhibit.

See 'Exhibit II.C.2.a.i' on following page for a list of items that differ in treatment between the governmental activities column on the government-wide statement (see Exhibit II.C.1.a) and totals for governmental funds on this statement.

(continued on next page)

County of Montgomery, North Carolina

Page 2 of 2

a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Position'

(continued from previous page)

June 30, 2015

With Comparative Totals as of June 30, 2014

	2015	2014
Total fund balances of governmental funds	\$ 15,825,768	\$ 15,881,105
The amount reported as total net position of governmental activities in the Government-Wide Statement of Net Position (Exhibit II.C.1.a) differs from the amount reported as total fund balances of governmental funds on the Governmental Funds: Balance Sheet (Exhibit II.C.2.a) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:		
1. Governmental funds report expenditures for items that are treated as additions to capital and other long-term assets on the Statement of Net Position. Total capital and other long-term assets, before depreciation or amortization, is:	48,658,392	46,539,888
2. Instead, the cost of capital assets is allocated to depreciation expense over the estimated useful life of the items and reported on the Statement of Activities. Total accumulated depreciation is:	(16,196,625)	(14,505,735)
3. Whereas governmental funds record an unavailable revenue (liability) for uncollected receivables because the monies are not available, uncollected receivables are recognized as revenues on the Statement of Activities when the monies are earned. The unavailable revenue balance is:	832,457	1,168,931
4. Interest on long-term liabilities is recognized as an expenditure when due in the governmental funds, whereas accrued expense (liability) is recognized on the Statement of Net Position. The accrued interest payable balance is:	(245,108)	(393,280)
5. Long-term liabilities, which are not due and payable at the entire amount in the current period, are not recognized as fund liabilities of governmental funds. Principal reductions are recognized as expenditures in the period that the payment is made rather than reductions in the liability that is reflected on the Statement of Net Position.	(19,807,455)	(25,110,134)
6. Financial assets and obligations related to cost-shared pension plans, which are not attributable to the current period, are not recognized as fund assets or liabilities. Instead, these items are recognized as deferred inflows and outflows of resources.	(468,977)	-
7. Payments to the refunded bond escrow agent via advanced refundings are recognized as an other financing use in governmental funds in the period that the refunding is made, yet reductions in the restricted cash will be reflected on the Statement of Net Position as payments are issued to bondholders.	17,946,786	-
Total net position of governmental activities	\$ 46,545,238	\$ 23,580,775

The "Notes to Financial Statements" are an integral part of this exhibit.

(continued from previous page)

County of Montgomery, North Carolina

Page 1 of 2

b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances

(continued on next page)

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	Governmental Funds				
	Major:	Major:	Non-major:	Totals	
	General	County Projects	All Others	2015	2014
REVENUES					
Ad valorem property taxes	\$ 16,773,355	\$ -	\$ 644,617	\$ 17,417,972	\$ 17,193,814
Local option sales taxes	3,614,182	-	378,144	3,992,326	3,335,190
Other taxes	658	-	-	658	733,899
Unrestricted intergovernmental revenues	399,728	-	-	399,728	274,193
Restricted intergovernmental revenues	5,561,168	-	2,487,420	8,048,588	7,669,110
Licenses, fees, and permits	3,230,894	-	-	3,230,894	374,816
Sales and services	486,635	-	18,255	504,890	2,690,548
Investment earnings	7,689	7,916	280	15,885	6,565
Miscellaneous	87,302	90,000	167,412	344,714	220,075
Total revenues	30,161,611	97,916	3,696,128	33,955,655	32,498,210
EXPENDITURES					
General government	5,699,175	-	-	5,699,175	5,807,446
Transportation	128,257	-	74,942	203,199	21,267
Public safety	4,157,081	154,657	841,793	5,153,531	4,984,176
Human services	7,162,423	-	43,617	7,206,040	7,343,034
Environmental protection	164,749	-	-	164,749	32,799
Education (intergovernmental)	5,775,561	-	494,348	6,269,909	6,880,132
Schools capital outlay	167,813	-	-	167,813	-
Economic and physical development	270,809	-	1,602,084	1,872,893	2,784,790
Cultural and recreational	335,092	-	-	335,092	358,570
Debt service, principal reduction	1,699,831	-	208,836	1,908,667	1,565,051
Debt service, interest and fees	297,041	657,795	123,088	1,077,924	1,069,250
Debt service, issuance costs	1,250	98,000	-	99,250	-
Total expenditures	25,859,082	910,452	3,388,708	30,158,242	30,846,515
Excess (deficiency) of revenues over expenditures	4,302,529	(812,536)	307,420	3,797,413	1,651,695
OTHER FINANCING SOURCES (USES)					
Transfers in	-	3,041,173	477,460	3,518,633	213,236
Transfers out	(3,518,633)	-	-	(3,518,633)	(698,075)
Capital lease financing issued	-	-	-	-	254,930
Installment financing issued	-	14,099,205	-	14,099,205	-
Payments to bond escrow agent	-	(17,951,955)	-	(17,951,955)	-
Total other financing sources (uses)	(3,518,633)	(811,577)	477,460	(3,852,750)	(229,909)
Net change in fund balances	783,896	(1,624,113)	784,880	(55,337)	1,421,786
FUND BALANCES					
Beginning fund balances (July 1)	13,114,202	1,704,709	1,062,194	15,881,105	14,638,339
Adjustment to prior period	-	-	-	-	(179,020)
Beginning fund balances-restated	13,114,202	1,704,709	1,062,194	15,881,105	14,459,319
Ending fund balances (June 30)	\$ 13,898,098	\$ 80,596	\$ 1,847,074	\$ 15,825,768	\$ 15,881,105

The "Notes to Financial Statements" are an integral part of this exhibit.

See 'Exhibit II.C.2.b.i' on following page for a list of items that differ in treatment between the governmental activities column on the government-wide statement (see Exhibit II.C.1.b) and totals for governmental funds on this statement.

(continued on next page)

County of Montgomery, North Carolina

b.i. Reconciliation of the 'Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances' to the 'Government-Wide Statement of Activities'

(continued from previous page)

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015	2014
Net change in fund balances of governmental funds	\$ (55,337)	\$ 1,421,786
<p>The amount reported as change in net position of governmental activities in the Government-Wide Statement of Activities (Exhibit II.C.1.b) differs from the amount reported as net change in fund balances of governmental funds on the Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit II.C.2.b) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:</p>		
1. Whereas all cash proceeds from the disposal of capital assets are recognized as revenues in governmental funds, both cash and non-cash gains and losses from the disposal of a capital asset are recorded on the Statement of Net Position. Net gains (losses) are:	(165,724)	-
2. Governmental funds report expenditures for items that are treated as additions to capital and other long-term assets on the Statement of Net Position. The current year's expenditures are:	2,422,214	3,405,275
3. Instead, the cost of capital assets is allocated to depreciation expenses over the estimated useful life of the items and reported on the Statement of Activities. The current year's depreciation expenses are:	(1,786,631)	(1,470,204)
4. Accrued payables for compensated absences, retirement benefits, and pension plans are recognized as expenditures when paid in governmental funds. The net decrease (increase) in accrued payables and other items from prior year is recognized as prior (current) expenses. The current year's expenses are:	206,895	(86,593)
5. Whereas governmental funds record an unavailable revenue (liability) for uncollected receivables because the monies are not available, uncollected receivables are recognized as revenues on the Statement of Activities when the monies are earned. The net increase (decrease) in unavailable revenues of governmental funds from prior fiscal year is recognized as a change in current revenues of governmental activities.	(33,887)	(181,465)
6. Governmental funds do not recognize long-term liabilities that are not due and payable in the current period. Thus, payment of such liabilities are recognized as expenditures in the period that the payment is made rather than reductions in the liability as reflected on the Statement of Net Position. The current year's payments made are:	19,566,055	1,565,051
7. Interest on long-term liabilities is recognized as an expenditure when due in the governmental funds, whereas accrued expense (liability) and amortization is recognized on the Statement of Net Position. An increase (decrease) in the liability's balance is recognized as a decrease (increase) in reported interest expense on the Statement of Activities. The current year change is:	(139,405)	(377,052)
8. Governmental funds recognize the issuance of new debt as a source of financing for items that are treated as additions to long-term liabilities on the Statement of Net Position. In the current year, the issuance of new debt amounted to:	(14,099,205)	(254,930)
9. Payments to the refunded bond escrow agent via advanced refundings are recognized as an other financing use in governmental funds in the period that the refunding is made, yet expenses will be reflected on the Statement of Activities as payments are issued to bondholders. The current year change is:	17,946,786	-
Total net change in net position of governmental activities	\$ 23,861,761	\$ 4,021,868

The "Notes to Financial Statements" are an integral part of this exhibit.

(continued from previous page)

County of Montgomery, North Carolina

c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES				
Ad valorem property taxes	\$ 16,622,681	\$ 16,622,681	\$ 16,773,355	\$ 150,674
Local option sales taxes	3,262,000	3,601,074	3,614,182	13,108
Other taxes	-	-	658	658
Unrestricted intergovernmental revenues	254,465	280,865	399,728	118,863
Restricted intergovernmental revenues	5,081,316	5,536,370	5,561,168	24,798
Licenses, fees, and permits	3,071,795	3,073,205	3,230,894	157,689
Sales and services	443,732	491,696	486,635	(5,061)
Investment earnings	4,010	4,010	7,689	3,679
Miscellaneous	41,200	54,125	87,302	33,177
Total revenues	28,781,199	29,664,026	30,161,611	497,585
EXPENDITURES				
General government	6,732,884	6,838,700	5,699,175	1,139,525
Transportation	249,590	148,821	128,257	20,564
Public safety	4,802,507	4,959,237	4,157,081	802,156
Human services	7,382,432	8,093,899	7,162,423	931,476
Environmental protection	167,093	168,984	164,749	4,235
Education (intergovernmental)	5,797,408	5,812,408	5,775,561	36,847
Schools capital outlay	180,000	167,900	167,813	87
Economic and physical development	371,974	373,601	270,809	102,792
Cultural and recreational	400,319	406,103	335,092	71,011
Debt service, principal reduction	1,705,888	1,705,888	1,699,831	6,057
Debt service, interest and fees	922,992	922,992	297,041	625,951
Debt service, issuance costs	-	-	1,250	(1,250)
Total expenditures	28,713,087	29,598,533	25,859,082	3,739,451
Excess of revenues over (under) expenditures	68,112	65,493	4,302,529	4,237,036
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(281,993)	(3,543,608)	(3,518,633)	24,975
Capital lease financing issued	18,500	18,500	-	(18,500)
Fund balance appropriated (contingency)	195,381	3,459,615	-	(3,459,615)
Total other financing sources (uses)	(68,112)	(65,493)	(3,518,633)	(3,453,140)
Net change in fund balance	\$ -	\$ -	783,896	\$ 783,896
FUND BALANCES				
Beginning fund balances (July 1)			13,114,202	
Ending fund balances			<u>\$ 13,898,098</u>	

The "Notes to Financial Statements" are an integral part of this exhibit.

County of Montgomery, North Carolina

d. Enterprise Fund: Public Utilities: Statement of Fund Net Position

June 30, 2015

With Comparative Totals as of June 30, 2014

Enterprise Fund: Public Utilities			
Totals			
	2015		2014
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,284,638	\$	1,109,031
Accounts receivable, net	356,091		813,488
Due from other governments	31,187		66,863
Inventories	289,595		259,769
Prepaid items	11,295		-
Total current assets:	2,972,806		2,249,151
Non-current assets:			
Restricted cash	1,606,096		235,574
Net pension asset	55,164		-
Capital assets			
Land, land improvements, and construction in progress	2,174,101		3,358,845
Other capital assets, net of accumulated depreciation	28,074,546		25,686,027
Total capital assets	30,248,647		29,044,872
Total non-current assets	31,909,907		29,280,446
Total assets	\$ 34,882,713	\$	31,529,597
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferrals	\$ 37,758	\$	37,580
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 494,906	\$	545,726
Due to other taxing units	51,666		-
Accrued interest payable	35,156		30,142
Payable from restricted assets	259,854		235,574
Compensated absences	8,771		7,163
Loans and other debt, amount due next year	826,413		701,630
Total current liabilities	1,676,766		1,520,235
Non-current liabilities:			
Compensated absences	35,085		28,654
Net OPEB obligation for retirees' healthcare coverage	70,472		55,171
Net pension liability	-		114,173
Loans and other debt, amount due after next year	11,714,152		10,240,253
Total non-current liabilities	11,819,709		10,438,251
Total liabilities	\$ 13,496,475	\$	11,958,486
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferrals	\$ 135,062	\$	-
NET POSITION			
Net investment in capital assets	\$ 19,054,324	\$	18,102,989
Unrestricted net position	2,234,610		1,505,702
Total net position	\$ 21,288,934	\$	19,608,691

The "Notes to Financial Statements" are an integral part of this exhibit.

County of Montgomery, North Carolina
e. Enterprise Fund: Public Utilities: Statement of Revenues, Expenses, and
Changes in Fund Net Position

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	Enterprise Fund: Public Utilities	
	Totals	
	2015	2014
OPERATING REVENUES		
Departmental fees	\$ 3,825,037	\$ 3,960,143
Other operating revenue	70,757	105,734
Total operating revenues	3,895,794	4,065,877
OPERATING EXPENSES		
Salaries and employee benefits	733,738	919,712
Supplies and materials	83,430	187,571
Automotive fuels and supplies	36,555	40,799
Equipment and tools	27,079	26,366
Utilities	260,039	256,248
Repairs and maintenance	472,457	165,524
Sludge removal	158,310	213,065
Water fluoridation upgrade	13,868	-
Penalties and fines	12,500	12,500
Bad debt expense	124,608	171,221
Pension expense	3,305	-
Depreciation	934,545	892,808
Other operating expenses	45,687	119,385
Total operating expenses	2,906,121	3,005,199
Operating income (loss)	989,673	1,060,678
NONOPERATING REVENUES AND EXPENSES		
Intergovernmental revenues, restricted	10,000	-
Investment earnings	1,215	1,035
Project-related expenses	(72,820)	(3,667)
Debt service, interest and fees	(318,936)	(258,269)
Gain (loss) on disposal of capital assets	(3,333)	-
Total nonoperating revenues and expenses	(383,874)	(260,901)
Income before contributions and transfers	605,799	799,777
Capital contributions	1,074,444	1,377,639
Transfer from (to) governmental funds	-	484,839
Change in net position	1,680,243	2,662,255
Beginning net position (July 1)	19,685,284	16,883,780
Adjustment to prior period	-	139,249
Restatement from change in accounting principles (GASBS 68)	(76,593)	-
Beginning net position-restated	19,608,691	17,023,029
Net position, ending	\$ 21,288,934	\$ 19,685,284

The "Notes to Financial Statements" are an integral part of this exhibit.

County of Montgomery, North Carolina

f. Enterprise Fund: Public Utilities: Statement of Cash Flows

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

Enterprise Fund: Public Utilities			
Totals			
	2015		2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,193,502	\$	3,386,704
Cash received from other operations	70,757		105,734
Cash paid to employees for services	(748,155)		(911,499)
Cash paid for goods and services	(1,132,892)		(949,301)
Net cash flows from operating activities	2,383,212		1,631,638
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Government grants for non-capital purchases	77,022		3,667
Due from other funds and projects	(66,471)		(252,146)
Transfer from (to) governmental funds (General Fund)	-		484,839
Net cash flows from non-capital financing activities	10,551		236,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Government grants for capital purchases	1,007,422		1,373,972
Debt service, principal reduction	(701,631)		(731,465)
Debt service, interest and fees	(313,922)		(228,127)
Purchase and construction of capital assets	(2,141,031)		(2,998,679)
Proceeds from borrowings	2,300,313		-
Net cash flows from capital and related financing activities	151,151		(2,584,299)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	1,215		1,035
Net cash flows from investing activities	1,215		1,035
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,546,129		(715,266)
Beginning cash, cash equivalents, and restricted cash (July 1)	1,344,605		2,059,871
Ending cash, cash equivalents, and restricted cash	\$ 3,890,734	\$	1,344,605
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 989,673	\$	1,057,011
The amount reported as 'operating income (loss)' on Exhibit II.C.2.e differs from the amount reported as 'net cash flows from operating activities' above due to the following items that have occurred during the year prior to this report date:			
1. Decrease (increase) in accounts receivable, net	493,073		(569,319)
2. Decrease (increase) in prepayments and inventories	(41,121)		(103,018)
3. Increase (decrease) in accounts payable and contract retainages	846		351,826
4. Increase (decrease) in customer deposits	24,280		15,210
5. Increase (decrease) in accrued compensatory leave and retirement benefits	23,340		(12,880)
6. Increase (decrease) in net pension liability (asset)	(169,337)		-
7. Bad debt expense (not a cash expenditure, no effect on cash flow)	124,608		-
8. Pension expense (not a cash expenditure, no effect on cash flow)	3,305		-
9. Depreciation expense (not a cash expenditure, no effect on cash flow)	934,545		892,808
Net cash flows from operating activities	\$ 2,383,212	\$	1,631,638

The "Notes to Financial Statements" are an integral part of this exhibit.

County of Montgomery, North Carolina
g. Fiduciary Funds: Statement of Fiduciary Net Position

June 30, 2015

With Comparative Totals as of June 30, 2014

	Agency Funds	
	Totals	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 78,203	\$ 83,071
Taxes receivable, net	255,531	305,375
Total assets	\$ 333,734	\$ 388,446
LIABILITIES		
Accounts payable and accrued expenses	\$ 48,235	\$ 43,323
Due to other taxing units	285,499	345,123
Total liabilities	\$ 333,734	\$ 388,446

The "Notes to Financial Statements" are an integral part of this exhibit.

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

C. Basic Financial Statements (includes Notes to Financial Statements)

3. Notes to Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
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b. Detail Notes on Important Items	Note b	63
c. Joint Ventures	Note c	85
d. Jointly Governed Organization	Note d	86
e. Benefit Payments Issued by the State	Note e	87
f. Stewardship, Compliance, Accountability, and Significant Events	Note f	87
g. Prior Period Adjustments and Other Restatements	Note g	88

The Notes to Financial Statements summarize significant accounting policies, provide essential details, and explain and add insight to the data contained in the Government-Wide Financial Statements and Fund Financial Statements.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2015
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements
3. Notes to Financial Statements

Note a: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Montgomery, North Carolina (the "County") and its component units conform to generally accepted accounting principles as applicable to local governments within the United States of America. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute (NCGS) 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, which are legally separate entities for which the County is financially accountable. The County's two component units are the "Authority" (aka, the Montgomery County Industrial Facility and Pollution Control Financing Authority) and the "TDA" (aka, the Montgomery County Tourism Development Authority). The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The TDA, which has a June 30 year-end, is presented as a separate component unit of the County (discrete presentation). To emphasize that the TDA is legally separate from the County, its financial information is presented in a separate column in the County's financial statements. The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Montgomery County Industrial Facility and Pollution Control Financing Authority ("Authority")	Blended	The Authority is governed by a seven member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued
Montgomery County Tourism Development Authority ("TDA")	Discrete	The County appoints the board members overseeing the operations of the TDA. The TDA is required by State Statute to collect the County's occupancy taxes on overnight lodging facilities and expend the funds on tourism promotion.	None issued

Although the County has statutory responsibility to provide school facilities, the local education authority (Montgomery County Schools) is a legally separate entity, not a component unit.

B. Basis of Presentation

a. Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the County of Montgomery) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental activities* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed primarily, in whole or in part, by fees charged to external parties. Nonetheless, fees for certain activities for which governments have a legal responsibility are included in governmental activities regardless of whether fees are charged to external parties.

The Statement of Activities presents a comparison between the direct expenses and the program revenues for each business-type activity of the County and for each function of the County'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. 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, such as the general property tax, are presented as general revenues.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from these estimates and assumptions.

b. Fund Financial Statements: The Fund Financial Statements provide information about the County's funds, including both its blended component units and its fiduciary funds that were eliminated from the Government-Wide Financial Statements. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of Fund Financial Statements is on major governmental and enterprise funds, each of which is displayed in a separate column. (Enterprise funds are a type of proprietary funds.) Any remaining governmental and enterprise funds are aggregated and reported as non-major funds, save the County has no enterprise funds being reported as non-major funds. All fiduciary funds are presented in a separate, yet single, statement by type.

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 tax subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This fund, the County's primary operating fund, accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, other taxes, and federal and State grants. The primary expenditures are for education, emergency services, health services, law enforcement functions, and social services (including public assistance). The Tax Revaluation Fund is a legally budgeted fund under NCGS; however, in accordance with GASB Statement No. 54, this fund is consolidated in the General Fund for statement presentation. The County also separately budgets for a Drug Forfeitures Fund, VFD Fund, Court Facilities Fund, Recreation Fund, and Haltiwanger Retreat Fund. For presentation purposes, all of these funds are shown as functions within the General Fund.

Capital Projects Fund. This fund accounts for financial activity for major building, expansion, and renovation projects of County government property that are not included in the other project funds (Schools Projects Fund, Airport Projects Fund, and Water Projects Fund). In accordance with GASB Statement No. 54, the County Projects Fund includes the separately budgeted funds of Green Ridge Elementary School Fund, County Jail Fund, DSS Building Fund, and the New Animal Shelter Project Fund for statement presentation.

Also, the County reports the following major enterprise fund (and no non-major enterprise funds):

Water System Fund. This fund accounts for the operation, maintenance, and ongoing development of the County water and sewer facilities. The Water Projects Fund is shown within the Water System Fund for presentation purposes.

Non-major Funds. The County maintains ten more legally budgeted funds. The E911 Emergency Telephone System Fund, EMPG Fund, Community Development Fund, Badin Lake Fire District Fund, Lake Tillery Fire District Fund, Child Incentives Fund, and the Golden LEAF – Aseptia Fund are reported as non-major special revenue funds. The Schools Projects Fund and the Airport Projects Fund are reported as non-major capital projects funds. For presentation purposes, the Community Development Fund consists of the Urgent Repair Fund and the 2011 Scattered Site Housing Fund, both of which were separately budgeted. These funds have been combined and reported as a non-major fund in the Fund Financial Statements. Combining and individual fund statements may be found on the pages following these Notes to Financial Statements.

In addition, the County reports the following fiduciary fund types:

Agency Funds. Agency funds are custodial in nature (where assets equal liabilities) and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds:

- the SSA Representative Payee Conserved Trust Fund (formerly the Social Services Fund), which accounts for monies deposited by the SSA with the Department of Social Services for the benefit of certain individuals;
- the Property Tax Agency Fund, which accounts for property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County;
- the Fines and Forfeitures Agency Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Montgomery County Board of Education;
- the Inmate Trust Fund, which accounts for monies deposited for the benefit of incarcerated inmates at the County Jail;
- the Soil & Water Conservation Trust Fund, which accounts for the receipt and use of State matching funds; and
- the Agriculture Advisory Board Trust Fund, which accounts for monies collected for the benefit of the agricultural community.

C. Measurement Focus, Basis of Accounting

In accordance with NCGS 159, all funds of the County are maintained during the year using the modified accrual basis of accounting. However, year-end adjustments are made to proprietary funds to report the funds on a different basis of accounting called the (full) accrual basis of accounting.

Since the governmental funds apply the modified accrual basis of accounting during the year and in the Fund Financial Statements, yet report using the (full) accrual basis of accounting in the Government-Wide Financial Statements, a reconciliation is included in the Fund Financial Statements. The reconciliation itemizes the differences between the total fund balances of the governmental funds and the total net position of the governmental activities. Both of these items constitute equity, yet are measured differently.

a. Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The Government-Wide, Proprietary, and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the full accrual basis of accounting, except that agency funds have no measurement focus (agency funds have no revenues or expenditures). 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 County receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, grants, entitlements, and donations. On a full accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

b. 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 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues applicable to the fiscal year, except for ad valorem property taxes, as available if they are collected within 90 days after year-end. Ad valorem property taxes are not accrued as revenues because the amount is not susceptible to accrual. At June 30, ad valorem property tax receivables are materially past due and are not considered to be an available resource to finance the operations of the current year. Therefore, ad valorem property tax receivables are offset by unavailable revenues which are reported as a deferred inflow on the balance sheet. Prepayments on unbilled taxes that are not due until the following fiscal year are reported as unearned revenues, also a deferred outflow, on the balance sheet.

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 Counties, municipalities, and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. 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.

Any property taxes collected by the County for municipalities or special tax districts prior to June 30 which are not remitted to those governmental entities until after the fiscal year-end are reported as an intergovernmental payable at year-end in the agency funds.

Sales taxes collected and held on behalf of the County by the State for sales occurring prior to year-end are recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Otherwise, intergovernmental revenues and sales and services are not susceptible to accrual because they are generally not measurable until received in cash.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. Unless the grantor stipulates otherwise, it is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The County's budgets are adopted as required by NCGS 159. The annual 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 budget ordinance can be adopted. An annual budget ordinance sets equal amounts for estimated revenues and for appropriations (or estimated expenditures) by fund and is adopted for all annually budgeted funds. Unencumbered annual appropriations lapse at fiscal year-end. Project ordinances are adopted for some grant funded and other projects that overlap multiple fiscal years, such as for the Community Development Fund and the County Projects Fund. All budgets, project ordinances, and amendments are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the department level for the General Fund, for the other annually budgeted funds, and for the multi-year funds. The County Manager is authorized to transfer appropriations between any and all funds and departments without affecting the County's total budget and to carry forward unspent budget for continuing projects.

However, except for ongoing projects, the governing board must consider for approval all amendments that alter total estimated revenues or total appropriations. During the year, the governing board approved to accept State grants for expansion of social services programs (primarily crisis and employment assistance) and public health services, to appropriate other resources for normal operations, to accept a large private donation toward the construction of a new animal shelter, and to refinance and restructure older debt. Several other less significant new amendments to the original budget were also necessary.

E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the County and the TDA are made in board-designated official depositories and are secured as required by NCGS 159-31. The County and the TDA may separately designate as an official depository any bank or savings

association whose principal office is located in North Carolina. Also, the County and the TDA may separately establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

NCGS 159-30(c) authorizes the County and the TDA 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 County's and the TDA's non-money market investments and investments that mature more than one year after acquisition are carried 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.

2. Cash and Cash Equivalents

The County pools monies from several funds, but not all funds, to facilitate disbursement and investment and to maximize investment income. Therefore, all deposits and investments are essentially demand deposits and are considered cash and cash equivalents. The TDA considers demand deposits and investments that are not limited as to use to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the County before any services are provided are restricted to the service for which the deposit was collected. Thus, these deposits are classified as restricted assets in the Water and Sewer Fund. Unexpended loan proceeds are classified as restricted assets within the appropriate fund because their use is completely restricted to the purpose for which the loans were originally borrowed. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per NCGS 153A-150 and 159-13.

4. Ad Valorem Property Taxes Receivable

In accordance with NCGS 105-347 and NCGS 159-13(a), the County levies ad valorem taxes on property other than motor vehicles on July 1, which is the beginning of the fiscal year. These taxes are based on the assessed values as of the January 1 that immediately precedes the July 1 levy. The taxes are due on September 1, which is called the lien date; however, penalties and interest do not accrue until the following January 6.

5. Allowances for Uncollectible Accounts

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

6. Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's Water System Fund consists of materials and supplies held for consumption. The cost of the inventory carried in the County's Water System Fund is recorded as an expense as it is consumed. In the Fund Financial Statements, the amount of inventory is offset by a fund balance reserve on the balance sheet. A fund balance reserve indicates an amount of resources that is not available for liquidating fund liabilities.

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. The consumption method of accounting for prepaid items is used, meaning that such items are recorded as expenses in the period in which they are used. In the Fund Financial Statements, the amount of prepaid items is offset by a fund balance reserve to indicate that these resources are not available for liquidating fund liabilities.

7. Capital Assets

The County's capital assets are shown as assets in the Government-Wide Financial Statements and financial statements of the enterprise funds. In the financial statements of the governmental funds, these purchases are shown as expenditures. 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. Minimum capitalization costs are \$5,000 for all asset

categories, except that land is capitalized regardless of cost. The cost of normal maintenance and repairs that neither add to the value of the asset nor materially extend the estimated life of the asset are not capitalized.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position may also report a separate section for the 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 County has two items that meet this criteria – contributions made to pension plans during the fiscal year and other pension-related deferrals.

In addition to liabilities, the Statement of Net Position may also report a separate section for the deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenues until then. The County has four items that meet this criteria – net property taxes receivable, unearned tax revenues, other unavailable revenues, and other pension-related deferrals.

9. Long-Term Obligations

In the Government-Wide Statement of Net Position and in the Enterprise Fund's Statement of Net Position in the Fund Financial Statements, long-term debt and other long-term obligations are appropriately reported as liabilities of the applicable governmental activities, business-type activities, or enterprise funds.

In the Fund Financial Statements for governmental fund types, the face amount of debt issued is reported as Other Financing Sources in the fiscal year that debt is issued and corresponding payments of principal, interest, underwriter fees, and other fees are shown as expenditures in the appropriate fiscal year.

10. Compensated Absences

The County has assumed a first-in, first-out method of using accumulated compensated absences. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the Government-Wide Financial Statements.

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's Government-Wide and enterprise funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the vacation leave is earned.

The overtime policy of the County provides for the accumulation of up to sixty days for non-exempt public safety employees and up to thirty days for all other non-exempt employees. Non-exempt employees will earn compensatory hours at the rate of one and one-half times the number of hours worked above forty hours during a specific week. Exempt employees earn an hour of compensatory leave for each hour worked above forty hours during the workweek, yet no maximum is set since compensatory hours earned by exempt employees will not be paid upon termination of employment. For the County's Government-Wide and enterprise funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the overtime is earned by public safety employees and all other non-exempt employees.

The sick leave policy of the County 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 added in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, an accrual for sick leave has not been made.

11. Net Position/Fund Balances

a. Net Position: Net position in the Government-Wide Financial Statements and enterprise Fund Financial Statements are classified as "unrestricted," "restricted," or "net investment in capital assets." Restricted net position represents constraints on resources that are either a) imposed by law through State statute or b) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The component called "net investment in capital assets" reports the total amount of capital assets as reduced both by accumulated depreciation and by remaining outstanding debt used to finance the purchase or construction of any capital assets (such that outstanding debt for school-related projects are included only where the County records a capital asset). Unrestricted net position is the remainder of net position not classified as either restricted or net investment in capital assets. More information can be found in 'Note b. Detail Notes on All Funds' that begins in the next couple of pages.

b. Fund Balances: In the governmental Fund Financial Statements, fund balance is composed of five reported classifications designed to disclose the hierarchy of constraints placed on how fund balance may be spent: 1) non-spendable, 2) restricted, 3) committed, 4) assigned, and 5) unassigned (or uncommitted or available).

Remaining spendable fund balances may be restricted, committed, or assigned for specific purposes. Unassigned fund balance represents the amount of spendable fund balance that could still be committed or assigned.

Restrictions of fund balance represent amounts that either are legally segregated for a specific purpose or are not appropriable. NCGS 159-13(b)(16) restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and unavailable revenues arising from cash receipts as calculated at the end of the fiscal year preceding the appropriation. This calculated amount represents fund balance available for appropriation. After accounting for non-spendable fund balance, Restricted for Stabilization of State Statute is the remaining non-appropriable portion of fund balance. The Board of County Commissioners seeks to conduct the financial affairs of the County in such a manner so as to achieve a fund balance available for appropriation in the General Fund of at least 20% to 25% of appropriations (a.k.a. budgeted expenditures).

The governmental fund types classify fund balances as follows:

1) Non-spendable – portion of fund balance that cannot be spent because they are either (a) not in spendable form (e.g. inventories) or (b) legally or contractually required to be maintained intact (e.g. principal of an endowment).

Inventories - portion of fund balance not an available resource for appropriation because it represents the year-end balance of ending inventories, which are not expendable (i.e. not available) resources.

Prepaid Items - portion of fund balance not an available resource for appropriation because it represents the year-end balance of prepaid expenditures, which are not expendable resources.

2) Restricted – portion of spendable fund balance restricted to specific purposes that are externally imposed by creditors or laws.

Restricted for Stabilization by State Statute - portion of spendable fund balance that is not available for appropriation under NCGS 159-8(a); this amount is typically comprised of receivables that are not offset by unavailable revenues.

Restricted for government function – portion of fund balance that is restricted by revenue source for expenditures of the indicated functional nature, either General Government, Transportation, Public Safety, Human Services, Environmental Protection, Education (intergovernmental), Schools Capital Outlay, Economic & Physical Development, Cultural & Recreational, or Debt Service.

3) Committed – portion of spendable fund balance committed to specific purposes that are imposed by Board of County Commissioners (highest level of decision-making authority); any changes or removal of specific purposes requires majority action by same board.

Committed for government function – portion of fund balance that is committed by the governing board for expenditures of the indicated functional nature, either General Government, Transportation, Public Safety, Human Services, Environmental Protection, Education (intergovernmental), Schools Capital Outlay, Economic & Physical Development, Cultural & Recreational, or Debt Service.

4) Assigned – portion of spendable fund balance assigned to specific purposes that are either budgeted by Board of County Commissioners or manifested by the County Manager or other management.

Subsequent year's expenditures - portion of spendable fund balance that is appropriated in the adopted budget ordinance of the following fiscal year and is not classified as either restricted or committed.

Assigned for government function – portion of fund balance that is assigned by management for expenditures of the indicated functional nature, either General Government, Transportation, Public Safety, Human Services,

Environmental Protection, Education (intergovernmental), Schools Capital Outlay, Economic & Physical Development, Cultural & Recreational, or Debt Service.

5) Unassigned – portion of spendable fund balance that does not meet the classification requirements of restricted, committed, or assigned fund balance. Negative amounts of unassigned fund balance indicate that the fund's current available resources may not be sufficient to satisfy current obligations as of the balance sheet date.

To provide guidance in situations involving multiple revenue sources, the County will use resources in the following order: cost-reimbursement grant funds, federal-source funds, state-source funds, other non-debt third-party-source funds, debt proceeds, and County funds. Likewise, the County intends to expend resources that have been classified as fund balance in the following order: restricted, committed, assigned, and unassigned. The County Finance Director is authorized to deviate from this policy to comply with funding stipulations and when in the best interest of the County.

12. Defined Benefit Pension Plan

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources related to pension, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

F. Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

A schedule of reconciliations is required to explain the differences both 1) between total net position of governmental activities shown in 'Government-Wide Statement of Net Position' and total fund balances shown in 'Governmental Funds: Balance Sheet'; and 2) between the change in net position of governmental activities shown in the 'Government-Wide Statement of Activities' and the net change in fund balance shown in 'Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balance.'

Following the governmental fund Balance Sheet, 'Exhibit II.C.2.a.i' in Part 2 of Subsection C of Section II provides the reconciliation between 1) total fund balance of governmental funds as reported in the governmental fund Balance Sheet and 2) total net position of governmental activities as reported in the Government-Wide Statement of Net Position. The primary differences result from the treatment of capital assets and long-term liabilities.

Following the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances, 'Exhibit II.C.2.b.i' in Part 2 of Subsection C of Section II provides the reconciliation between 1) changes in total fund balances of the governmental funds as reported in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and 2) changes in net position of governmental activities as reported in the Government-Wide Statement of Activities. The primary differences result from the treatment of capital assets and long-term liabilities.

Note b: DETAIL NOTES ON IMPORTANT ITEMS

A. Assets

1. Deposits

All of the County's and the TDA's deposits are either insured or collateralized by using one of two methods, either the 'dedicated' or 'pooling' method. Under the 'dedicated' method, all deposits exceeding the federal depository insurance coverage (FDIC) level are collateralized with securities held by the County's or the TDA's agents in the entity's name. Under the 'pooling' method, which is a collateral pool, all uninsured deposits are collateralized with securities held by an agent of the North Carolina Department of State Treasurer in the name of the North Carolina Department of State Treasurer (DST). Since DST is acting in a fiduciary capacity for the County and the TDA, these deposits are considered as held by the County's or the TDA's agent in the entity'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 DST on the adequacy of their pooled collateral covering uninsured deposits. DST does not confirm this information with the County, TDA, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the TDA under the 'pooling' method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, DST enforces strict standards of financial stability for each depository that collateralizes public deposits under the 'pooling' method.

Custodial credit risk. For bank deposits, custodial credit risk is the risk that, in the event of the failure of a financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of the financial institution or another counterparty. In an effort to minimize the County's exposure to custodial credit risk, the County's policy states that periodic evaluations will be conducted to determine the creditworthiness of each financial institution. Also, the County complies with the provisions of NCGS 159-31 when designating official depositories and verifying that deposits are properly secured and, thus, partially relies on DST to enforce standards of minimum capitalization for all institutions using the 'pooling' method and to monitor these institutions for compliance.

At June 30, 2015, the County's deposits had a carrying amount of \$5,167,117 and a bank balance of \$5,834,881. Of the bank balance, \$426,008 was covered by federal depository insurance and the remaining \$5,408,872 in interest bearing deposits was covered by collateral held under the pooling method. In addition, escrow agents were holding \$19,391,675 in unspent loan proceeds. Also at June 30, 2015, The County had \$1,875 cash on hand. During the year, the County met its cash flow needs from its deposits and matured investments; the County did not use any short-term borrowings.

At June 30, 2015, the TDA's deposits had a carrying amount of \$73,992 and a bank balance of \$73,992. The entire bank balance of \$73,992 was covered by federal depository insurance. At June 30, 2015, the TDA had \$0 cash on hand.

The County's restricted cash stem from unexpended loan proceeds and customer deposits.

Type of Restricted Cash	Corresponding Fund	June 30, 2015	June 30, 2014
Governmental activities:			
Property tax revaluation	General Fund	\$ 136,511	\$ 99,467
Unexpended loan proceeds	General Fund	-	182,073
Unexpended loan proceeds	School Projects Fund	98,637	669,560
Unexpended loan proceeds	County Projects Fund	10	1,311,874
Unexpended loan proceeds	Advanced refunding	17,946,786	-
Total governmental activities		18,181,944	2,262,974
Business-type activities:			
Customer deposits	Water System Fund	259,854	235,574
Unexpended loan proceeds	Water Projects Fund	1,346,242	-
Total business-type activities		1,606,096	235,574
Total restricted cash		\$ 19,788,040	\$ 2,498,548

In addition, the State holds proceeds accumulated from the State's Education Lottery that are available to the County and are specifically restricted for capital needs of Montgomery County Schools. As of June 30, 2015, these resources amounted to \$594,818. Applications to withdraw these funds shall be approved by both the Board of Commissioners for the County and the Board of Education for Montgomery County Schools.

2. Investments

For a schedule of cash and investment balances by fund and other information, see 'Exhibit II.E.01' in Subsection E of Section II of this report. The investment in NCCMT - Term Portfolio has a weighted average maturity of less than 90 days, thus, it is presented below as an investment with a maturity of 0 to 3 months. (Per DST, NCCMT - Term Portfolio had a duration of 0.19 years on June 30, 2015.) The NCCMT - Cash Portfolio has a rating of AAAM; the NCCMT - Term Portfolio is not rated.

At June 30, 2015, the County's investment balances and maturities were as follows:

Investment Type	Fair Market		Due to Mature Within:			
	Value	0 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	
NCCMT -- Cash Portfolio	\$ 2,720,830	n/a	n/a	n/a	n/a	
NCCMT - Term Portfolio	9,002,295	9,002,295	-	-	-	
Total Investments	\$ 11,723,125	\$ 9,002,295	\$ -	\$ -	\$ -	

Interest rate risk. Together, deposits and investments represent significant resources that are exposed to certain common risks. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years. Both of these methods serve to reduce the County's interest rate risk.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to relinquish the County's assets in a timely manner. State law limits investments to certain types of instruments and credit ratings. For example, investments in commercial paper must have the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2015, the County's investments in the North Carolina Capital Management Trust (NCCMT) Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under NCGS 159-30 as amended. To further hedge against credit risk, the County's policy on investments requires diversification among financial instruments and requires the investment officer to routinely monitor financial market conditions.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy specifies various limits that may be invested at any one financial institution.

Custodial credit risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover its investments or collateral securities that are in the possession of an outside party. In an effort to minimize the County's exposure to custodial credit risk, the County complies with the provisions of NCGS 159-30 when choosing investments and verifies that investments are properly secured.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with NCGS, the County may assess agriculture, horticulture, and forest land at the present-use value rather than market value for purposes of the annual property tax assessment. When property loses its eligibility for present-use value taxation, the property tax bill is recomputed at market value for the current year and the three preceding years, along with accrued interest from the original due date. The recomputed property tax that is based on market value would be immediately due and payable.

Property taxes are normally billed on a calendar year basis, not fiscal year basis. The value is set on January 1, billed in July, due September 1, and late as of the following January 6. If a property loses eligibility for present-use value taxation between January 1 and June 30, the current year taxes will become due when billed in July. The year under "Tax Year Levied" in the chart below refers to the calendar year. The amount of lost revenue from assessing certain properties at the present use-value is not recorded in the financial statements. The following chart displays the amount of property taxes that would become due if all qualified properties in the County had lost eligibility for present-use value taxation on June 30, 2015:

Tax Year Levied	Additional Tax	Interest	Total
2014	\$ 594,974	\$ 34,212	\$ 629,186
2013	571,940	84,362	656,302
2012	508,001	120,650	628,651
2011	74,152	24,285	98,437
Total	\$ 1,749,067	\$ 263,509	\$ 2,012,576

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2015 are reported net of an allowance for uncollectible accounts as follows:

	Taxes & Other Assessments	Accounts	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 1,452,814	\$ 1,645,412	\$ 228,988	\$ 3,327,214
Nonmajor governmental funds	22,964	152,858	117,370	293,192
Total receivables	1,475,778	1,798,270	346,358	3,620,406
General Fund, allowances	(643,321)	(101,777)	-	(745,098)
Total governmental activities	\$ 832,457	\$ 1,696,493	\$ 346,358	\$ 2,875,308
Business-type activities:				
Water System Fund, receivables	\$ -	\$ 750,708	\$ 31,187	\$ 781,895
Water System Fund, allowances	-	(394,617)	-	(394,617)
Total business-type activities	\$ -	\$ 356,091	\$ 31,187	\$ 387,278

5. Capital Assets

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Capital Asset Category	Estimated Useful Life
Computer equipment	3 to 10 years
Electronic items, utility trailers, and vehicles	5 to 15 years
Firearms, furniture, and other equipment	7 to 15 years
Depreciable improvements	15 to 39 years
Buildings	39 years

The table above displays the changes in capital assets, including accumulated depreciation, by expenditure functions/programs of Governmental Activities. Depreciation expense was charged to functions/programs as shown under "Additions" to accumulated depreciation. Other changes in accumulated depreciation were offset by changes in capital assets or by recording gains/losses on the disposition of capital assets.

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
General Government	\$ 20,882,105	\$ 543,145	\$ (167,721)	\$ -	\$21,257,529
Transportation	3,545,662	38,104	-	-	3,583,766
Public Safety	18,134,238	352,669	(75,867)	-	18,411,040
Human Services	1,156,450	47,757	(17,876)	-	1,186,331
Environmental Protection	115,228	-	-	-	115,228
Economic and Physical Dev.	2,235,208	799,370	-	-	3,633,501
Cultural and Recreational	470,997	-	-	-	470,997
Total Capital Assets	46,539,888	2,379,968	(261,464)	-	48,658,392
Less Accumulated Depreciation:					
General Government	(5,518,194)	(513,410)	1,997	-	(6,029,607)
Transportation	(15,727,068)	(342,805)	-	-	(1,069,873)
Public Safety	(15,939,063)	(583,622)	75,867	-	(7,446,818)
Human Services	(780,135)	(37,909)	17,876	-	(800,168)
Environmental Protection	(71,628)	-	-	-	(71,628)
Economic and Physical Dev.	(156,124)	(291,449)	-	-	(447,573)
Cultural and Recreational	(313,523)	(17,435)	-	-	(330,958)
Total Accumulated Deprec.	(14,505,735)	(1,786,630)	95,740	-	(16,196,625)
Total Capital Assets, Net	\$ 32,034,153	\$ 593,338	\$ (165,724)	\$ -	\$ 32,461,767

Capital asset activity, by asset class, for the year ended June 30, 2015 was as follows for Governmental Activities:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 819,015	\$ 34,150	\$ -	\$ -	\$ 853,165
Construction in Progress	2,228,196	1,715,583	-	(3,781,987)	161,792
Subtotal	3,047,211	1,749,733	(5,904,405)	(3,781,987)	1,014,957
Capital Assets Being Depreciated:					
Buildings and Improvements	35,630,155	208,835	-	150,407	35,989,397
Motorized Equipment	6,276,541	345,596	(261,464)	177,592	6,538,265
Other Equipment	1,585,981	75,804	-	3,453,988	5,115,773
Subtotal	43,492,677	630,235	(261,464)	3,781,987	47,643,435
Total Capital Assets	46,539,888	2,379,968	(261,464)	-	48,658,392
Less Accumulated Depreciation:					
Buildings and Improvements	(8,414,692)	(1,150,228)	-	-	(9,564,920)
Equipment (including Vehicles)	(4,723,967)	(294,533)	95,740	-	(4,922,760)
Leasehold Improvements	(1,367,076)	(341,869)	-	-	(1,708,945)
Total Accumulated Deprec.	(14,505,735)	(1,786,630)	95,740	-	(16,196,625)
Total Capital Assets, Net	\$ 32,034,153	\$ 593,338	\$ (165,724)	\$ -	\$ 32,461,767

All business-type capital asset activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2015 was as follows for Business-Type Activities.

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 88,467	\$ -	\$ -	\$ -	\$ 88,467
Construction in Progress	3,270,378	2,136,021	-	(3,320,765)	2,085,634
Subtotal	3,358,845	2,136,021	(8,131)	(3,320,765)	2,174,101
Capital Assets Being Depreciated:					
Buildings and Improvements	32,275,856	-	-	315,743	32,591,599
Plant and distribution system	6,513,716	-	-	3,005,022	9,518,738
Equipment (including Vehicles)	1,057,399	5,633	(60,132)	-	1,002,900
Other items	6,750	-	-	-	6,750
Subtotal	39,853,721	5,633	(60,132)	3,320,765	43,119,987
Total Capital Assets	43,212,566	2,141,654	(60,132)	-	45,294,088
Less Accumulated Depreciation:					
Buildings and Improvements	(9,628,153)	(713,841)	-	-	(10,341,994)
Plant and distribution system	(3,699,307)	(173,312)	-	-	(3,872,619)
Equipment (including Vehicles)	(833,484)	(47,392)	56,798	-	(824,078)
Other items	(6,750)	-	-	-	(6,750)
Total Accumulated Deprec.	(14,167,694)	(934,545)	56,798	-	(15,045,441)
Total Capital Assets, Net	\$ 29,044,872	\$ 1,207,109	\$ (3,334)	\$ -	\$ 30,248,647

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2015 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Total
Governmental Activities:				
General Fund	\$ 339,149	\$ 210,118	\$ -	\$ 549,267
Nonmajor Governmental Funds	6,728	1,337	-	8,065
Total Governmental Activities	\$ 345,877	\$ 211,455	\$ -	\$ 557,332
Business-Type Activities:				
Water System Fund	\$ 477,309	\$ 17,597	\$ 259,854	\$ 789,916
Fiduciary Activities:				
Agency Funds	\$ -	\$ -	\$ 48,235	\$ 48,235

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System (LGERS)

Plan Description. The statewide Local Governmental Employees' Retirement System (LGERS) provides retirement and survivor benefits to plan members and beneficiaries. LGERS membership is comprised of general employees and law enforcement officers (LEOs) of participating local government entities. The County is a participating employer in LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. According to Article 3 of NCGS 128, the North Carolina General Assembly has the authority to establish and amend benefit provisions. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine of which are 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 State of North Carolina's annual financial report includes all financial statements and required supplementary information for LGERS. You may obtain the State's annual financial report by submitting your request to the Office of the State Controller, (919) 981-5454, www.osc.nc.gov, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

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 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. Contributions to the LGERS pension plan from the County were \$502,724 for the year ended June 30, 2015. For the years ended June 30, 2014, 2013, and 2012, the County's contributions to LGERS were \$503,084,

\$477,835, and \$501,763, respectively. The contributions made by the County equaled the required contributions. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for LEOs and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. The County's contractually required contribution rate for the year ending June 30, 2016 has been set at 7.15% of compensation for LEOs and 6.76% for general employees. Also, County employees are required to contribute 6% of their compensation. Total employee contributions to LGERS were \$423,668 for the year ended June 30, 2015.

Refunds of Contributions. County 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.

Death Benefits. The County 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 will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County 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 County considers these contributions to be immaterial.

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

At June 30, 2015, the County reports an asset of \$738,480 for its proportionate share of the LGERS net pension asset. The LGERS net pension asset was measured as of June 30, 2014. The LGERS total pension liability used to calculate the LGERS net pension asset was determined by an actuarial valuation on the entire system as of December 31, 2013. The LGERS total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the LGERS net pension asset was based on a projection of the County's long-term share of future payroll covered by the LGERS pension plan, relative to the projected future payroll covered by the LGERS pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was 0.125%, which was a decrease of 0.002% (or 0.2 basis points) from its proportion measured as of June 30, 2013. Yet, this presentation at June 30, 2015 is the initial presentation of this information in the County's financial statements.

For the year ended June 30, 2015, the County recognized pension expense of \$44,242. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Items not reported in the funds:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2014	-	502,724
Difference between projected and actual costs	80,692	-
Difference between projected and actual earnings	1,719,165	-
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	8,207	-
Total items	\$ 1,808,064	\$ 502,724

The \$502,724 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2014 will be recognized as an increase of the net pension asset in the year

ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a component of pension expense in subsequent years as follows:

Year Ending June 30	Pension Expense
2016	\$ (452,072)
2017	(452,072)
2018	(452,072)
2019	(451,848)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included projected salary increases of 4.25% to 8.55% per year, including a productivity factor and an inflation component of 3.00%. Future ad hoc cost-of-living adjustment (or COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement. The actuarial assumptions also included projected rate of return on investments (net of pension plan investment expense) of 7.25% per year, including an inflation component of 3.00%.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.00%	2.50%
Global Equity	40.50%	6.10%
Real Estate	8.00%	5.70%
Alternatives	6.50%	10.50%
Credit	4.50%	6.80%
Inflation Protection	4.50%	3.70%
Total	100.00%	n/a

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

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of

return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	Lower Discount Rate of 6.25%	Current Discount Rate of 7.25%	Higher Discount Rate of 8.25%
County's proportionate share of LGERS NPL (NPA)	\$ 2,506,722	\$ (738,480)	\$ (3,470,835)
where NPL (NPA) represents net pension liability (or net pension asset)			

Pension plan fiduciary net position. Detailed information about the LGERS pension plan's fiduciary net position is available in the separately issued annual financial report for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance (LEOSSA)

Plan Description. The County administers a public employee retirement system named the *Law Enforcement Officers' Special Separation Allowance* (LEOSSA). The LEOSSA is a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. According to Article 12D of NCGS 143, the North Carolina General Assembly has the authority to establish and amend benefit provisions. The retirement benefit 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. Since no assets have been set aside to provide for future benefit payments, the LEOSSA is not reported as a pension trust fund in the County's annual financial report. And, a separate report has not been issued for this pension plan. See more details in Part II.D.1 of this annual financial report.

All full-time County law enforcement officers are covered by the LEOSSA. At June 30, 2015, the LEOSSA's membership consisted of:

Member Category	No.
retirees currently receiving benefits	9
terminated plan members entitled to but not yet receiving benefits	-
active plan members:	
Vested	21
non-vested	7
total members	37

Summary of Significant Accounting Policies. The County's contributions to the plan are recognized when due and when a formal commitment has been made to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. However, no funds are set aside to pay benefits and administration costs; instead, as these expenditures come due, payments are made through appropriations in the General Fund operating budget that is maintained on the modified accrual basis of accounting.

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 2014) and through June 30, 2015, the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$579,340. The annual payroll of active employees covered under this plan (covered payroll) was \$1,132,837 and the ratio of the UAAL to the covered payroll was 51.141%. For multi-year **trend information** concerning the actuarial value of assets, liabilities, and covered payroll, see Exhibit II.D.1.a (Schedule of Funding

Progress) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Contributions. Article 12D of NCGS 143 requires the County to provide these retirement benefits. The County funds the LEOSSA benefit payments and administration expenses on a pay-as-you-go basis through appropriations made in the General Fund operating budget. Therefore, without advanced contributions, the County has no pension trust plan. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Members made no contributions. The County's contribution to LEOSSA for the year ended June 30, 2015 is \$65,390. For multi-year **trend information**, see Exhibit II.D.1.b (Schedule of Employer Contributions) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Annual Required Contribution. The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included projected salary increases of 4.25% to 7.85% per year, including an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The current rate is 6.370% of annual covered payroll. The remaining amortization period at December 31, 2013 was 17 years. For multi-year **trend information**, see Exhibit II.D.1.b (Schedule of Employer Contributions) and Exhibit II.D.1.c (Notes to LEOSSA Financial Schedules) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to LEOSSA for the current year ended June 30, 2015 are \$66,874 and \$154,930, respectively.

Net Pension Obligation, as of June 30, 2014			\$	153,446
Annual required contribution	\$	72,164		
Adjustment to annual required contribution		(12,962)		
Interest on Net Pension Obligation		7,672		
Annual pension cost			\$	66,874
Contributions				(65,390)
Change in Net Pension Obligation			\$	1,484
Net Pension Obligation, as of June 30, 2015			\$	<u>154,930</u>

For more information, see Exhibit II.D.1.b (Schedule of Employer Contributions) and Exhibit II.D.1.c (Notes to LEOSSA Special Schedules) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

c. Supplemental Retirement Income Plan for Law Enforcement Officers (SRIP)

Plan Description. The County contributes to the Supplemental Retirement Income Plan (SRIP), a defined contribution pension plan administered by the North Carolina Department of State Treasurer and a Board of Trustees. SRIP provides retirement benefits to law enforcement officers employed by the County. According to Article 5 of NCGS 135, the North Carolina General Assembly has the authority to establish and amend benefit provisions. The State of North Carolina's annual financial report includes all of the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the SRIP. The State's annual financial report may be obtained by contacting the Office of the State Controller, (919) 981-5454, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Funding Policy. Article 12E of NCGS 143 requires the County 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 to SRIP for the year ended June 30, 2015 were \$74,763, which consisted of \$51,568 from the County and \$23,195 from the law enforcement officers. Contributions to SRIP for the year ended June 30, 2014 were \$70,581, which consisted of \$49,119 from the County and \$21,462 from the law enforcement officers.

d. Defined Contribution Pension Plan (401(k)) for Employees Other Than Law Enforcement Officers

Plan Description. On behalf of all employees other than law enforcement officers, the County contributes to a defined contribution pension plan created in accordance with Internal Revenue Code Section 401(k) and administered by the North Carolina Department of State Treasurer and a Board of Trustees. 401(k) provides retirement benefits to employees other than law enforcement officers. According to Article 5 of NCGS 135, the North Carolina General Assembly has the authority to establish and amend benefit provisions. The State of North Carolina's annual financial report includes all of the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan. The State's annual financial

report may be obtained by contacting the Office of the State Controller, (919) 981-5454, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Funding Policy. Employees may make voluntary contributions to the plan. For employees that contribute, the County will contribute each month an amount equal to the same amount contributed by employees, yet no more than five percent of qualified salary. Contributions to the 401(k) plan for the year ended June 30, 2015 were \$213,031, which consisted of \$99,929 from the County and \$113,102 from employees.

e. Deferred Compensation Plan (IRS 457)

Plan Description. The County offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Through the plan, employees may defer a portion of their salary until future years. The deferred compensation will become available upon the employee's termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. This plan is not reported within the County's financial statements. Prudential Financial, Inc. administers the plan.

Funding Policy. The County makes no contributions to this plan. The employees may make voluntary contributions to the plan. Contributions to the IRS 457 plan for the year ended June 30, 2015 were \$4,061 from employees.

f. Registers of Deeds' Supplemental Pension Fund (RODSPF)

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer (DST). RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. According to Article 3 of NCGS 161, the North Carolina General Assembly has the authority to establish and amend benefit provisions. 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 State of North Carolina's annual financial report includes all financial statements and required supplementary information for RODSPF. The State's annual financial report may be obtained by contacting the Office of the State Controller, (919) 981-5454, www.osc.nc.gov, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the NCGS. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the RODSPF pension plan from the County were \$1,992 for the year ended June 30, 2015. Contributions to the RODSPF pension plan from the County were \$2,170 for the year ended June 30, 2014.

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

At June 30, 2015, the County reports an asset of \$55,498 for its proportionate share of the RODSPF net pension asset. The RODSPF net pension asset was measured as of June 30, 2014. The RODSPF total pension liability used to calculate the RODSPF net pension asset was determined by an actuarial valuation of the entire system as of December 31, 2013. The RODSPF total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the RODSPF net pension asset was based on the County's share of contributions to the RODSPF pension plan, relative to contributions to the RODSPF pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was 0.245%, which was an increase of 0.013% from its proportion measured as of June 30, 2013. Yet, this presentation at June 30, 2015 is the initial presentation of this information in the County's financial statements.

For the year ended June 30, 2015, the County recognized pension expense of \$2,300. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Items not reported in the funds:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2014	-	1,992
Difference between projected and actual costs	-	509
Difference between projected and actual earnings	299	-
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	1,958	-
Total items	\$ 2,357	\$ 2,501

The \$1,992 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2014 will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a component of pension expense in subsequent years as follows:

Year Ending June 30	Pension Expense
2016	\$ (733)
2017	(733)
2018	(206)
2019	(76)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included projected salary increases of 4.25% to 7.75% per year, including a productivity factor and an inflation component of 3.00%. Future ad hoc cost-of-living adjustment (or COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement. The actuarial assumptions also included projected rate of return on investments (net of pension plan investment expense) of 5.75% per year, including an inflation component of 3.00%.

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

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

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. 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 adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

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

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. 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 County's proportionate share of the RODSPF net pension asset to changes in the discount rate. The following presents the County's proportionate share of the RODSPF net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the RODSPF net pension asset would be if it were calculated using a discount rate that is one percentage point lower (which is a rate of 4.75 percent) or one percentage point higher (which is a rate of 6.75 percent) than the current rate:

	Lower Discount Rate of 4.75%	Current Discount Rate of 5.75%	Higher Discount Rate of 6.75%
County's proportionate share of RODSPF NPL (NPA)	\$ (49,835)	\$ (55,498)	\$ (60,366)
where NPL (NPA) represents net pension liability (or net pension asset)			

Pension plan fiduciary net position. Detailed information about the RODSPF pension plan's fiduciary net position is available in the separately issued annual financial report for the State of North Carolina.

g. Other Post-Employment Benefits -- Retirees Healthcare Coverage (OPEB-RHC)

Plan Description. As a single-employer defined benefit plan, the County provides healthcare coverage to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS), have at least thirty (30) or more years of creditable service (which shall include the last twelve (12) years with the County), or had twelve (12) or more years of creditable service with the County and attain age 62, and were hired before July 1, 2013. At June 30, thirty-nine (39) retirees were receiving post-employment healthcare benefits. Since no assets have been set aside to provide for future benefit payments, the OPEB-RHC is not reported as a pension trust fund in the County's annual financial report. Until the retiree attains the age for Medicare/Medicaid eligibility, the County pays a private insurer each month for the retiree's healthcare premium. Once the retiree reaches the age for Medicare/Medicaid eligibility, the County remits payment to the retiree of up to \$125 per month for the retiree to purchase supplements to Medicare/Medicaid. See details in Part II.D.2 of this annual financial report. This report includes results from an actuarial study of the plan, thus comparative information from prior years is limited. A separate report has not been issued for this benefit plan. At December 31, 2014 (which is the date of the latest actuarial valuation), the OPEB-RHC's membership consisted of:

Member Category	LEO No.	Other No.
Retirees currently receiving benefits	4	35
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members:		
Vested	8	38
Non-vested and eligible for LGERS benefits	-	1
Non-vested and non-eligible for LGERS benefits	14	94
Total members	26	168

Summary of Significant Accounting Policies. The County's contributions to the plan are recognized when due and when a formal commitment has been made to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. However, no funds are set aside in a trust fund to pay benefits and administration costs; instead, these expenditures are paid as they come due.

Funding Policy. The County pays the entire cost of coverage for healthcare benefits for eligible retirees. Although all employees can purchase coverage for their dependents at the County's group rates, retirees can only purchase coverage under C.O.B.R.A. guidelines for a specific number of months following retirement. After C.O.B.R.A. coverage expires, retirees cannot purchase coverage for their dependents. The Board of County Commissioners may amend the benefit provisions.

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 2014), the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$2,919,412. The annual payroll of active employees covered under this plan (covered payroll) was \$5,452,575, and the ratio of the UAAL to the covered payroll was 53.542%. For multi-year **trend information** concerning the changes over time in actuarial value of assets, liabilities, and covered payroll, see Exhibit II.D.2.a (Schedule of Funding Progress) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the County are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The actuarial assumptions included projected rate increases to medical costs of 5.0% to 7.75% per year, including an inflation component of 3.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level dollar of pay, open basis. The remaining amortization period at December 31, 2013 was 30 years.

Contributions. The County funds the RHC benefit payments and administration expenses on a pay-as-you-go basis through appropriations made in the General Fund operating budget that is maintained on the modified accrual basis of accounting. The County's obligation to contribute to this plan is established and may be amended by the County Board of Commissioners. For the fiscal year ended June 30, 2015, the County made payments to the OPEB-RHC plan of \$121,584. For multi-year **trend information**, see Exhibit II.D.2.b (Schedule of Employer Contributions) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Annual Required Contribution. The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The current rate is 4.3983% of annual covered payroll. The remaining amortization period at December 31, 2013 is 17 years. For multi-year **trend information**, see Exhibit II.D.2.b (Schedule of Employer Contributions) and Exhibit II.D.2.c (Notes to Financial Schedules) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost and net OPEB obligation to OPEB-RHC for the current year ended June 30, 2015 are \$285,645 and \$898,520, respectively. The calculation of annual OPEB cost is based on the County's annual required contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Net OPEB Obligation, as of June 30, 2014		\$	734,459
Annual required contribution	\$	297,107	
Adjustment to annual required contribution		(40,840)	
Interest on Net OPEB Obligation		29,378	
Annual OPEB cost		\$	285,645
Contributions			(121,584)
Change in Net OPEB Obligation		\$	164,061
Net OPEB Obligation, as of June 30, 2015		\$	<u>898,520</u>

For more information and additional calculations, see Exhibit II.D.2.b (Schedule of Employer Contributions) and Exhibit II.D.2.c (Notes to OPEB-RHC Financial Schedules) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

3. Closure and Post-Closure Care Costs – Solid Waste Landfill Facility

State and federal laws and regulations require the County to place a final cover on its landfill facilities when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Under a franchise agreement, the County has assigned its liability for closure and post-closure care costs to Republic Services, doing business as Uwharrie Environmental, for two solid waste landfill facilities. Uwharrie Environmental has posted an indemnity bond in favor of the County in the amount of \$5,000,000 to guarantee its liability for closure and post-closure care costs of the older landfill facility. Uwharrie Environmental has also posted an indemnity bond in favor of the State of North Carolina Division of Solid Waste Management in the amount of \$6,627,274 for its liability for closure and post-closure care costs of the newer landfill facility. Should Uwharrie Environmental fail to meet their financial responsibility, the County remains contingently liable for costs in excess of the bonded amounts. However, since the estimated amount of closure and post-closure care costs are less than the amount of indemnity bonds, the County does not reflect any liability in these financial statements.

4. Deferred Inflows and Deferred Outflows of Resources

Below is a recap of items included as deferred inflows of resources and items included as deferred outflows of resources.

Reporting Fund / Revenue Item	Deferred Inflows of Resources	Deferred Outflows of Resources
General Fund, prepaid taxes not yet earned	\$ 124,187	\$ -
Lake Tillery Fire District Fund, prepaid taxes not yet earned	10	-
Subtotal all governmental funds	124,197	-
Items not reported in the funds:		
Charge on refunding of debt	-	1,092,790
Pension-related activities:		
Contributions to pension plan after June 30, 2014		
Local Government Employees Retirement System (LGERS)	-	464,966
Register of Deeds Supplemental Pension Fund (RODSPF)	-	1,992
Difference between projected and actual costs:		
Local Government Employees Retirement System (LGERS)	74,665	-
Register of Deeds Supplemental Pension Fund (RODSPF)	-	509
Difference between projected and actual earnings:		
Local Government Employees Retirement System (LGERS)	1,590,743	-
Register of Deeds Supplemental Pension Fund (RODSPF)	299	-
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:		
Local Government Employees Retirement System (LGERS)	7,594	-
Register of Deeds Supplemental Pension Fund (RODSPF)	1,958	-
Total governmental activities	\$ 1,799,456	\$ 1,560,257

Reporting Fund / Revenue Item	Deferred Inflows of Resources	Deferred Outflows of Resources
Water System Fund:		
Pension-related activities:		
Contributions to pension plan after June 30, 2014	-	37,758
Difference between projected and actual costs	6,027	-
Difference between projected and actual earnings	128,422	-
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:	613	-
Total business-type activities	\$ 135,062	\$ 37,758

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County purchased general liability and property insurance coverage from State National Insurance Company. Coverage includes automobile physical damage coverage for owned autos at actual cash value; general liability, public officials, law enforcement, and employment practices liability coverage of \$1 million per occurrence; privacy liability and network risk coverage of \$1 million; and aviation commercial general liability of \$5 million per occurrence, with other sub-limits for other coverages.

The County provides employee health benefits through a fully-insured plan provided by Blue Cross Blue Shield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC.

The County participates in a self-funded risk-financing pool administered by the North Carolina Association of County Commissioners for the purpose of providing medical and indemnity payments as required by law for on-the-job related injuries. Through this pool, the County obtains workers' compensation coverage up to North Carolina statutory limits. The pool is audited annually by certified public accountants and the audited financial statements are available to the County upon request. The pool is reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$750,000 retention.

In accordance with NCGS 159-29, County employees that have access to County funds are performance bonded through a commercial surety bond. The County Finance Director and Tax Collector are individually bonded for \$50,000 and \$25,000, respectively. The TDA Finance Officer is also individually bonded for \$50,000. Plus, all employees are bonded under a blanket bond for \$250,000 per incident.

In addition, the County carries commercial coverage for other risks of loss, including limited coverage for floods and other natural disasters as set by the insurance carrier. There have been no significant reductions in insurance coverage from the previous year.

6. Claims, Judgments, and Contingent Liabilities

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

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

7. Long-Term Obligations

a. Certificates of Participation

In both December 2014 and January 2015, the County sold certificates of participation (considered a variation of the installment purchase loan mentioned below) to investors to re-finance two borrowings originally issued in 2007. Both of these original borrowings in 2007 were also issued as certificates of participation. One issue in 2007 was used to finance the construction of a new elementary school and the second issue in 2007 was used to finance the construction of a new jail facility.

With the December 2014 issue of \$8,353,601, the financing agreement requires five (5) semi-annual payments of decreasing amounts of interest at 5.0% and three (3) annual payments of principal beginning February 1, 2015 and ending February 1, 2017 on the refunded loan, at which time a principal payment of \$10,445,000 is due and is financed by the new refunding loan. The new refunding loan requires twenty-one (21) semi-annual payments of decreasing amounts of interest at 2.47% and eleven (11) annual payments of varying amounts of principal beginning February 1, 2015 and ending February 1, 2025.

With the January 2015 issue of \$5,745,604, the financing agreement requires five (5) semi-annual payments of decreasing amounts of interest at 4.25% and three (3) annual payments of \$455,000 of principal beginning February 1, 2015 and ending February 1, 2017 on the refunded loan, at which time a principal payment of \$5,905,000 is due and is financed by the new refunding loan. The new refunding loan requires twenty-one (21) semi-annual payments of decreasing amounts of interest at 2.47% and eleven (11) annual payments of varying amounts of principal beginning February 1, 2015 and ending February 1, 2025.

Each year when due, principal and interest payments will be appropriated in the County's General Fund. The face value of the outstanding bonds are recorded in the Government-Wide Statement of Net Position, along with any accrued interest payable at year-end. More information on these bonds is found under *d. Total Indebtedness*.

b. Installment Purchase Loans

The County has entered contracts to help finance the costs of various projects, including the purchase of buildings, vehicles, and renovations of existing buildings. In September 2011, the County entered a financing agreement for \$741,490 that requires eight (8) semi-annual payments of \$103,348 of varying amounts of principal and interest at 2.45% beginning March 28, 2012 and ending September 28, 2015. In September 2012, the County entered a financing agreement for \$3,132,537 that requires fifteen (15) annual payments of decreasing amounts of interest at 4.21% and \$208,835 of principal beginning September 27, 2013 and ending September 27, 2027. In January 2013, the County entered a financing agreement for \$800,000 that requires five (5) annual payments of \$168,060 of principal and interest at 1.67% beginning January 17, 2014 and ending December 17, 2017. In March 2013, the County entered a financing agreement for \$100,000 that requires five (5) annual payments of \$21,015 of principal and interest at 1.65% beginning March 28, 2014 and ending February 28, 2018. In June 2013, the County entered a financing agreement for \$180,000 that requires five (5) annual payments of \$38,163 of principal and interest at 1.65% beginning June 27, 2014 and ending May 27, 2018. In September 2013, the County entered a financing agreement for \$2554,930 that requires five (5) annual payments of \$53,575 of principal and interest at 1.65% beginning September 20, 2014 and ending August 20, 2018. Each year when due, principal and interest payments will be appropriated in the County's General Fund. The face value of the outstanding loans are recorded in the Government-Wide Statement of Net Position, along with any accrued interest payable at year-end. More information on these bonds is found under *d. Total Indebtedness*.

The County has entered contracts to re-finance the costs of expanding and maintaining the County operated water supply system. In May 2013, the County entered a financing agreement for \$5,831,300 that requires twenty (20) annual payments of \$405,865 to \$411,752 of varying amounts of principal and interest at 3.47% beginning June 1, 2014 and ending June 1, 2033. Each year when due, principal and interest payments will be appropriated in the County's Water System Fund. The face value of the outstanding loans are recorded in the Government-Wide Statement of Net Position, along with any accrued interest payable at year-end. More information on these bonds is found under *d. Total Indebtedness*.

c. State Revolving Loans

The County has entered into three separate Drinking Water Revolving Fund loan agreements with the North Carolina Department of Environment and Natural Resources. The financing agreement issued in January 2008 for \$4,345,162 requires thirty-four (34) semi-annual payments of decreasing amounts of interest at 2.265% and seventeen (17) annual payments of \$255,598 of principal beginning November 1, 2011 and ending May 1, 2028. The next outstanding financing agreement was issued in September 2012 for \$1,231,192 and requires thirty-three (33) semi-annual payments of decreasing amounts of interest at 2.455% and seventeen (17) annual payments of \$72,423 of principal beginning May 1, 2013 and

ending May 1, 2029. During the fiscal year ended June 30, 2015, a financing agreement issued May 2015 for \$2,300,313 requires twenty (20) annual payments of \$115,016 of principal beginning May 1, 2016 and ending May 1, 2035. Each year when due, principal and interest payments will be appropriated in the County's Water System Fund. The face value of the outstanding bonds are recorded in the Government-Wide Statement of Net Position, along with any accrued interest payable at year-end. More information on these bonds is found under *d. Total Indebtedness*.

d. Total Indebtedness

In addition to the County's own needs, the County issues debt on behalf of both the public schools and the community college and makes the necessary and related debt service payments. The tables below provide certain information on the County's various forms of borrowings payable at June 30, 2015.

	Outstanding at June 30, 2015	Outstanding at June 30, 2014
General Fund: Certificates of Participation (COPS)		
\$15,790,000 - Public Facilities Project, Series 2007A COPS; due in annual installments of \$705,000 to \$805,000 through February 1, 2017; lump sum payment of \$10,445,000 due at end; interest at 5.00%	\$ 1,510,000	\$ 12,570,000
\$10,000,000 - Public Facilities Project, Series 2007B COPS; due in annual installments of \$450,000 to \$455,000 through February 1, 2017; lump sum payment of \$5,905,000 due at end; interest at 4.25%	910,000	7,270,000
\$8,353,601 - Facilities Advanced Refunding, Series 2014 COPS; due in annual installments of \$191,669 to \$1,006,254 through February 1, 2025; interest at 2.47%	8,215,814	-
\$5,745,604 - Facilities Advanced Refunding, Series 2015 COPS; due in annual installments of \$196,473 to \$661,298 through February 1, 2025; interest at 2.47%	5,560,068	-
Subtotal COPS	16,195,882	19,840,000
General Fund: Installment Purchase Loans (IPL)		
\$741,490 - Community College Building Project, 2011 loan; due in semi-annual payments of \$103,458 through September 28, 2015; interest at 2.45%	56,658	258,389
\$3,132,548 - Qualified School Construction Bonds, 2012 loan; due in annual installments of \$208,836 through September 27, 2027; interest at 4.21%	2,714,866	2,923,702
\$100,000 - Vehicle Purchases, 2013 loan for 59 months; due in annual payments of \$21,015 through February 28, 2018; interest at 1.65%	60,982	80,658
\$180,000 - Building Purchase, 2013 loan for 59 months; due in annual installments of \$38,163 through May 27, 2018; interest at 1.65%	109,108	144,848
\$254,930 - Vehicle Purchases, 2013 loan for 59 months; due in annual installments of \$53,575 through August 20, 2018; interest at 1.65%	205,620	254,930
Subtotal IPL	3,147,234	3,662,527
Total outstanding loans serviced by governmental activities	\$ 19,343,116	\$ 23,502,527

	Outstanding at June 30, 2015	Outstanding at June 30, 2014
Water System Fund: Drinking Water State Revolving Loans (DWSRL)		
\$4,345,162 - Drinking Water State Revolving Loan Fund, Series 2011; due in annual installments of \$255,598 through May 1, 2028; interest at 2.265%	\$ 3,322,771	\$ 3,578,369
\$1,231,192 - Drinking Water State Revolving Loan Fund, Series 2013; due in annual installments of \$72,423 through May 1, 2029; interest at 2.455%	1,013,923	1,086,346
\$2,300,313 - Drinking Water State Revolving Loan Fund, Series 2014; due in annual installments of \$115,016 through May 1, 2035; interest at 0.00%	2,300,313	-
Subtotal DWSRL	6,637,007	4,664,715
Water System Fund: Installment Purchase Loans (IPL)		
\$800,000 - High Service Pump, 2013 loan; due in annual installments of \$168,060 through December 17, 2017; interest at 1.67%	488,016	645,300
\$5,831,300 - USDA Restructuring and Refinancing, 2013 loan; due in annual payments of \$405,865 to \$411,648 through June 1, 2033; interest at 3.47%	5,415,542	5,631,868
Subtotal IPL	5,903,558	6,277,168
Total outstanding loans serviced by business-type activities	\$ 12,540,565	\$ 10,941,883
Total outstanding loans serviced	\$ 31,883,681	\$ 34,444,410

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

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,920,095	\$ 575,738	\$ 826,413	\$ 296,222	\$ 2,746,508	\$ 871,960
2017	1,974,806	500,280	836,210	278,230	2,811,016	778,510
2018	1,984,704	420,191	847,769	259,715	2,832,473	679,906
2019	1,915,320	368,391	690,822	241,314	2,606,142	609,705
2020	1,852,507	317,944	698,366	225,149	2,550,873	543,093
2021-2025	9,069,176	855,037	3,624,868	873,369	12,694,044	1,728,406
2026-2030	626,508	52,751	3,301,223	427,962	3,927,731	480,713
2031-2035	-	-	1,714,894	79,947	1,714,894	79,947
Total	\$ 19,343,116	\$ 3,090,333	\$ 12,540,565	\$ 2,681,907	\$ 31,883,681	\$ 5,772,241

Debt Related to Capital Activities - Of the total principal shown for Governmental Activities, all \$19,343,116 relates to assets to which the County holds title. Unspent restricted cash related to this debt amounts to \$98,637.

e. Advance Refundings

On May 8, 2013, the County issued \$5,831,300 of installment debt with BB&T Governmental Finance to provide resources to refund four USDA loans. As a result, the refunded debt amounts are considered to be defeased and the liability has been removed from the business-type activities presentation. The carrying amount of the old debt exceeded the reacquisition price by \$55,500. This amount is being netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$2,088,285 and resulted in an economic gain of \$227,500.

On December 22, 2014, the County issued \$8,353,601 of installment debt with BB&T Governmental Finance to provide resources to refund certificates of participation originally issued in 2007. As a result, the refunded debt amounts are considered to be defeased and the liability has been removed from the governmental activities presentation. The carrying

amount of the old debt exceeded the reacquisition price by \$1,024,320. This amount is being netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$5,422,762 and resulted in an economic gain of \$4,087,049.

On January 7, 2015, the County issued \$5,745,604 of installment debt with BB&T Governmental Finance to provide resources to refund certificates of participation originally issued in 2007. As a result, the refunded debt amounts are considered to be defeased and the liability has been removed from the governmental activities presentation. The carrying amount of the old debt exceeded the reacquisition price by \$615,634. This amount is being netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$1,985,935 and resulted in an economic gain of \$1,356,339.

f. Other Information

The County has intentionally not used short-term borrowings or interest rate swaps. At June 30, 2015, the County had an amount of bonds authorized but un-issued of \$-0- and a legal debt margin of \$197,923,345. The following is the computation of the legal debt margin for this year.

Description	Balance
	June 30, 2015
Real property	\$ 2,430,724,075
Personal property	441,863,747
Real and personal property	2,872,587,822
Percentage factor	8.00%
Legal debt limit	229,807,026
Total long-term borrowings	31,883,681
Legal debt margin	197,923,345

g. Compensated Absences (Accrued Leave)

Compensated absences typically have been liquidated in the general fund. The County has assumed a first-in, first-out method of using accumulated compensated leave time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability.

h. Long-Term Obligation Activity

The following tables summarize interest and principal payable in the next fiscal year and the changes in the County's long-term obligations for the fiscal year ended June 30, 2015:

Governmental activities:	Balance	Additions	Deductions	Balance	Due by
	June 30, 2014			June 30, 2015	June 30, 2016
Certificates of participation	\$ 19,840,000	\$ 14,099,205	\$(17,743,323)	\$ 16,195,882	\$ 1,756,977
Installment purchases loans	3,662,527	-	(515,293)	3,147,234	163,118
Capital leases	12,521	-	(12,521)	-	-
Unamortized bond premium	259,589	-	(259,589)	-	-
Compensated absences	502,763	71,388	-	574,151	86,123
Special separation allowance	153,446	1,484	-	154,930	n/a
Retiree healthcare coverage	679,288	148,760	-	828,048	n/a
Total governmental activities	\$ 25,110,134	\$ 14,320,837	\$(18,530,726)	\$ 20,900,245	\$ 2,006,218

Business-type activities:	Balance	Additions	Deductions	Balance	Due by
	June 30, 2014			June 30, 2015	June 30, 2016
Drinking water state loans	\$ 4,664,715	\$ 2,300,313	\$(328,021)	\$ 6,637,007	\$ 443,036
Installment purchases loans	6,277,168	-	(373,610)	5,903,558	383,377
Compensated absences	35,817	8,039	-	43,856	8,771
Retiree healthcare coverage	55,171	15,301	-	70,472	n/a
Total business-type activities	\$ 11,032,871	\$ 2,323,653	\$(701,631)	\$ 12,654,893	\$ 835,184
Total government-wide	\$ 36,143,005	\$ 16,644,490	\$(19,232,357)	\$ 33,555,138	\$ 2,841,402

i. Conduit Debt Obligations

Montgomery County Industrial Facility and Pollution Control Authority (the "Authority") may issue industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds would be secured by the properties financed as well as letters of credit and would be payable solely from payments received from the private businesses involved. Ownership of the acquired facilities would be in the name of the private business served by the bond issuance. As of June 30, 2015, there were no industrial revenue bonds outstanding. Neither the County, the Authority, the State, nor any political subdivision thereof would be obligated in any manner for the repayment of these bonds. Accordingly, the bonds would not be reported as liabilities in the accompanying financial statements.

C. Interfund Activity and Balances

Due to/from balances represent advances/reimbursements to be made among funds based upon the fact that the County utilizes a central depository for processing receipts and payments. For example, numerous payments were made following the receipt of invoices after June 30 for services performed or goods received prior to June 30. All interfund balances are expected to be offset with recorded transfers in the ensuing fiscal year. The composition of interfund balances as of June 30, 2015 is as follows:

Reporting Fund	Due from General Fund	Due to Other Funds
Governmental Funds		
General Fund	\$ -	\$ 4,804
Badin Lake Fire District Fund	3,020	-
Lake Tillery Fire District Fund	1,784	-
Total interfund balances	4,804	4,804

Interfund transfers enable the County to move unrestricted revenues from one fund to another fund to sustain programs that must be reported in the other fund. Also, see 'Exhibit II.E.02' in Subsection E of Section II. Transfers to/from other funds for the year ended June 30, 2015 consists of the following:

Activity description	June 30, 2015	June 30, 2014
From General Fund to Child Support Incentives Fund for unspent funds restricted to child support incentives	196,568	-
From General Fund to Schools Projects Fund for current capital projects activity and accumulating resources for future capital projects	264,225	-
From General Fund to Airport Projects Fund to accumulate resources for future capital projects in supporting fund activities	16,667	16,667
From General Fund to County Projects Fund for current capital projects activity	3,041,173	-
From General Fund to Water System Fund for portion of expenditures that exceed sale proceeds	-	484,839
Subtotal from General Fund	3,518,633	501,506
From Capital Projects Fund to General Fund to return unspent funds	-	196,569
From Emergency Telephone Fund to General Fund for portion of costs involved in supporting fund activities	-	3,357
Total interfund activity	\$ 3,518,633	\$ 701,432

D. Fund Balance

Restrictions of fund balance represent amounts that either are legally segregated for a specific purpose or are not appropriable. NCGS 159-13(b)(16) restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments less liabilities (not including unavailable revenues not arising from cash receipts) and less encumbrances as calculated at the end of the fiscal year preceding the appropriation. This calculated amount represents fund balance available for appropriation and is reflected in the following table. After accounting for non-spendable fund balance, Restricted by Stabilization of State Statute is the remaining non-appropriable portion of fund balance. In the table below,

the outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Item Description	General Fund	County Capital Projects Fund	Other Non-Major Funds
Fund balance available for appropriation			
Cash and investments	\$ 12,702,497	\$ 80,596	\$ 1,584,975
Encumbrances	(4,179)	-	(351,583)
Liabilities and deferred inflows	(1,598,643)	-	(41,368)
Unavailable revenues not arising from cash receipts	809,493	-	22,974
Fund balance available for appropriation	11,909,168	80,596	1,214,998
 Restricted for Stabilization of State Statute			
Total fund balance	13,898,098	80,596	1,847,074
Fund balance available for appropriation	(11,909,168)	(80,596)	(1,214,998)
Fund balance not available for appropriation	1,988,930	-	632,076
Nonspendable fund balance	(207,324)	-	(10,275)
Unreportable amounts *	-	-	(2,110)
Restricted for Stabilization of State Statute	\$ 1,781,606	\$ -	\$ 619,691

* In certain funds, the amount of restricted for stabilization of state statute shown in the financial statements is limited by the total amount of fund balance. In the table above, the unreportable amounts total \$2,110 for other non-major funds. In both major funds (the General Fund and the County Capital Projects Fund), there are no unreportable amounts.

Fund balance available for appropriation may be categorized as restricted, committed, or assigned for other purposes. The Board of County Commissioners seeks to conduct the financial affairs of the County in such a manner so as to achieve a fund balance available for appropriation in the General Fund of at least 20% to 25% of audited expenditures.

Unassigned fund balance represents the amount of fund balance that remains available to be committed or assigned.

E. Net Position

Net position in the Fund Financial Statements of the Enterprise Funds and in the Government-Wide Financial Statements are classified as "unrestricted," "restricted," or "net investment in capital assets." Restricted net position represents constraints on resources that are either a) imposed by law through State statute or b) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

The component called "net investment in capital assets" reports the total amount of capital assets as reduced by accumulated depreciation and remaining outstanding debt used to finance the purchase or construction of any capital assets. The balance of this account at June 30, 2015, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance
Capital assets	\$ 46,539,888	\$ 2,118,504	\$ 48,658,392
Adjustments for depreciation and related debt			
Depreciation on capital assets	(14,505,735)	(1,690,890)	(16,196,625)
Unspent debt proceeds for capital purposes	2,163,507	(2,064,870)	98,637
Long-term debt issued for capital purposes	(23,774,637)	4,431,521	(19,343,116)
Subtotal adjustments	(36,116,865)	675,761	(35,441,104)
Net investment in capital assets	\$ 10,423,023	\$ 2,794,265	\$ 13,217,288
Business-type activities:			
Capital assets	\$ 43,212,566	\$ 2,081,522	\$ 45,294,088
Adjustments for depreciation and related debt			
Depreciation on capital assets	(14,167,694)	(877,747)	(15,045,441)
Unspent debt proceeds for capital purposes	-	1,346,242	1,346,242
Long-term debt issued for capital purposes	(10,941,883)	(1,598,682)	(12,540,565)
Subtotal adjustments	(25,109,577)	(1,130,187)	(26,239,764)
Net investment in capital assets	\$ 18,102,989	\$ 951,335	\$ 19,054,324

Unrestricted net position is the remainder of net position not classified as either restricted or net investment in capital assets.

F. Occupancy Taxes

Under State law, all occupancy taxes shall be spent for tourism promotion and other economic development activities. To meet that purpose, the TDA budgets a functional allocation to Montgomery County Chamber, which is a separate non-profit entity, for said purposes. In essence, all occupancy taxes are distributed in accordance with State law.

Note c: JOINT VENTURES

A. Montgomery Community College

The County, in conjunction with the State of North Carolina and Montgomery County Board of Education (the local area school board), participates in a joint venture to operate the Montgomery Community College (MCC). The County, the State of North Carolina, and Montgomery County Board of Education each appoint four members of the thirteen-member Board of Trustees of MCC. The president of the community college's student government serves as an ex-officio non-voting member of the Board of Trustees of MCC.

The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. During the fiscal year ended June 30, 2015, the County contributed \$728,792 for operating purposes to MCC and allocated an additional \$75,000 for capital purposes on behalf of MCC. The County paid an additional \$560 to MCC for training courses and course materials for clients. For more information on funding for capital purposes, see 'Exhibit II.D.4.j' in Subsection D of Section II of this report.

In addition to providing annual appropriations for the facilities, the County periodically borrows money for new and restructured facilities. \$741,490 in installment purchase debt was issued in 2011 on behalf of MCC. During the fiscal year, the County made debt service payments of \$206,916 on installment purchase debt from Fidelity Bank issued for community college capital facilities. After these payments, \$56,658 in installment purchase debt remains outstanding.

The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements. Instead, the community college is included as a component unit of the State.

Complete financial statements for the community college may be obtained from Montgomery Community College, Administrative Offices, 1011 Page Street, Troy, North Carolina 27371.

B. Montgomery Economic Development Corporation

The County appoints three members of the thirteen directors of the Montgomery Economic Development Corporation ("EDC"). The remaining members are either appointed by the Chamber of Commerce, elected by the members of the EDC, or appointed by various towns that participate. The County provides an annual appropriation to the EDC, which represents a significant portion of their budget; however, the EDC is not accountable to the County for its fiscal matters beyond this allocation. The County does not significantly influence the operations of the EDC and has no authority to designate its management. For the years ended June 30, 2015 and 2014, the County's appropriation to the EDC was \$23,600 and \$82,800, respectively. The County does not have any equity interest in the EDC; therefore, no equity interest has been reflected in the County's financial statements. Complete financial statements for the EDC can be obtained from their administrative offices in Troy, North Carolina.

C. Sandhill Regional Library System

The County participates in a joint venture to operate the Sandhill Regional Library System ("SRLS") with four other County governments (Anson, Hoke, Moore, and Richmond). Each participating government appoints three members to the fifteen member board of SRLS. The County has an ongoing financial responsibility for the joint venture because SRLS's continued existence depends on continued funding from the participating governments. None of the participating governments have an equity interest in SRLS, so no equity interest has been reflected in the County's financial statements. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$295,390 and \$284,116 for the years ended June 30, 2015 and 2014, respectively, to SRLS to supplement its activities. Complete financial statements for SRLS can be obtained from their administrative offices at 412 East Franklin Street, Rockingham, North Carolina 28379.

D. Sandhills Center for Mental Health, Developmental Disabilities, and Substance Abuse Services

The County appoints two members to the governing board of the Sandhills Center, a regional authority that was organized to provide mental health, developmental disabilities, and substance abuse services to the five-County area of Anson, Hoke, Montgomery, Moore, and Richmond counties. Each participating government appoints members to the governing board of the Sandhills Center. The County has an ongoing financial responsibility for the joint venture because the continued existence of the Sandhills Center depends on the continued funding of the participating governments. None of the participating governments have an equity interest in the Sandhills Center, so no equity interest has been reflected in the County's financial statements. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$60,775 and \$60,775 for the years ended June 30, 2015 and 2014, respectively, to the Sandhills Center to supplement its activities. Complete financial statements for the Sandhills Center can be obtained from their administrative offices in West End, North Carolina 27376.

Note d: JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with eleven other counties and sixty-one municipalities, are members of the Piedmont Triad Regional Council (PTRC). The State established the PTRC to coordinate various funding received from federal and State agencies. Each participating government appoints one member to PTRC's governing board. The County paid membership fees of \$8,874 and \$8,331 to PTRC during the fiscal years ended June 30, 2015 and 2014, respectively. The County was a sub-recipient of the grants listed below. The following is a list of grants that passed through PTRC during the fiscal year ended June 30, 2015:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Passed-Through the N.C. Department of Health and Human Services:</u>				
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>				
Special Programs for the Aging - In Home Services	93.044	-	\$ 10,476	\$ 86,710
III-B Grants for Supportive Services	93.044	-	27,757	16,977
Congregate Nutrition	93.045	-	31,248	1,840
Home Delivered Nutrition	93.045	-	50,810	42,540
NSIP Supplement	93.053	-	17,695	-
Total pass-thru grants awards from IPDC			<u>\$ 137,986</u>	<u>\$ 148,067</u>

Note e: BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily determination of eligibility, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the Basic Financial Statements because they are neither revenues nor expenditures of the County.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
Special Supplemental Nutrition Program for Women, Infants, Children	10.557	-	\$ 846,129	\$ -
Food Stamps	10.551	-	7,378,445	-
Medical Assistance	93.778	-	25,610,183	14,136,975
Health Choice Claim Expenditures	93.767	-	595,763	187,846
<u>Participation in Budgeted County Expenditures</u>				
IV-E Adoption Subsidy	93.659	-	33,645	8,719
IV-E Admin County Paid	93.658	-	8,204	4,102
IV-E Family Foster Max	93.658	-	94	-
IV-E Foster Care	93.658	-	26,836	6,953
AFDC Payments and Penalties	93.560	-	(26)	(7)
TANF Payments and Penalties	93.558	-	156,723	-
Child Welfare Services Adoption Subsidy	n/a	-	-	37,563
Special Assistance Domicillary Care	n/a	-	-	318,300
State Foster Home Families Maximization	n/a	-	-	4,391
State Foster Home	n/a	-	-	2,847
Total participation in budgeted county expenditures			<u>225,476</u>	<u>382,868</u>
Total direct benefit payments			<u>\$ 34,060,233</u>	<u>\$ 14,519,843</u>

Note f: STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY, AND SIGNIFICANT EVENTS

With regard to matters of stewardship, compliance, accountability, and significant events, the County discloses the following as the only such matters that require disclosure.

A. Federal and State Assistance

The County receives proceeds from several federal and State grant sources. Periodic audits of these grants are required and certain costs may be questioned as being inappropriate expenditures or having insufficient supporting documentation under the terms of 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. Thus, no provision has been made in the accompanying financial statements for the refund of grant monies.

B. Deficit Fund Balance or Net Position of Individual Funds

For the fiscal year ended June 30, 2015, both the Badin Lake Fire District Fund and the Lake Tillery Fire District Fund had deficit fund equity in the amounts of \$1,583 and \$1,101, respectively. The County over-distributed property tax collections during the year and will recoup these excess expenditures in the subsequent year. These funds should no longer have a deficit fund equity at June 30, 2016.

For the fiscal year ended June 30, 2014, the Golden LEAF – Aseptia Fund had deficit fund equity in the amounts of \$531,605. The County was awaiting reimbursement from the grantor for eligible expenditures, which occurred in the fiscal year ended June 30, 2015. This fund no longer has a deficit fund equity.

For the fiscal year ended June 30, 2014, the Water Plant Improvements Fund, a capital projects sub-fund of the Water System Fund, had deficit fund equity in the amounts of \$691,567. The County was awaiting loan proceeds from a pre-approved interest-free loan to cover project expenditures. Loan proceeds of \$2,300,313 were realized in the fiscal year ended June 30, 2015. This fund no longer has a deficit fund equity. The Water Plant Improvements Fund and the Phase II Waterline Extension Capital Project Fund are now consolidated and being reported as the Water Projects Fund.

Note g: PRIOR PERIOD ADJUSTMENTS AND OTHER RESTATEMENTS

A. Prior Period Restatements

For the fiscal year ended June 30, 2014, errors were discovered relating to the capital asset and debt balances previously reported in the governmental activities, business-type activities, and statements concerning the Water System Fund. As a result, the beginning net position of governmental activities was restated by a decrease of \$1,702,462 and the beginning net position of business-type activities (and statements concerning the Water System Fund) were restated by an increase of \$139,249 for the year ended June 30, 2014.

For the fiscal year ended June 30, 2014, errors were discovered relating to the beginning fund balances of the General Fund, School Projects Fund (formerly titled ‘2013 QSCB School Rehab Fund’), and the defunct Water Plant Improvements Project Fund (now a part of the ‘Water Projects Fund’). As a result, the beginning fund balance of the General Fund was restated by a decrease of \$213,052, the beginning fund balance of the School Projects Fund was restated by an increase of \$34,032, and the beginning fund balance of the Water Projects Fund was restated by an increase of \$513,316 for the year ended June 30, 2014.

Prior to the fiscal year ended June 30, 2014, the TDA was presented as a special revenue fund of the County. Upon closer examination, it was determined that the TDA should be presented as a discretely presented component unit of the County. As a result, the beginning net position of governmental activities was restated by a decrease of \$50,138 for the year ended June 30, 2014.

B. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$897,298 and \$76,593, respectively.

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D. Required Supplementary Information:

	<u>Identifier</u>	<u>Page No.</u>
1. Financial Schedules for Law Enforcement Officers' Special Separation Allowance	Part II.D.1	90
2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage	Part II.D.2	95
3. Financial Schedules for Pension-Related Deferrals	Part II.D.3	100
4. Financial Statements for Major Governmental Funds	Part II.D.4	103
5. Financial Statements for Non-major Governmental Funds	Part II.D.5	115
6. Financial Schedules for Major Enterprise Fund	Part II.D.6	129
7. Financial Statement for Fiduciary Funds	Part II.D.7	133
8. Financial Statements for Component Unit	Part II.D.8	136

The Required Supplementary Information concerns, first, the County's future obligation to provide pension benefits to its law enforcement officers through the Law Enforcement Officers' Special Separation Allowance (LEOSSA), second, the County's future obligation to provide healthcare coverage to its retirees, third, the County's proportionate share of its equity portion of an employment retirement system, fourth, more detailed results for each individual fund, both major and non-major funds, by comparing actual results with the budgetary estimates and limitations, and, fifth, financial statements of the County's component unit.

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

1. Financial Schedules for Law Enforcement Officers' Special Separation Allowance

	<u>Identifier</u>	<u>Page No.</u>
a. LEOSSA Schedule of Funding Progress	Exhibit II.D.1.a	91
b. LEOSSA Schedule of Employer Contributions	Exhibit II.D.1.b	91
c. Notes to LEOSSA Financial Schedules	Exhibit II.D.1.c	92

Article 12D of Chapter 143 from the North Carolina General Statutes authorizes the Law Enforcement Officers' Special Separation Allowance (LEOSSA). The LEOSSA is administered under the North Carolina Local Governmental Employees' Retirement System (NC-LGERS). The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements Number 25 and 27.

County of Montgomery, North Carolina

a. LEOSA Schedule of Funding Progress

For the Year Ended June 30, 2015

Year Ended December 31	Actuarial Value of Assets	AAL* - Projected Unit Credit	Unfunded AAL*	Funded Ratio	Covered Payroll	Ratio of Unfunded AAL to Covered Payroll
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005						
2014	\$ -	\$ 579,340	\$ 579,340	0.000%	\$ 1,132,837	51.141%
2013	-	579,346	579,346	0.000%	1,017,921	56.915%
2012	-	586,725	586,725	0.000%	1,105,953	53.052%
2011	-	586,725	586,725	0.000%	1,105,953	53.052%
2010	-	591,428	591,428	0.000%	1,160,195	50.977%
2009	-	584,070	584,070	0.000%	1,109,700	52.633%
2008	-	424,664	424,664	0.000%	1,106,063	38.394%
2007	-	400,396	400,396	0.000%	998,910	40.083%
2006	-	276,739	276,739	0.000%	989,060	27.980%
2005	-	240,762	240,762	0.000%	953,832	25.242%
2004	-	233,606	233,606	0.000%	816,199	28.621%
2003	-	206,953	206,953	0.000%	830,253	24.926%

* AAL = Actuarial Accrued Liability (see Valuation Balance Sheet on next page)

b. LEOSA Schedule of Employer Contributions

For the Year Ended June 30, 2015

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005						
2015	\$ 65,390	\$ 72,164	90.613%	\$ 66,874	97.781%	\$ 154,930
2014	61,757	59,090	104.513%	54,017	114.329%	153,446
2013	61,757	57,639	107.144%	57,061	108.230%	161,186
2012	58,982	57,639	102.330%	56,009	105.308%	165,882
2011	47,639	55,559	85.745%	54,987	86.637%	168,855
2010	33,122	47,828	69.252%	49,211	67.306%	161,507
2009	23,798	43,889	54.223%	45,044	52.833%	145,418
2008	12,478	35,485	35.164%	36,591	34.101%	124,172
2007	6,477	31,796	20.370%	32,730	19.789%	100,059
2006	3,784	30,184	12.536%	30,889	12.250%	73,806
2005	3,785	27,742	13.644%	28,109	13.465%	46,701
2004	3,784	22,377	16.910%	26,161	14.464%	22,377

County of Montgomery, North Carolina

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D. Required Supplementary Information:

1. Financial Schedules for Law Enforcement Officers' Special Separation Allowance

c. Notes to LEOSSA Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2015

The actuarial valuation for the fiscal year ended June 30, 2015 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2013. The actuary's corresponding calculations are shown below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2013

	Number	Amount
1) active members - current annual compensation	31	\$ 1,017,921
2) retired members - current annual benefits	8	61,757
total annual payroll		<u>\$ 1,079,678</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2013

Present and Prospective Assets

present assets	\$ -
present value of future (unfunded) accrued liability contributions	579,346
total assets, as of December 31, 2013	<u>\$ 579,346</u>

Accrued Actuarial Liabilities = present value of benefits payable in respect of:

present retired members and beneficiaries	\$ 217,991
present active members	361,355
total liabilities, as of December 31, 2013	<u>\$ 579,346</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2015

The annual required contribution for the year ended June 30, 2015 is calculated as of December 31, 2013. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the total annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	2.2815%	\$ 23,224
2) portion of value earned and not contributed in previous years	4.8078%	48,940
total annual required contribution	6.6838%	<u>\$ 72,164</u>

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2015

Net Pension Obligation, as of June 30, 2014		\$ 153,446
annual required contribution (ARC)	\$ 72,164	
adjustment/amortization to ARC	11.8381 (12,962)	
interest on net pension obligation	7,672	
annual pension cost	<u>\$ 66,874</u>	
contributions	(65,390)	
Change in net pension obligation		<u>1,484</u>
Net Pension Obligation, as of June 30, 2015		<u>\$ 154,930</u>

County of Montgomery, North Carolina

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For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

1. Financial Schedules for Law Enforcement Officers' Special Separation Allowance

c. Notes to LEOSSA Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2016

The actuarial valuation for the fiscal year ending June 30, 2016 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2014. The actuary's corresponding calculations are shown next, except that the calculation for the Net Pension Obligation (NPO) is based on other information not yet available. Therefore, NPO will be shown with the County's subsequent annual financial and compliance report.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2014

	Number	Amount
1) active members - current annual compensation	34	\$ 1,132,837
2) retired members - current annual benefits	8	56,738
total annual payroll		<u>\$ 1,189,575</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2014

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	579,340
total assets, as of December 31, 2014	<u>\$ 579,340</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
present retired members and beneficiaries	\$ 248,299
present active members	331,041
total liabilities, as of December 31, 2014	<u>\$ 579,340</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2016

The annual required contribution for the year ending June 30, 2016 is calculated as of December 31, 2014. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	1.9944%	\$ 22,594
2) portion of value earned and not contributed in previous years	4.4940%	50,910
total annual required contribution	6.1790%	<u>\$ 73,504</u>

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDING JUNE 30, 2016

Net Pension Obligation, as of June 30, 2015		\$ 154,930
annual required contribution (ARC)	\$ 73,504	
adjustment/amortization to ARC, <i>est.</i>	11.8381	(13,087)
interest on net pension obligation		7,746
annual pension cost, <i>estimated</i>		<u>\$ 68,163</u>
contributions, <i>estimated</i>		(54,035)
Change in net pension obligation, <i>estimated</i>		14,128
Net Pension Obligation, as of June 30, 2016, <i>estimated</i>		<u>\$ 169,058</u>

County of Montgomery, North Carolina

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For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

1. Financial Schedules for Law Enforcement Officers' Special Separation Allowance

c. Notes to LEOSSA Financial Schedules

ADDITIONAL INFORMATION USED BY THE ACTUARY

The primary purpose of the actuarial valuation is to determine the annual required contribution for each fiscal year. In preparing the valuation, the actuary relied on data provided by the County of Montgomery and the NC-LGERS. To verify the data, the actuary performed tests for reasonableness and consistency. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information used to actuarially determine the annual required contribution for the reported fiscal year follows:

Amortization Method of Unfunded Liability (for both years shown)	level dollar of pay, closed basis
Actuarial Cost Method (for both years shown) **	projected unit credit **
Asset Valuation Method (for both years shown)	market value
For the Year Ended	June 30, 2015
Valuation Date	Dec 31, 2013
Remaining Amortization Period	17 years
Actuarial Assumptions (projected rates):	
Projected Rate of Adjustments for Cost-of-Living	0.00%
Projected Rate of Return on Investments *	5.00%
Projected Rate of Salary Increases *	4.25 to 7.85%
* Includes Projected Rate of Inflation	3.00%

** Under the projected unit credit method of valuing the actuarial cost, the projected benefits of each individual included in the actuarial valuation are allocated to valuation years based on service. The actuarial present value of benefits allocated to the current year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to the valuation year is called the actuarial accrued liability. The excess of the actuarial accrued liability over current assets is the unfunded actuarial accrued liability. The actuarially determined contribution requirements consist of the normal cost and amortization of the unfunded actuarial accrued liability within a 25-year period, assuming inflation will grow at 3.00% annually.

County of Montgomery, North Carolina

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage

	<u>Identifier</u>	<u>Page No.</u>
a. OPEB-RHC Schedule of Funding Progress	Exhibit II.D.2.a	96
b. OPEB-RHC Schedule of Employer Contributions	Exhibit II.D.2.b	96
c. Notes to OPEB-RHC Financial Schedules	Exhibit II.D.2.c	97

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements Number 43 and 45.

County of Montgomery, North Carolina

a. OPEB-RHC Schedule of Funding Progress

For the Year Ended June 30, 2015

Year Ended December 31	Actuarial Value of Assets	AAL* - Projected Unit Credit	Unfunded AAL*	Funded Ratio	Covered Payroll	Ratio of Unfunded AAL to Covered Payroll
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008						
2014	\$ -	\$ 2,919,412	\$ 2,919,412	0.000%	\$ 5,452,575	53.542%
2013	-	2,907,857	2,907,857	0.000%	6,755,056	43.047%
2012	-	2,939,338	2,939,338	0.000%	7,244,528	40.573%
2011	-	2,939,338	2,939,338	0.000%	7,244,528	40.573%
2010	-	2,666,138	2,666,138	0.000%	7,462,874	35.725%
2009	-	2,647,198	2,647,198	0.000%	7,592,692	34.865%
2008	-	3,094,004	3,094,004	0.000%	7,408,030	41.766%

* AAL = Actuarial Accrued Liability (see Valuation Balance Sheet on next page)

Special Note: Employees hired after July 1, 2013 are not eligible to receive retiree healthcare coverage.

b. OPEB-RHC Schedule of Employer Contributions

For the Year Ended June 30, 2015

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008						
2015	\$ 121,584	\$ 297,107	40.923%	\$ 285,645	42.565%	\$ 898,520
2014	145,729	259,774	56.098%	260,881	55.860%	734,459
2013	118,405	224,058	52.846%	227,034	52.153%	619,307
2012	166,646	224,058	74.376%	224,866	74.109%	510,678
2011	122,299	225,170	54.314%	227,079	53.857%	452,458
2010	57,831	225,170	25.683%	226,155	25.571%	347,678
2009	76,133	255,487	29.799%	255,487	29.799%	179,354

County of Montgomery, North Carolina

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage

c. Notes to OPEB-RHC Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2015

The actuarial valuation for the fiscal year ended June 30, 2015 is based on the annual payroll for all employees in the calendar year ended December 31, 2014. The actuary's corresponding calculations are shown below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2013

	Number	Amount
1) active members - current annual compensation	205	\$ 6,755,056
2) retired members - current annual benefits	35	-
total annual payroll		<u>\$ 6,755,056</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2013

Present and Prospective Assets

present assets	\$ -
present value of future (unfunded) accrued liability contributions	2,907,857
total assets, as of December 31, 2013	<u>\$ 2,907,857</u>

Accrued Actuarial Liabilities = present value of benefits payable in respect of:

present retired members and beneficiaries	\$ 1,008,590
present active members	1,899,267
total liabilities, as of December 31, 2013	<u>\$ 2,907,857</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2015

The annual required contribution for the year ended June 30, 2015 is calculated as of December 31, 2013. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the total annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	2.0046%	\$ 135,413
2) portion of value earned and not contributed in previous years	2.3937%	161,694
total annual required contribution	4.3983%	<u>\$ 297,107</u>

NET OPEB OBLIGATION (& ANNUAL OPEB COST) FOR THE YEAR ENDED JUNE 30, 2015

Net OPEB Obligation, as of June 30, 2014		\$ 734,459
annual required contribution (ARC)	\$ 297,107	
adjustment/amortization to ARC	17.9837 (40,840)	
interest on net OPEB obligation	29,378	
annual OPEB cost	<u>\$ 285,645</u>	
contributions	(121,584)	
Change in net OPEB obligation		<u>164,061</u>
Net OPEB Obligation, as of June 30, 2015		<u>\$ 898,520</u>

County of Montgomery, North Carolina

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage

c. Notes to OPEB-RHC Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2016

The actuarial valuation for the fiscal year ending June 30, 2016 is based on the annual payroll for all employees in the calendar year ended December 31, 2014. The actuary's corresponding calculations are shown next, except that the calculation for the Net OPEB Obligation (NOO) is based on other information not yet available. Therefore, NOO will be shown with the County's subsequent annual financial and compliance report.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2014

	Number	Amount
1) active members - current annual compensation	151	\$ 5,452,575
2) retired members - current annual benefits	37	-
total annual payroll		<u>\$ 5,452,575</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2014

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	2,919,412
total assets, as of December 31, 2014	<u>\$ 2,919,412</u>

Accrued Actuarial Liabilities = present value of benefits payable in respect of:

present retired members and beneficiaries	\$ 1,142,541
present active members	1,776,871
total liabilities, as of December 31, 2014	<u>\$ 2,919,412</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2016

The annual required contribution for the year ending June 30, 2016 is calculated as of December 31, 2014. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	2.2146%	\$ 120,755
2) portion of value earned and not contributed in previous years	2.9772%	162,336
total annual required contribution	5.1919%	<u>\$ 283,091</u>

NET OPEB OBLIGATION (& ANNUAL OPEB COST) FOR THE YEAR ENDED JUNE 30, 2016

Net OPEB Obligation, as of June 30, 2015		\$ 898,520
annual required contribution (ARC)	\$ 283,091	
adjustment/amortization to ARC, <i>est.</i> 17.9837	(49,963)	
interest on net OPEB obligation	35,941	
annual OPEB cost, <i>estimated</i>	<u>\$ 269,069</u>	
contributions, <i>estimated</i>	(107,409)	
Change in net OPEB obligation, <i>estimated</i>		<u>161,660</u>
Net OPEB Obligation, as of June 30, 2016, <i>estimated</i>		<u>\$ 1,060,180</u>

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage

c. Notes to OPEB-RHC Financial Schedules

ADDITIONAL INFORMATION USED BY THE ACTUARY

The primary purpose of the actuarial valuation is to determine the annual required contribution for each fiscal year. In preparing the valuation, the actuary relied on data provided by the County of Montgomery and the NC-LGERS. To verify the data, the actuary performed tests for reasonableness and consistency. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information used to actuarially determine the annual required contribution for the reported fiscal year follows:

Amortization Method of Unfunded Liability (for both years shown)	level dollar of pay, open basis
Actuarial Cost Method (for both years shown) **	projected unit credit **
Asset Valuation Method (for both years shown)	market value
For the Year Ended	June 30, 2015
Valuation Date	Dec 31, 2013
Remaining Amortization Period	30 years
Amortization Factor	17.9837
Actuarial Assumptions (projected rates):	
Projected Rate of Increases to Medical Costs	5.0% to 7.75%
* Year of Ultimate Trend Rate	2019
Projected Rate of Return on Investments *	4.00%
* Includes Projected Rate of Inflation	3.00%

** Under the projected unit credit method of valuing the actuarial cost, the projected benefits of each individual included in the actuarial valuation are allocated to valuation years based on service. The actuarial present value of benefits allocated to the current year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to the valuation year is called the actuarial accrued liability. The excess of the actuarial accrued liability over current assets is the unfunded actuarial accrued liability. The actuarially determined contribution requirements consist of the normal cost and amortization of the unfunded actuarial accrued liability within a 30-year period, assuming inflation will grow at 3.75% annually.

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

3. Financial Schedules for Pension-Related Deferrals

	<u>Identifier</u>	<u>Page No.</u>
a. LGERS Schedule of Proportionate Share of Net Pension Asset	Exhibit II.D.3.a	101
b. LGERS Schedule of Employer Contributions	Exhibit II.D.3.b	101
c. RODSPF Schedule of Proportionate Share of Net Pension Asset	Exhibit II.D.3.c	102
d. RODSPF Schedule of Employer Contributions	Exhibit II.D.3.d	102

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statement Number 68.

County of Montgomery, North Carolina

a. LGERS Schedule of Proportionate Share of Net Pension Asset

For the Year Ended June 30, 2015

Year Ended December 31	LGERS Plan Total NPL (NPA)	Total Plan Funded Ratio	Percentage Share of NPL (NPA)	Dollar Share of NPL (NPA)	Covered Payroll	Ratio of Share of NPL (NPA) to Covered Payroll
--- County is reporting information due to the implementation of GASB Statement 68 in the fiscal year ended June 30, 2015						
2014	\$ (589,746,059)	102.640%	0.125%	\$ (738,480)	\$ 7,061,199	-10.458%
2013	1,205,384,000	94.350%	0.127%	1,528,427	7,086,615	21.568%

* NPL (NPA) = Net Pension Liability (or Net Pension Asset)

Special note: The amounts presented for each fiscal year correspond to the plan's previous fiscal year.

b. LGERS Schedule of Employer Contributions

For the Year Ended June 30, 2015

Fiscal Year Ended June 30	Actual Contributions	Contractually Required Contributions	Percentage Contributed	Contribution Deficiency (Excess)	Covered Payroll	Ratio of Actual Contributions to Covered Payroll
--- County is reporting information due to the implementation of GASB Statement 68 in the fiscal year ended June 30, 2015						
2015	\$ 502,724	\$ 502,724	100.000%	\$ -	\$ 7,061,199	7.120%
2014	503,084	503,084	100.000%	-	7,086,615	7.099%

County of Montgomery, North Carolina

c. RODSPF Schedule of Proportionate Share of Net Pension Asset

For the Year Ended June 30, 2015

Year Ended December 31	RODSPF Plan Total NPL (NPA)	Total Plan Funded Ratio	Percentage Share of NPL (NPA)	Dollar Share of NPL (NPA)	Covered Payroll	Ratio of Share of NPL (NPA) to Covered Payroll
--- County is reporting information due to the implementation of GASB Statement 68 in the fiscal year ended June 30, 2015						
2014	\$ (22,665,989)	193.880%	0.245%	\$ (55,498)	\$ 57,828	-95.971%
2013	(21,359,998)	190.500%	0.232%	(49,453)	57,828	-85.517%

* NPL (NPA) = Net Pension Liability (or Net Pension Asset)

Special note: The amounts presented for each fiscal year correspond to the plan's previous fiscal year.

d. RODSPF Schedule of Employer Contributions

For the Year Ended June 30, 2015

Fiscal Year Ended June 30	Actual Contributions	Contractually Required Contributions	Percentage Contributed	Contribution Deficiency (Excess)	Covered Payroll	Ratio of Actual Contributions to Covered Payroll
--- County is reporting information due to the implementation of GASB Statement 68 in the fiscal year ended June 30, 2015						
2015	\$ 1,992	\$ 1,992	100.000%	\$ -	\$ 57,828	3.445%
2014	1,999	1,999	100.000%	-	57,828	3.457%

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

4. Financial Statements for Major Governmental Funds

	<u>Identifier</u>	<u>Page No.</u>
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.4.a	104
b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (since project's inception)	Exhibit II.D.4.b	112

The Major Governmental Funds Financial Statements reflect the detail level of presentation behind the individual fund columns in the Basic Financial Statements.

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad Valorem Taxes				
Current year - General Fund	\$ 16,047,606	\$ 15,744,114	\$ (303,492)	\$ 15,877,056
Current year - County Fire Service	575,075	574,102	(973)	577,374
Prior years	-	321,826	321,826	570,302
Penalties, interest, and advertising, net	-	133,313	133,313	169,082
Subtotal Ad Valorem Taxes	16,622,681	16,773,355	150,674	17,193,814
Local Option Sales Taxes				
Article 39 & 44	1,000,000	1,134,834	134,834	1,121,118
Article 40	1,265,000	1,363,031	98,031	1,370,789
Article 42	663,000	754,418	91,418	752,163
Article 46	334,000	-	(334,000)	-
Medicaid hold harmless payment	339,074	361,899	22,825	91,120
Subtotal Local Option Sales Taxes	3,601,074	3,614,182	13,108	3,335,190
Other Taxes				
Rental vehicle gross receipts tax	-	658	658	464
Subtotal Other Taxes	-	658	658	464
Intergovernmental Revenues, unrestricted				
Beer and wine excise taxes	-	95,163	95,163	87,945
Payments in lieu of taxes	95,000	94,757	(243)	184,510
Jail fees	66,900	67,830	930	43,317
Disposal taxes, scrap tires	29,000	42,000	13,000	42,765
Property tax billing and collection fees	21,965	22,210	245	3,495
Federal and state forfeiture funds	30,000	21,361	(8,639)	26,932
Video program franchise distribution	5,500	20,536	15,036	64,865
Disposal taxes, solid waste	12,000	15,797	3,797	16,894
Sheriff court fees	8,500	13,352	4,852	11,086
Profit distribution from local ABC boards	12,000	6,722	(5,278)	1,738
Subtotal Intergovernmental Revenues, unrestricted	280,865	399,728	118,863	483,547
Intergovernmental Revenues, restricted				
Federal and state grants	5,204,570	5,215,602	11,032	4,721,984
Lottery proceeds	250,000	250,000	-	300,000
Court facilities fees	45,000	59,384	14,384	49,060
Library contribution fees	24,800	24,800	-	24,800
Disposal taxes, white goods	7,500	4,734	(2,766)	10,736
ABC bottles tax distribution	4,500	6,648	2,148	5,220
Subtotal Intergovernmental Revenues, restricted	5,536,370	5,561,168	24,798	5,111,800
Subtotal Intergovernmental Revenues	5,817,235	5,960,896	143,661	5,595,347

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015			2014
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES (continued from previous page)				
Licenses, Fees, and Permits				
Landfill revenues	2,437,713	2,458,305	20,592	2,287,282
Inmate fees	275,000	249,300	(25,700)	228,789
Building permit and inspection fees	100,000	237,992	137,992	178,695
Register of Deeds fees and permits	150,000	199,650	49,650	182,521
Environmental Health permits	33,000	37,921	4,921	33,729
Civil, pistol, and concealed weapons permits	56,992	31,268	(25,724)	35,705
Library fines	5,000	6,362	1,362	6,732
Zoning permits and fees	10,000	5,930	(4,070)	10,250
Animal control fees	1,500	1,513	13	2,372
Emergency Management fees	4,000	1,300	(2,700)	3,350
Business registration fees	-	1,265	1,265	280
Elections fees	-	88	88	17,962
Subtotal Licenses, Fees, and Permits	3,073,205	3,230,894	157,689	2,987,667
Sales and Services				
Medicaid / Medicare service fees	\$ 326,432	\$ 298,082	\$ (28,350)	\$ 327,044
Contracted revenues	62,964	71,788	8,824	18,771
Health Department fees	59,000	59,181	181	62,308
Rents, concessions, and fees	43,300	42,443	(857)	149,839
Social Services Department fees	-	15,141	15,141	8,023
Subtotal Sales and Services	491,696	486,635	(5,061)	565,985
Investment Earnings	4,010	7,689	3,679	3,819
Miscellaneous				
Contributions / donations	25,925	25,270	(655)	25,595
Sale of used surplus equipment and vehicles	8,000	18,208	10,208	7,107
Vending & phone commissions	-	17,613	17,613	14,694
Miscellaneous State refunds to County	-	17,014	17,014	12,733
Miscellaneous others	20,200	9,197	(11,003)	75,718
Subtotal Miscellaneous	54,125	87,302	33,177	135,847
Total Revenues	29,664,026	30,161,611	497,585	29,818,133
EXPENDITURES				
General Government				
Commissioners (including pass-thru grants received and awarded)				
Salaries and benefits	421,999	292,083	129,916	361,346
Other operating expenditures	2,365,407	1,985,172	380,235	2,395,629
Capital outlay	143,000	84,896	58,104	-
Subtotal Commissioners	2,930,406	2,362,151	568,255	2,756,975

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015			2014
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
County Manager / Administration				
Salaries and benefits	178,912	178,020	892	156,325
Other operating expenditures	100,050	42,833	57,217	83,501
Capital outlay	-	-	-	2,288
Subtotal County Manager / Administration	278,962	220,853	58,109	242,114
Finance				
Salaries and benefits	257,930	255,450	2,480	220,306
Other operating expenditures	10,002	8,886	1,116	18,431
Subtotal Finance	267,932	264,336	3,596	238,737
Information Technology				
Salaries and benefits	120,314	119,198	1,116	105,418
Other operating expenditures	311,145	223,854	87,291	97,209
Capital outlay	54,000	63,985	(9,985)	32,251
Subtotal Information Technology	485,459	407,037	78,422	234,878
Human Resources				
Salaries and benefits	203,281	127,779	75,502	174,249
Other operating expenditures	103,799	48,752	55,047	17,658
Subtotal Human Resources	307,080	176,531	130,549	191,907
Tax Administration (assessing, listing, and collection)				
Salaries and benefits	362,777	358,411	4,366	348,819
Other operating expenditures	78,000	48,132	29,868	57,110
Subtotal Tax Administration	440,777	406,543	34,234	405,929
Property Tax Revaluation				
Salaries and benefits	7,182	6,940	242	7,067
Other operating expenditures	92,818	46,762	46,056	122,987
Subtotal Property Tax Revaluation	100,000	53,702	46,298	130,054
Elections				
Salaries and benefits	115,722	112,413	3,309	104,681
Other operating expenditures	49,000	31,567	17,433	56,082
Subtotal Elections	164,722	143,980	20,742	160,763
Register of Deeds (including Automation)				
Salaries and benefits	158,615	155,732	2,883	147,991
Other operating expenditures	33,000	29,794	3,206	31,636
Subtotal Register of Deeds	191,615	185,526	6,089	179,627
Housekeeping				
Salaries and benefits	141,574	139,247	2,327	130,534
Other operating expenditures	26,000	17,365	8,635	20,670
Subtotal Housekeeping	167,574	156,612	10,962	151,204
Facilities Maintenance (Public Buildings)				
Salaries and benefits	107,807	106,658	1,149	85,885
Other operating expenditures	967,001	919,926	47,075	867,967
Capital outlay	414,365	289,594	124,771	124,244
Subtotal Facilities Maintenance	1,489,173	1,316,178	172,995	1,078,096

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Court Facilities				
Other operating expenditures	12,000	5,726	6,274	10,641
Capital outlay	3,000	-	3,000	-
Subtotal Court Facilities	15,000	5,726	9,274	10,641
Total General Government	6,838,700	5,699,175	1,139,525	5,780,925
Transportation				
Airport, other expenditures	25,000	4,436	20,564	21,267
Rural Operating Assistance Program				
Other operating expenditures	123,821	123,821	-	142,484
Total Transportation	148,821	128,257	20,564	163,751
Public Safety				
Sheriff (including Schools Resource Officers)				
Salaries and benefits	1,692,255	1,578,292	113,963	1,545,483
Other operating expenditures	373,492	260,867	112,625	296,048
Capital outlay	104,500	104,451	49	4,596
Subtotal Sheriff	2,170,247	1,943,610	226,637	1,846,127
Jail / Detention Center				
Salaries and benefits	861,340	805,757	55,583	776,860
Other operating expenditures	398,925	386,812	12,113	374,312
Subtotal Detention Centers	1,260,265	1,192,569	67,696	1,151,172
Animal/Rabies Control				
Salaries and benefits	102,258	87,649	14,609	82,913
Other operating expenditures	22,000	16,948	5,052	17,820
Subtotal Animal/Rabies Control	124,258	104,597	19,661	100,733
Volunteer Fire Departments				
Other operating expenditures	158,555	64,971	93,584	19,995
Capital outlay	416,500	89,700	326,800	862,429
Subtotal Volunteer Fire Departments	575,055	154,671	420,384	882,424
Inspections				
Salaries and benefits	181,251	177,109	4,142	173,470
Other operating expenditures	15,000	14,950	50	16,348
Subtotal Inspections	196,251	192,059	4,192	189,818
Ambulance / Rescue Squads				
Salaries and benefits	6,000	4,950	1,050	4,660
Other operating expenditures	28,000	15,765	12,235	9,671
Subtotal rescue squads	34,000	20,715	13,285	14,331
Emergency Management				
Salaries and benefits	67,138	64,859	2,279	55,194
Other operating expenditures	6,059	976	5,083	10,006
Subtotal Emergency Management	73,197	65,835	7,362	65,200

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015			2014
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
E911 Communications				
Salaries and benefits	404,503	379,316	25,187	350,014
Other operating expenditures	39,997	27,362	12,635	43,340
Subtotal E911 Communications	444,500	406,678	37,822	393,354
Randolph Juvenile Day Reporting Center (DRC)				
Other operating expenditures	70,347	70,347	-	76,744
Federal and State Forfeited Property				
Other operating expenditures	11,117	6,000	5,117	20,413
Total Public Safety	4,959,237	4,157,081	802,156	4,740,316
Human Services				
Social Services:				
Social Services				
Salaries and benefits	2,897,205	2,776,979	120,226	2,642,785
Other operating expenditures	2,527,815	2,195,952	331,863	2,080,948
Capital outlay	18,500	-	18,500	15,902
Subtotal Social Services	5,443,520	4,972,931	470,589	4,739,635
Total Social Services	5,443,520	4,972,931	470,589	4,739,635
Health services				
Health Administration				
Salaries and benefits	224,780	203,417	21,363	204,779
Other operating expenditures	398,101	182,558	215,543	162,927
Subtotal Health Administration	622,881	385,975	236,906	367,706
Tuberculosis/Communicable Diseases				
Salaries and benefits	85,230	81,657	3,573	82,610
Other operating expenditures	15,247	13,934	1,313	17,249
Subtotal Tuberculosis/Communicable Diseases	100,477	95,591	4,886	99,859
Public Health/Emergency Planning				
Salaries and benefits	33,651	20,897	12,754	2,574
Other operating expenditures	12,850	12,220	630	25,516
Subtotal AIDS	46,501	33,117	13,384	28,090
Health Promotions				
Salaries and benefits	41,403	39,760	1,643	27,902
Other operating expenditures	17,405	14,339	3,066	11,618
Subtotal Health Promotions	58,808	54,099	4,709	39,520
Women - Infants - Children				
Salaries and benefits	212,465	201,521	10,944	212,764
Other operating expenditures	18,649	8,430	10,219	11,220
Subtotal Women - Infants - Children	231,114	209,951	21,163	223,984
Child Health				
Salaries and benefits	205,723	170,906	34,817	213,306
Other operating expenditures	39,315	26,515	12,800	36,475
Subtotal Child Health	245,038	197,421	47,617	249,781

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015			2014
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Maternal Health				
Salaries and benefits	200,181	188,171	12,010	188,493
Other operating expenditures	38,433	36,541	1,892	42,609
Subtotal Maternal Health	238,614	224,712	13,902	231,102
Adult Health				
Salaries and benefits	62,856	59,930	2,926	53,318
Other operating expenditures	24,312	22,898	1,414	23,950
Subtotal Adult Health	87,168	82,828	4,340	77,268
Family Planning				
Salaries and benefits	184,856	174,405	10,451	173,366
Other operating expenditures	64,326	63,418	908	81,199
Subtotal Family Planning	249,182	237,823	11,359	254,565
Environmental Health				
Salaries and benefits	158,670	124,782	33,888	144,501
Other operating expenditures	5,753	4,986	767	12,697
Subtotal Environmental Health	164,423	129,768	34,655	157,198
Childcare Coordination				
Salaries and benefits	77,827	42,025	35,802	41,010
Other operating expenditures	3,600	3,114	486	25,112
Subtotal Child Health	81,427	45,139	36,288	66,122
Pregnancy Care Management				
Salaries and benefits	66,500	43,267	23,233	42,250
Other operating expenditures	5,532	2,100	3,432	11,644
Subtotal Smart Start	72,032	45,367	26,665	53,894
Total Health Services	2,197,665	1,741,791	455,874	1,849,089
Miscellaneous				
Home Community and Care Block Grant				
Other operating expenditures	268,359	268,359	-	282,369
Mental health (Sandhills),allocations	65,275	60,775	4,500	60,775
Veteran Services				
Salaries and benefits	8,366	8,339	27	45,860
Other operating expenditures	500	43	457	2,362
Subtotal Veteran Services	8,866	8,382	484	48,222
Programs for the Aging, allocations	80,000	80,000	-	77,000
Youth Services				
Salaries and benefits	19,354	19,334	20	22,695
Other operating expenditures	10,860	10,851	9	10,974
Subtotal Youth Services	30,214	30,185	29	33,669
Total Human Services	8,093,899	7,162,423	931,476	7,090,759
Environmental Protection				
Forestry, other expenditures	88,200	88,200	-	88,200

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Soil Conservation				
Salaries and benefits	75,284	74,372	912	73,053
Other operating expenditures	5,500	2,177	3,323	3,065
Subtotal Soil Conservation	80,784	76,549	4,235	76,118
Total Environmental Protection	168,984	164,749	4,235	164,318
Education (Intergovernmental)				
Public Schools				
Current expenses	5,083,616	5,046,769	36,847	5,072,365
Schools capital outlay	167,900	167,813	87	-
Subtotal Public Schools	5,251,516	5,214,582	36,934	5,072,365
Community College				
Current expenses	728,792	728,792	-	784,000
Capital outlay	-	-	-	30,000
Subtotal Community College	728,792	728,792	-	814,000
Total Education	5,980,308	5,943,374	36,934	5,886,365
Economic and Physical Development				
Planning and Zoning				
Salaries and benefits	55,801	55,282	519	54,507
Other operating expenditures	9,000	5,460	3,540	7,890
Subtotal Planning and Zoning	64,801	60,742	4,059	62,397
Economic Development				
Salaries and benefits	48,700	33,408	15,292	-
Company incentives	50,000	-	50,000	55,841
Other operating expenditures	39,100	29,720	9,380	81,991
Subtotal Economic Development	137,800	63,128	74,672	137,832
Cooperative (Agricultural) Extension				
Salaries and benefits	159,439	135,807	23,632	164,872
Other operating expenditures	11,561	11,132	429	640
Subtotal Cooperative Extension	171,000	146,939	24,061	165,512
Total Economic and Physical Development	373,601	270,809	102,792	365,741
Cultural				
Library System				
Salaries and benefits	225,390	215,003	10,387	206,120
Books and magazines	23,870	23,774	96	33,716
Other operating expenditures	46,130	42,649	3,481	43,249
Subtotal Library System	295,390	281,426	13,964	283,085
Recreation				
Salaries and benefits	32,295	17,945	14,350	-
Contributions to area recreation groups	40,500	26,350	14,150	-
Other operating expenditures	14,918	7,217	7,701	66,955
Subtotal Recreation	87,713	51,512	36,201	66,955

(continued on next page)

County of Montgomery, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Haltiwanger Retreat, other expenditures	15,000	-	15,000	-
County Gym Projects, allocations	8,000	2,154	5,846	8,530
Total Cultural	406,103	335,092	71,011	358,570
Debt Service				
Principal reduction	1,705,888	1,699,831	6,057	1,356,215
Interest and fees	920,992	297,041	623,951	937,350
Bond issuance costs	2,000	1,250	750	-
Total Debt Service	2,628,880	1,998,122	630,758	2,293,565
Total Expenditures	29,598,533	25,859,082	3,739,451	26,844,310
Excess of Revenues Over (Under) Expenditures	65,493	4,302,529	4,237,036	2,973,823
OTHER FINANCING SOURCES (USES)				
Transfers In:				
from Emergency Telephone fund	-	-	-	3,357
from Capital Projects fund-DSS Building	-	-	-	196,569
Transfers Out:				
to Child Support Incentives fund	-	(196,568)	(196,568)	-
to Schools Projects fund	(287,949)	(264,225)	23,724	-
to Airport Projects fund	(16,667)	(16,667)	-	(16,667)
to Capital Projects fund	(3,238,992)	(3,041,173)	197,819	-
to Water System fund	-	-	-	(484,839)
Capital Lease Financing Issued	18,500	-	(18,500)	-
Installment Financing Issued	-	-	-	254,930
Fund Balance (Contingency) Appropriated	3,459,615	-	(3,459,615)	-
Total Other Financing Sources (Uses)	(65,493)	(3,518,633)	(3,453,140)	(46,650)
Net Change in Fund Balance	\$ -	783,896	\$ 783,896	2,927,173
FUND BALANCES				
Beginning fund balances (July 1)		13,114,202		9,646,267
Change from consolidating funds		-		753,814
Adjustment to prior period		-		(213,052)
Beginning fund balances-restated		13,114,202		10,187,029
Ending Fund Balances		<u>\$ 13,898,098</u>		<u>\$ 13,114,202</u>

This fund consolidates the following funds that were reported separately in previous annual financial statements:

General Fund, School Fund, Revaluation Fund, Drug Forfeiture Fund, and 2-Cent Fire Tax Restricted VFD Fund

(continued from previous page)

County of Montgomery, North Carolina

**b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes
in Fund Balances -- Budget to Actual (since project's inception)**

For the Year Ended June 30, 2015

With Comparative Totals from Project Inception to June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings (Green Ridge)	\$ 679,432	\$ 683,397	\$ 7,894	\$ 691,291
Investment earnings (Jail / Detention)	421,314	421,704	22	421,726
Contributions / donations (Animal Shelter)	90,000	-	90,000	90,000
Total revenues	1,190,746	1,105,101	97,916	1,203,017
EXPENDITURES				
Public safety:				
Jail / Detention Center				
Administration	348,847	42,359	-	42,359
Construction	9,297,431	9,625,206	-	9,625,206
Engineering, legal, & other professional services	221,405	221,405	-	221,405
Other expenses	38,350	-	-	-
Animal Shelter				
Construction	159,452	-	154,282	154,282
Other expenses	375	-	375	375
Human services:				
DSS Building				
Administration	57,500	3,801	-	3,801
Engineering, legal, & other professional services	230,000	87,130	-	87,130
Schools capital outlay:				
Green Ridge Elementary School				
Administration	1,791,067	308,609	-	308,609
Construction	13,468,929	13,393,183	-	13,393,183
Engineering, legal, & other professional services	536,048	416,457	-	416,457
Furniture, fixtures, & equipment	750,000	1,467,632	-	1,467,632
Other expenses	23,151	10,516	-	10,516
Debt service:				
Green Ridge Elementary School				
Debt interest	284,000	-	518,980	518,980
Debt closing costs	60,000	-	53,750	53,750
Jail / Detention Center				
Debt interest	167,000	-	138,815	138,815
Debt closing costs	49,250	-	44,250	44,250
Total expenditures	27,482,805	25,576,298	910,452	26,486,750
Excess of revenues over (under) expenditures	(26,292,059)	(24,471,197)	(812,536)	(25,283,733)

(continued on next page)

County of Montgomery, North Carolina

**b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes
in Fund Balances -- Budget to Actual (since project's inception)**

For the Year Ended June 30, 2015

With Comparative Totals from Project Inception to June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(26,292,059)	(24,471,197)	(812,536)	(25,283,733)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (Green Ridge)	2,600,000	100,000	2,498,750	2,598,750
from General fund (Jail / Detention)	490,406	257,951	472,596	730,547
from General fund (DSS Building)	287,500	90,931	-	90,931
from General fund (Animal Shelter)	69,827	-	69,827	69,827
Proceeds from loans issued, 2007 (Green Ridge)	15,790,000	15,790,000	-	15,790,000
Proceeds from loans issued, 2014 (Green Ridge)	8,353,602	-	8,353,601	8,353,601
Proceeds from loans issued, 2007 (Jail / Detention)	9,467,000	9,937,024	-	9,937,024
Proceeds from loans issued, 2015 (Jail / Detention)	5,745,605	-	5,745,604	5,745,604
Payment to refunded bond escrow agent, 2014	(10,509,839)	-	(11,475,570)	(11,475,570)
Payment to refunded bond escrow agent, 2015	(6,002,042)	-	(6,476,385)	(6,476,385)
Total other financing sources (uses)	26,292,059	26,175,906	(811,577)	25,364,329
Net change in fund balance	\$ -	\$ 1,704,709	(1,624,113)	\$ 80,596
FUND BALANCES				
Beginning fund balances			1,704,709	
Ending fund balances			<u>\$ 80,596</u>	

This fund consolidates the following funds that were reported separately in previous annual financial statements:

Green Ridge Elementary School Fund	Beginning fund balances	977,000
Jail Capital Project Fund	Beginning fund balances	727,709
DSS Building Project Fund	Beginning fund balances	-

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
5. Financial Statements for Non-major Governmental Funds

	<u>Identifier</u>	<u>Page No.</u>
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.5.a	116
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.5.b	118
c. Emergency Telephone System Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.c	120
d. EMPG Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.d	121
e. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.5.e	122
f. Badin Lake Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.f	123
g. Lake Tillery Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.g	124
h. Child Support Incentives Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.h	125
i. Golden LEAF - Aseptia Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.5.i	126
j. Schools Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.5.j	127
k. Airport Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.5.k	128

The Non-major Governmental Funds Financial Statements include the combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance for non-major special revenue funds and capital projects funds that comprise the other governmental, non-major funds column in the Basic Financial Statements. The individual fund financial statements follow the combining statements.

The primary purpose of Special Revenue Funds is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Items c through h from the list above represent different Special Revenue Funds.

The purpose of Capital Projects Funds is to account for the financial resources segregated for the acquisition or construction of major general capital assets and facilities. The budgets within these funds are adopted for the life of the project. Under the project accounting concept, project expenditures and revenues are accumulated until the year in which the project is completed. Items i, j, and k from the list above represent Capital Project Funds.

County of Montgomery, North Carolina

a. Non-major Governmental Funds: Combining Balance Sheet

(continued on next page)

June 30, 2015

With Comparative Totals as of June 30, 2014

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
ASSETS					
Cash and cash equivalents	\$ 205,618	\$ 103,669	\$ 10,616	\$ 2,426	\$ 1,707
Taxes receivable, net	-	-	-	15,722	7,242
Accounts receivable, net	-	-	-	-	-
Due from other governments	16,854	9	-	1,437	683
Prepaid items	10,275	-	-	-	-
Restricted cash	-	-	-	-	-
Total assets	\$ 232,747	\$ 103,678	\$ 10,616	\$ 19,585	\$ 9,632
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 3,055	\$ 89	\$ -	\$ 2,426	\$ 1,697
Unearned revenues	-	-	-	-	-
Due to other governmental funds	-	-	-	3,020	1,784
Total liabilities	3,055	89	-	5,446	3,481
Deferred inflows:					
Property taxes receivable	-	-	-	15,722	7,242
Unearned tax revenues	-	-	-	-	10
Total deferred inflows	-	-	-	15,722	7,252
Fund balances:					
Non-spendable					
Prepaid Items	10,275	-	-	-	-
Restricted					
Stabilization of State Statute	16,854	9	-	-	-
Public Safety	202,563	103,580	-	-	-
Human Services	-	-	-	-	-
Schools Capital Outlay	-	-	-	-	-
Economic and Physical Development	-	-	10,616	-	-
Committed					
Schools Capital Outlay	-	-	-	-	-
Assigned					
Transportation	-	-	-	-	-
Unassigned	-	-	-	(1,583)	(1,101)
Total fund balances	229,692	103,589	10,616	(1,583)	(1,101)
Total liabilities, deferred inflows and fund balances	\$ 232,747	\$ 103,678	\$ 10,616	\$ 19,585	\$ 9,632

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Non-major Governmental Funds						
Child Support Incentives	Golden LEAF - Aseptia	Schools Projects	Airport Projects	Totals		
				2015	2014	
\$ 318,690	\$ 120,856	\$ 682,732	\$ 40,024	\$ 1,486,338	\$ 872,298	
-	-	-	-	22,964	24,205	
-	45,000	107,858	-	152,858	146,852	
91	32,441	13,167	52,688	117,370	42,235	
-	-	-	-	10,275	-	
-	-	98,637	-	98,637	669,560	
\$ 318,781	\$ 198,297	\$ 902,394	\$ 92,712	\$ 1,888,442	\$ 1,755,150	
\$ 798	\$ -	\$ -	\$ -	\$ 8,065	\$ 31,434	
-	-	-	5,525	5,525	1,500	
-	-	-	-	4,804	635,817	
798	-	-	5,525	18,394	668,751	
-	-	-	-	22,964	24,205	
-	-	-	-	10	-	
-	-	-	-	22,974	24,205	
-	-	-	-	10,275	-	
9,246	77,441	463,453	52,688	619,691	189,087	
-	-	-	-	306,143	306,160	
308,737	-	-	-	308,737	98,070	
-	-	98,637	-	98,637	669,560	
-	120,856	-	-	131,472	12,903	
-	-	340,304	-	340,304	301,712	
-	-	-	34,499	34,499	38,647	
-	-	-	-	(2,684)	(553,945)	
317,983	198,297	902,394	87,187	1,847,074	1,062,194	
\$ 318,781	\$ 198,297	\$ 902,394	\$ 92,712	\$ 1,888,442	\$ 1,755,150	

County of Montgomery, North Carolina

b. Non-major Governmental Funds: Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances

(continued on next page)

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 450,415	\$ 194,202
Local option sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues, restricted	166,332	35,288	112,220	-	-
Sales and services	-	-	-	-	-
Investment earnings	244	-	7	-	-
Miscellaneous	-	-	(16)	-	-
Total revenues	166,576	35,288	112,211	450,415	194,202
EXPENDITURES					
Transportation	-	-	-	-	-
Public safety	186,725	7,767	-	451,998	195,303
Human services	-	-	-	-	-
Education (intergovernmental)	-	-	-	-	-
Schools capital outlay	-	-	-	-	-
Economic and physical development	-	-	114,520	-	-
Debt service, principal reduction	-	-	-	-	-
Debt service, interest and fees	-	-	-	-	-
Total expenditures	186,725	7,767	114,520	451,998	195,303
Excess of revenues over (under) expenditures	(20,149)	27,521	(2,309)	(1,583)	(1,101)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(20,149)	27,521	(2,309)	(1,583)	(1,101)
FUND BALANCES					
Beginning fund balances (July 1)	249,841	76,068	12,925	-	-
Change from consolidating funds					
Adjustment to prior period					
Beginning fund balances-restated	249,841	76,068	12,925	-	-
Ending fund balances	\$ 229,692	\$ 103,589	\$ 10,616	\$ (1,583)	\$ (1,101)

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Non-major Governmental Funds							
Child Support Incentives	Golden LEAF - Aseptia	Schools Projects	Airport Projects	Totals			
				2015	2014		
\$ -	\$ -	\$ -	\$ -	\$ 644,617	\$ -		
-	-	378,144	-	378,144	377,182		
-	-	-	-	-	220,713		
64,749	2,050,038	-	58,793	2,487,420	2,044,702		
-	-	-	18,255	18,255	-		
-	-	29	-	280	1,927		
-	167,428	-	-	167,412	34,734		
64,749	2,217,466	378,173	77,048	3,696,128	2,679,258		
-	-	-	74,942	74,942	59,320		
-	-	-	-	841,793	232,404		
43,617	-	-	-	43,617	33,047		
-	-	494,348	-	494,348	-		
-	-	-	-	-	1,334,503		
-	1,487,564	-	-	1,602,084	2,342,931		
-	-	208,836	-	208,836	-		
-	-	123,088	-	123,088	-		
43,617	1,487,564	826,272	74,942	3,388,708	4,002,205		
21,132	729,902	(448,099)	2,106	307,420	(1,322,947)		
196,568	-	264,225	16,667	477,460	16,667		
-	-	-	-	-	(199,926)		
196,568	-	264,225	16,667	477,460	(183,259)		
217,700	729,902	(183,874)	18,773	784,880	(1,506,206)		
100,283	(531,605)	1,086,268	68,414	1,062,194	2,534,368		
					34,032		
100,283	(531,605)	1,086,268	68,414	1,062,194	2,568,400		
\$ 317,983	\$ 198,297	\$ 902,394	\$ 87,187	\$ 1,847,074	\$ 1,062,194		

County of Montgomery, North Carolina

c. Emergency Telephone System Fund: Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
System subscriber/surcharge fees	\$ 228,165	\$ 166,332	\$ (61,833)	\$ 220,713
Investment earnings	-	244	244	272
Total revenues	228,165	166,576	(61,589)	220,985
EXPENDITURES				
Public safety:				
Implemental functions	55,523	55,061	462	54,594
Phone and furniture expenditures	64,500	38,336	26,164	48,093
Software maintenance expenditures	52,000	40,181	11,819	29,959
Hardware maintenance expenditures	37,267	10,811	26,456	8,221
Training expenditures	11,423	4,970	6,453	1,049
Other expenditures	-	209	(209)	13,072
Capital outlay, hardware	224,287	37,157	187,130	-
Total public safety expenditures	445,000	186,725	258,275	154,988
 Excess of revenues over (under) expenditures	 (216,835)	 (20,149)	 196,686	 65,997
OTHER FINANCING SOURCES (USES)				
Transfers out:				
to General fund	-	-	-	(3,357)
Fund balance appropriated	216,835	-	(216,835)	-
Total other financing sources (uses)	216,835	-	(216,835)	(3,357)
 Net change in fund balance	 \$ -	 (20,149)	 \$ (20,149)	 62,640
FUND BALANCES				
Beginning fund balances		249,841		187,201
Ending fund balances		<u>\$ 229,692</u>		<u>\$ 249,841</u>

RECONCILIATION TO PSAP REVENUE-EXPENDITURE REPORT

	Revenue	Expenditures
Totals (from above)	166,576	186,725
less Ineligible fund expenditures	-	(209)
Totals reported to NC 911 Board	166,576	186,516

County of Montgomery, North Carolina

d. EMPG Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 36,000	\$ 35,288	\$ (712)	\$ 35,317
Total revenues	36,000	35,288	(712)	35,317
EXPENDITURES				
Public safety:				
Salaries and benefits	9,700	5,396	4,304	37,243
Supplies	1,500	87	1,413	-
Response gaps	88,800	2,284	86,516	-
Total expenditures	100,000	7,767	92,233	37,243
Excess of revenues over (under) expenditures	(64,000)	27,521	91,521	(1,926)
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	64,000	-	(64,000)	-
Total other financing sources (uses)	64,000	-	(64,000)	-
Net change in fund balance	\$ -	27,521	\$ 27,521	(1,926)
FUND BALANCES				
Beginning fund balances		76,068		77,994
Ending fund balances		<u>\$ 103,589</u>		<u>\$ 76,068</u>

County of Montgomery, North Carolina

e. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)

For the Year Ended June 30, 2015

With Comparative Totals from Project Inception to June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Project 11-C-2319	400,000	246,968	112,220	359,188
Project URP-1224	75,000	75,000	-	75,000
Investment earnings (URP-1224)	42	50	7	57
Miscellaneous (prior projects)	25,000	22,303	(16)	22,287
Total revenues	500,042	344,321	112,211	456,532

EXPENDITURES

Economic and physical development:

Community Development Block Grant-2011 Scattered Site Housing, 11-C-2319

Administration	60,000	30,000	30,000	60,000
Housing rehabilitation	360,000	221,368	84,520	305,888

Community Development Block Grant-Urgent Repair, URP-1224:

Grant expenditures	80,042	80,028	-	80,028
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Total expenditures	500,042	331,396	114,520	445,916
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Net change in fund balance	\$ -	\$ 12,925	(2,309)	\$ 10,616
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FUND BALANCES

Beginning fund balances

12,925

Ending fund balances

\$ 10,616

This fund consolidates the following funds that were reported separately in previous annual financial statements:

CDBG Urgent Repair Fund	Beginning fund balances	-
2011 CDBG Scattered Site Housing Fund	Beginning fund balances	12,925

County of Montgomery, North Carolina
f. Badin Lake Fire District Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 453,289	\$ 450,415	\$ (2,874)	\$ -
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	453,289	451,998	1,291	18,094
Net change in fund balance	<u>\$ -</u>	<u>(1,583)</u>	<u>\$ (1,583)</u>	<u>(18,094)</u>
FUND BALANCES				
Beginning fund balances		-		18,094
Ending fund balances		<u>\$ (1,583)</u>		<u>\$ -</u>

County of Montgomery, North Carolina
g. Lake Tillery Fire District Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 196,526	\$ 194,202	\$ (2,324)	\$ -
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	196,526	195,303	1,223	22,079
Net change in fund balance	<u>\$ -</u>	<u>(1,101)</u>	<u>\$ (1,101)</u>	(22,079)
FUND BALANCES				
Beginning fund balances		-		22,079
Ending fund balances		<u>\$ (1,101)</u>		<u>\$ -</u>

County of Montgomery, North Carolina

h. Child Support Incentives Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 50,812	\$ 64,749	\$ 13,937	\$ 94,221
Total revenues	50,812	64,749	13,937	94,221
EXPENDITURES				
Human services:				
IV-D child incentives	226,569	30,805	195,764	33,047
Grant expenditures	12,812	12,812	-	-
Adoption expenditures	8,000	-	8,000	-
Total expenditures	247,381	43,617	203,764	33,047
Excess of revenues over (under) expenditures	(196,569)	21,132	217,701	61,174
OTHER FINANCING SOURCES (USES)				
Transfers in				
from General fund	196,569	196,568	(1)	-
Total other financing sources (uses)	196,569	196,568	(1)	-
Net change in fund balance	\$ -	217,700	\$ 217,700	61,174
FUND BALANCES				
Beginning fund balances		100,283		39,109
Ending fund balances		<u>\$ 317,983</u>		<u>\$ 100,283</u>

County of Montgomery, North Carolina

i. Golden LEAF - Aseptia Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual (since project's inception)

For the Year Ended June 30, 2015

With Comparative Totals from Project Inception to June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, state restricted	\$ 3,500,000	\$ 1,449,061	\$ 2,050,038	\$ 3,499,099
Miscellaneous	-	30,869	167,428	198,297
Total revenues	3,500,000	1,479,930	2,217,466	3,697,396
EXPENDITURES				
Economic and physical development:				
Equipment purchases	3,500,000	2,011,535	1,487,564	3,499,099
Total expenditures	3,500,000	2,011,535	1,487,564	3,499,099
Net change in fund balance	\$ -	\$ (531,605)	729,902	\$ 198,297
FUND BALANCES				
Beginning fund balances			(531,605)	
Ending fund balances			<u>\$ 198,297</u>	

County of Montgomery, North Carolina

j. Schools Projects Fund: Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget to Actual (since project's inception)

For the Year Ended June 30, 2015

With Comparative Totals from Project Inception to June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Local option sales taxes (MCS building repairs)	\$ 777,506	\$ 775,895	\$ 302,515	\$ 1,078,410
Local option sales taxes (MCC building repairs)	194,376	-	75,629	75,629
Intergovernmental revenues, federal restricted				
Federal govt interest subsidy (QSCB)	-	122,384	-	122,384
Investment earnings (QSCB)	-	1,605	29	1,634
Total revenues	971,882	899,884	378,173	1,278,057
EXPENDITURES				
Schools capital outlay				
QSCB (Qualified School Construction Bonds)				
Administration	8,781	35,866	-	35,866
Construction and renovation	3,123,757	2,504,133	494,348	2,998,481
MCS building repairs				
Construction and renovation	125,592	-	-	-
MCC building repairs				
Construction and renovation	535,626	65,419	-	65,419
Debt service:				
QSCB (Qualified School Construction Bonds)				
Debt principal retirement	719,142	208,836	208,836	417,672
Debt interest	123,088	131,900	123,088	254,988
Total expenditures	4,635,986	2,946,154	826,272	3,772,426
Excess of revenues over (under) expenditures	(3,664,104)	(2,046,270)	(448,099)	(2,494,369)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (debt service)	64,724	-	-	-
from General fund (MCS building repairs)	190,316	-	189,225	189,225
from General fund (MCC building repairs)	75,000	-	75,000	75,000
Proceeds from debt issuance	3,132,538	3,132,538	-	3,132,538
Appropriated fund balance	266,250	-	-	-
Total other financing sources (uses)	3,664,104	3,132,538	264,225	3,396,763
Net change in fund balance	\$ -	\$ 1,086,268	(183,874)	\$ 902,394
FUND BALANCES				
Beginning fund balances			1,086,268	
Ending fund balances			<u>902,394</u>	

This fund was reported as the 2013 QSCB School Rehab Fund in previous annual financial statements:

County of Montgomery, North Carolina

**k. Airport Projects Fund: Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget to Actual (since project's inception)**

For the Year Ended June 30, 2015

With Comparative Totals from Project Inception to June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Airport Block Grant, Pavement Rehab	\$ 3,706,636	\$ 3,439,448	\$ 1,443	\$ 3,440,891
Airport Block Grant, Land Acquisition	351,000	33,300	57,350	90,650
Lease revenue from hangars	17,280	3,865	18,255	22,120
Miscellaneous (?36254.64.2.2?)	16,500	16,500	-	16,500
Total revenues	4,091,416	3,493,113	77,048	3,570,161
EXPENDITURES				
Transportation				
Airport Block Grant-Pavement Rehab				
Administration	7,000	7,000	-	7,000
Construction	3,079,390	2,931,838	-	2,931,838
Engineering, legal, & other professional services	146,963	147,231	-	147,231
Land acquisition	738,122	617,500	-	617,500
Other expenses	140	2,470	100	2,570
Airport Block Grant-Land Acquisition				
Administration	2,100	2,100	-	2,100
Construction	24,925	-	-	-
Engineering, legal, & other professional services	87,779	28,940	26,899	55,839
Land acquisition	386,196	-	34,765	34,765
Other expenses	-	-	45	45
Airport operating expenditures	17,280	82	13,133	13,215
Total expenditures	4,489,895	3,737,161	74,942	3,812,103
Excess of revenues over (under) expenditures	(398,479)	(244,048)	2,106	(241,942)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (Pavement Rehab)	117,332	279,128	-	279,128
from General fund (Land Acquisition)	150,000	-	-	-
from General fund (future project)	50,001	33,334	16,667	50,001
Fund balance appropriated / contingency	81,146	-	-	-
Total other financing sources (uses)	398,479	312,462	16,667	329,129
Net change in fund balance	\$ -	\$ 68,414	18,773	\$ 87,187
FUND BALANCES				
Beginning fund balances			68,414	
Ending fund balances			<u>\$ 87,187</u>	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
6. Financial Schedules for Major Enterprise Fund

	<u>Identifier</u>	<u>Page No.</u>
a. Water Operations Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.6.a	130
b. Water Projects Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.6.b	132

The County's sole Enterprise Fund is the Solid Waste Disposal and Collection Fund. This fund is used to account for the operations in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public be recovered through user charges.

The following schedule presents the results of operations for the Enterprise Fund on the modified accrual basis for comparison to the legally adopted budget. In accordance with generally accepted accounting principles, the end of the schedule includes a reconciliation of the modified accrual basis to the full accrual basis.

County of Montgomery, North Carolina

a. Water Operations Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Operating revenues:				
Departmental fees-sales of services	\$ 3,664,184	\$ 3,700,429	\$ 36,245	\$ 3,788,922
Miscellaneous	56,618	70,757	14,139	105,734
Total operating revenues	3,720,802	3,771,186	50,384	3,894,656
Non-operating revenues:				
Intergovernmental revenues	-	10,000	10,000	-
Interest earned	-	1,215	1,215	751
Total non-operating revenues	-	11,215	11,215	751
Total revenues	3,720,802	3,782,401	61,599	3,895,407
EXPENDITURES				
Administration and operating expenditures:				
Salaries and employee benefits	828,529	748,155	80,374	926,709
Supplies and materials	242,000	83,430	158,570	187,571
Automotive fuels and supplies	50,000	36,555	13,445	40,799
Equipment and tools	30,000	23,504	6,496	26,366
Utilities	300,000	260,039	39,961	256,248
Repairs and maintenance	400,000	472,457	(72,457)	165,524
Sludge removal	185,000	158,310	26,690	213,065
Water flouridation upgrade	-	13,868	(13,868)	-
Penalties and fines	12,500	12,500	-	12,500
Other	78,510	45,687	32,823	119,385
Total administration and operating expenditures	2,126,539	1,854,505	272,034	1,948,167
Debt service:				
Debt principal retirement	830,340	701,631	128,709	731,465
Debt interest paid	313,923	313,922	1	228,127
Capital outlay expenditures	450,000	90,206	359,794	42,104
Total expenditures	3,720,802	2,960,264	760,538	2,949,863
Excess of revenues over (under) expenditures	-	822,137	822,137	945,544
OTHER FINANCING SOURCES (USES)				
Transfers in from General fund	-	-	-	484,839
Transfers out to Water Projects fund	-	-	-	(501,620)
Total other financing sources (uses)	-	-	-	(16,781)
Net change in fund balance (modified accrual basis)	\$ -	\$ 822,137	\$ 822,137	\$ 928,763

(continued on next page)

County of Montgomery, North Carolina

a. Water Operations Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014
	Budget	Actual	Variance - Positive (Negative)
			Actual
(continued from previous page)			
Reconciliation of Modified Accrual Basis with Full Accrual Basis			
Net change in fund balance			
(modified accrual basis)	\$	822,137	\$ 928,763
Water and Sewer Projects Fund		1,074,444	1,377,639
Non-cash gain (loss) on disposals of capital assets		(3,333)	-
Capital outlay expenditures		86,631	42,104
Acquisition of capital assets through project activity		(72,820)	(3,667)
Depreciation expense		(934,545)	(892,808)
Pension expense		(3,305)	-
Contributions to pension plan		37,758	-
Retirement of debt principal		701,631	731,465
Transfer of funds to capital projects		-	501,620
Change in accrued investment earnings		-	284
Change in accrued retirement benefits		(15,302)	12,880
Change in compensated absences		(8,039)	(5,883)
Change in accrued debt interest payable		(5,014)	(30,142)
Change in net position (full accrual basis)	\$	1,680,243	\$ 2,662,255
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis			
Departmental fees (modified accrual basis)	\$	3,700,429	\$ 3,617,701
Bad debt expense (reduces revenue under MA basis)		124,608	171,221
Departmental fees (full accrual basis)	\$	3,825,037	\$ 3,788,922

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County of Montgomery, North Carolina

b. Water Projects Fund: Schedule of Revenues and Expenditures

-- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2015

With Comparative Totals from Project Inception to June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted				
US EPA STAG grant (66.01)	485,000	440,893	44,107	485,000
NC Commerce IDF (66.02)	553,920	539,431	14,489	553,920
NC Commerce IDF (66.03)	167,100	-	167,100	167,100
NC DENR Bernard Allen grant (65.02)	60,000	-	60,000	60,000
NC Rural center grant (65.02)	170,924	123,400	47,524	170,924
NC Rural center grant (66.01)	500,000	-	500,000	500,000
Golden leaf foundation grant (66.02)	498,750	257,526	241,224	498,750
Departmental fees-sales of services (prior projects)	-	249,066	-	249,066
Investment earnings (prior projects)	-	520	-	520
Investment earnings (66.01)	-	284	-	284
Total revenues	2,435,694	1,611,120	1,074,444	2,685,564
EXPENDITURES				
Environmental protection:				
Poole's Mill Road, 65.02:				
Construction	271,516	226,621	39,889	266,510
Engineering, legal, & other professional services	52,500	46,500	-	46,500
Other expenses	-	3,868	-	3,868
High Service Pump, 66.01:				
Equipment	449,960	384,704	26,817	411,521
Construction	1,334,865	1,245,163	75,679	1,320,842
Engineering, legal, & other professional services	85,000	62,000	19,000	81,000
Other expenses	-	3,196	-	3,196
Raw Water Intake, 66.02:				
Construction	1,102,670	1,035,095	63,519	1,098,614
Engineering, legal, & other professional services	117,100	134,563	1,800	136,363
Other expenses	-	590	-	590
Alum Sludge Treatment, 65.03:				
Construction	2,228,013	-	1,783,137	1,783,137
Engineering, legal, & other professional services	239,400	146,000	72,000	218,000
Other expenses	-	624	46,006	46,630
Total expenditures	5,881,024	3,288,924	2,127,847	5,416,771
Excess of revenues over (under) expenditures	(3,445,330)	(1,677,804)	(1,053,403)	(2,731,207)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from Water System fund (prior projects)	-	156,603	-	156,603
from Water System fund (65.02)	93,092	93,092	-	93,092
from Water System fund (66.01)	84,825	84,825	-	84,825
from Water System fund (66.02)	167,100	167,100	-	167,100
Proceeds from loan issues (66.01)	800,000	800,000	-	800,000
Proceeds from loan issues (66.03)	2,300,313	-	2,300,313	2,300,313
Total other financing sources (uses)	3,445,330	1,301,620	2,300,313	3,601,933
Net difference	\$ -	\$ (376,184)	1,246,910	\$ 870,726

This fund consolidates the following funds that were reported separately in previous annual financial statements:

Phase II Waterline Extension Capital Project Fund	Beginning net difference	315,383
Water Plant Improvements Fund	Beginning net difference	(691,567)
		(376,184)

County of Montgomery, North Carolina
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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
7. Financial Statement for Fiduciary Funds

	<u>Identifier</u>	<u>Page No.</u>
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.7.a	134

The County's fiduciary funds are used to account for resources received and held by the County as the trustee or for which the County acts as agent. The fiduciary funds are:

SSA Representative Payee Conserved Trust Fund

Property Tax Agency Fund

Fines and Forfeitures Agency Fund

Inmate Trust Fund

Soil & Water Conservation Trust Fund

Agricultural Advisory Board Trust Fund

County of Montgomery, North Carolina

a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds

For the Year Ended June 30, 2015

	Beginning Balance 2014	Additions	Deductions	Ending Balance 2015
SSA Representative Payee Conserved Trust Fund				
Assets				
Cash and cash equivalents	\$ 18,105	\$ 109,549	\$ (111,342)	\$ 16,312
Liabilities				
Accounts payable	\$ 18,105	\$ 110,447	\$ (112,240)	\$ 16,312
Property Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 39,748	\$ 2,096,442	\$ (2,106,222)	\$ 29,968
Taxes receivable	305,375	255,531	(305,375)	255,531
Total assets	\$ 345,123	\$ 2,351,973	\$ (2,411,597)	\$ 285,499
Liabilities				
Accounts payable	\$ -	\$ 2,040,070	\$ (2,040,070)	\$ -
Due to other taxing units	345,123	2,363,573	(2,423,197)	285,499
Total liabilities	\$ 345,123	\$ 4,403,643	\$ (4,463,267)	\$ 285,499
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable	\$ -	\$ 270,389	\$ (270,389)	\$ -
Liabilities				
Due to other taxing units	\$ -	\$ 270,389	\$ (270,389)	\$ -
Inmate Trust Fund				
Assets				
Cash and cash equivalents	\$ 5,847	\$ 138,477	\$ (131,629)	\$ 12,695
Liabilities				
Accounts payable	\$ 5,847	\$ 138,477	\$ (131,629)	\$ 12,695
Soil & Water Conservation Trust Fund				
Assets				
Cash and cash equivalents	\$ 13,515	\$ 25,338	\$ (24,607)	\$ 14,246
Liabilities				
Accounts payable	\$ 13,515	\$ 25,338	\$ (24,607)	\$ 14,246

(continued on next page)

County of Montgomery, North Carolina

a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds

For the Year Ended June 30, 2015

	Beginning Balance 2014	Additions	Deductions	Ending Balance 2015
(continued from previous page)				
Agricultural Advisory Board Trust Fund				
Assets				
Cash and cash equivalents	\$ 5,856	\$ 1,040	\$ (1,914)	\$ 4,982
Liabilities				
Accounts payable	\$ 5,856	\$ 1,040	\$ (1,914)	\$ 4,982
TOTALS, All Agency Funds				
Assets				
Cash and cash equivalents	\$ 83,071	\$ 2,370,846	\$ (2,375,714)	\$ 78,203
Taxes receivable	305,375	255,531	(305,375)	255,531
Intergovernmental receivable	-	270,389	(270,389)	-
Total assets	\$ 388,446	\$ 2,896,766	\$ (2,951,478)	\$ 333,734
Liabilities				
Accounts payable	\$ 43,323	\$ 2,315,372	\$ (2,310,460)	\$ 48,235
Due to other taxing units	345,123	2,633,962	(2,693,586)	285,499
Total liabilities	\$ 388,446	\$ 4,949,334	\$ (5,004,046)	\$ 333,734

(continued from previous page)

County of Montgomery, North Carolina
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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
8. Financial Statements for Component Unit

	<u>Identifier</u>	<u>Page No.</u>
a. Montgomery County Tourism Development Authority: Balance Sheet	Exhibit II.D.8.a	137
b. Montgomery County Tourism Development Authority: Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.D.8.b	138

The County's component unit, Montgomery County Tourism Development Authority, is used to account for the receipt and expenditure of occupancy tax revenues.

County of Montgomery, North Carolina

a. Montgomery County Tourism Development Authority: Balance Sheet

June 30, 2015

With Comparative Totals as of June 30, 2014

		Totals	
		2015	2014
ASSETS			
Cash and cash equivalents	\$	73,992	\$ 61,066
Taxes receivable, net		3,508	4,124
Prepaid items		470	-
Total assets	\$	77,970	\$ 65,190
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Fund balances:			
Non-spendable			
Prepaid items		470	-
Restricted			
Stabilization of State Statute		3,508	4,124
Tourism promotion		73,992	61,066
Total fund balances		77,970	65,190
Total liabilities, deferred inflows and fund balances	\$	77,970	\$ 65,190

County of Montgomery, North Carolina

b. Montgomery County Tourism Development Authority: Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2015

With Comparative Totals For the Year Ended June 30, 2014

	2015		2014	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Occupancy taxes on overnight lodging facilities	\$ 28,000	\$ 32,576	\$ 4,576	\$ 27,952
Total revenues	28,000	32,576	4,576	27,952
EXPENDITURES				
Economic development (tourism promotion)				
Tourism and event promotion	21,000	16,665	4,335	-
Operating expenditures	7,000	3,131	3,869	12,910
Total expenditures	28,000	19,796	8,204	12,910
Net change in fund balance	\$ -	12,780	\$ (3,628)	15,042
FUND BALANCES				
Beginning fund balances		65,190		50,148
Ending fund balances		\$ 77,970		\$ 65,190

County of Montgomery, North Carolina
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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
E. Other Supplementary Information

	<u>Identifier</u>	<u>Page No.</u>
1. Schedule of Cash and Investment Balances - Primary Government	Exhibit II.E.01	140
2. Schedule of Interfund Transfers	Exhibit II.E.02	141
3. Analysis of Current Tax Levy - County Government	Exhibit II.E.03	142
4. Schedule of Ad Valorem Taxes Receivable - County Government	Exhibit II.E.04	143
5. Principal Taxpayers	Exhibit II.E.05	144

This section contains schedules that depict information pertaining to cash balances, transfers among accounting entities (known as funds), and ad valorem tax collections in the County (which is the County's principal revenue source).

County of Montgomery, North Carolina

1. Schedule of Cash and Investment Balances - Primary Government

June 30, 2015

	Cash Distribution by Funds			
	Amounts Presented on Statements *			
	Fund Number			Totals
Cash and cash equivalents				
Unrestricted cash and cash equivalents				
General Fund	various	\$	12,565,986	
Special Revenue Funds:			763,582	
Emergency Telephone System Fund	20	205,618		
EMPG Fund	13	103,669		
Community Development Fund	14, 69	10,616		
Badin Lake Fire District Fund	26	2,426		
Lake Tillery Fire District Fund	29	1,707		
Child Incentives Fund	33	318,690		
Golden LEAF - Aseptia Fund	37	120,856		
Capital Projects Funds:			803,342	
School Projects	36	682,732		
Airport Projects	16	40,024		
County Projects	various	80,586		
Enterprise Fund, unrestricted cash	60-66		2,284,638	
Total unrestricted cash and cash equivalents			\$	16,417,548
Restricted cash				
General Fund			136,511	
Capital Projects Funds			18,045,433	
School Projects	36	98,637		
County Projects	various	10		
Unspent proceeds from advanced refundings		17,946,786		
Enterprise Fund	60-66		1,606,096	
Total restricted cash				19,788,040
Total cash and cash equivalents of the Primary Government			\$	36,205,588
(see Exhibit II.C.1.a, Government-Wide Statement of Net Position)				
Other cash and cash equivalents				
Agency Funds	70-81		78,203	
Total cash and cash equivalents			\$	36,283,791

County of Montgomery, North Carolina

2. Schedule of Interfund Transfers

For the Year Ended June 30, 2015

	Transfers out from:			
	General Fund	Capital Projects Fund	Community Development Fund	Total
Transfers in to:				
General Fund	\$ -	\$ -	\$ -	\$ -
Child Incentives Fund	196,568	-	-	196,568
Schools Projects Fund	264,225	-	-	264,225
Airport Projects Fund	16,667	-	-	16,667
County Projects Fund	3,041,173	-	-	3,041,173
Total	\$ 3,518,633	\$ -	\$ -	\$ 3,518,633

County of Montgomery, North Carolina

2. Schedule of Interfund Transfers

For the Year Ended June 30, 2014

	Transfers out from:			
	General Fund	Emergency Telephone Fund	County Projects Fund	Total
Transfers in to:				
General Fund	\$ -	\$ 3,357	\$ 196,569	\$ 199,926
Airport Projects Fund	16,667	-	-	16,667
Water System Fund	484,839	-	-	484,839
Total	\$ 501,506	\$ 3,357	\$ 196,569	\$ 701,432

County of Montgomery, North Carolina

3. Analysis of Current Tax Levy - County Government

For the Year Ended June 30, 2015

	County-Wide			Levy	
	Property Valuation	Rare per \$100	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$ 2,962,064,790	0.57000	\$ 16,883,774	\$ 15,666,051	\$ 1,217,722
Penalties (late charges)			19,847	19,847	-
Subtotals	<u>2,962,064,790</u>		<u>16,903,620</u>	<u>15,685,898</u>	<u>1,217,722</u>
Discoveries, Late Listings, and Other Supplements (including Public Service Companies)					
Property taxed at current year's rate	3,892,936	0.57000	22,190	22,190	-
Property taxed at prior year's rate	<u>447,242</u>	<u>0.67000</u>	<u>2,997</u>	<u>2,997</u>	<u>-</u>
Subtotals	<u>4,340,178</u>		<u>25,186</u>	<u>25,186</u>	<u>-</u>
Abatements					
Property taxed at current year's rate	(11,232,640)	0.57000	(64,848)	(61,431)	(3,418)
Subtotals	<u>(11,232,640)</u>		<u>(64,848)</u>	<u>(61,431)</u>	<u>(3,418)</u>
Totals	<u>\$ 2,955,172,328</u>		<u>16,863,959</u>	<u>15,649,654</u>	<u>1,214,305</u>
Net Levy			16,863,959	15,649,654	1,214,305
Less Uncollected Taxes, Current Year, at June 30			(469,518)	(469,518)	-
Current Year's Taxes Collected			<u>\$ 16,394,441</u>	<u>\$ 15,180,136</u>	<u>\$ 1,214,305</u>
Current Levy Collection Percentage (current year's taxes collected / net levy)			97.216%	97.000%	100.000%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio	100%		
Real Property	\$ 2,430,724,075	0.57000	\$ 13,854,309
Personal Property (current rate)	441,416,505	0.57000	2,516,074
Personal Property (prior rate)	447,242	0.67000	2,997
Public Service Companies	82,584,506	0.57000	470,732
Penalties			19,847
Totals	<u>\$ 2,955,172,328</u>		<u>\$ 16,863,959</u>

County of Montgomery, North Carolina

4. Schedule of Ad Valorem Taxes Receivable - County Government

June 30, 2015

Fiscal Year Ended June 30	Uncollected Balance 2014	Additions		Deductions		Uncollected Balance 2015
		Original Levy	Supplements	Collections	Abatements and Other Credits	
County Government						
2015	\$ -	\$ 16,903,620	\$ 25,186	\$ (16,394,441)	\$ (64,848)	\$ 469,518
2014	476,204		42,182	(222,292)	(62,184)	233,910
2013	253,282		21,609	(55,650)	(41,195)	178,046
2012	164,827		-	(29,566)	(2)	135,259
2011	112,445		-	(8,759)	(19)	103,667
2010	79,763		-	(4,924)	(6)	74,833
2009	65,209		-	(1,949)	-	63,260
2008	66,416		-	(1,571)	(21)	64,824
2007	44,953		-	(155)	-	44,798
2006	44,478		-	(549)	(277)	43,652
2005	42,436		-	(1,128)	(262)	41,046
older	-		-	-	-	-
	1,350,013	\$ 16,903,620	\$ 88,977	\$ (16,720,984)	\$ (168,814)	1,452,813
	(507,874)	Less allowance for uncollectible ad valorem taxes receivable				(643,320)
	<u>\$ 842,139</u>	Ad valorem taxes receivable, net				<u>\$ 809,493</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 16,773,355
Penalties, interest, advertising fees, and other adjustments	(52,371)
Total collections of taxes (as above)	<u>\$ 16,720,984</u>

County of Montgomery, North Carolina

5. Principal Taxpayers

For the Year Ended June 30, 2015

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Rank Last Year
1. Alcoa Power Generating	Utilities	\$ 92,018,500	3.114%	1
2. Duke Energy Progress	Utilities	53,731,122	1.818%	n/a
3. Jordan Lumber & Supply	Manufacturing	37,717,708	1.276%	2
4. Unilin N.A.	Manufacturing	33,197,163	1.123%	3
5. Wright Foods	Manufacturing	15,289,556	0.517%	n/a
6. Redus NC Land	Real Estate Development	12,963,100	0.439%	4
7. Mountaire Farms	Manufacturing	12,437,825	0.421%	5
8. Troy Lumber Co	Manufacturing	12,220,986	0.414%	6
9. Tillery Tradition	Real Estate Development	11,165,195	0.378%	7
10. Randolph EMC	Utilities	10,040,999	0.340%	n/a
Totals		<u>\$ 290,782,154</u>	<u>9.840%</u>	

County of Montgomery, North Carolina

5. Principal Taxpayers

For the Year Ended June 30, 2014

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation
1. Alcoa Power Generating	Utilities	\$ 92,018,500	3.069%
2. Jordan Lumber & Supply	Manufacturing	41,115,693	1.371%
3. Unilin N.A.	Manufacturing	34,730,359	1.158%
4. Redus NC Land	Real Estate Development	13,156,700	0.439%
5. Mountaire Farms	Manufacturing	12,743,988	0.425%
6. Troy Lumber Co	Manufacturing	12,214,668	0.407%
7. Tillery Tradition	Real Estate Development	11,690,726	0.390%
8. Grede II	Manufacturing	11,695,254	0.390%
9. Gibraltar Packaging	Manufacturing	11,427,605	0.381%
10. Suddekor	Manufacturing	9,086,033	0.303%
Totals		<u>\$ 249,879,526</u>	<u>8.333%</u>

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

	Identifier	Page No.
A. Reports from the Independent Auditor	Subsection III.A.	145
B. Schedule of Findings, Responses, and Questioned Costs	Subsection III.B.	152
C. Corrective Action Plan	Subsection III.C.	156
C. Summary Schedule of Prior Year Findings	Subsection III.C.	156
D. Schedule of Expenditures of Federal and State Awards	Subsection III.D.	157
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit III.D.1 0	162

This section contains schedules and auditor reports required by U.S. OMB (Office of Management and Budget) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act of North Carolina. The required schedules reflect federal, State, and local participation in various projects and programs of the County for which the federal and/or State government contributed.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2015
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
A. Reports from the Independent Auditor

	<u>Identifier</u>	<u>Page No.</u>
1. Report from the Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	Exhibit III.A.1	148
2. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit III.A.2	150
3. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and On Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit III.A.3	152



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**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Board of County Commissioners
Montgomery County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Montgomery County's basic financial statements, and have issued our report thereon dated January 8, 2016. Our report includes a reference to other auditors who audited the financial statements of the Montgomery County ABC Board, as described in our report on Montgomery County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Montgomery County TDA were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material

weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Montgomery County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

Wilmington, North Carolina

January 8, 2016



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Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Montgomery County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Montgomery County's, compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Montgomery County's major federal programs for the year ended June 30, 2015. Montgomery County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Montgomery County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montgomery County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Montgomery County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Montgomery County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Montgomery County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Montgomery County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

Wilmington, North Carolina

January 8, 2016



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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Montgomery County, North Carolina

Report on Compliance for Each Major State Program

We have audited Montgomery County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission, that could have a direct and material effect on each of the Montgomery County's major state programs for the year ended June 30, 2015. Montgomery County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Montgomery County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Montgomery County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Montgomery County's compliance.

Opinion on Each Major State Program

In our opinion, Montgomery County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Montgomery County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montgomery County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

Wilmington, North Carolina

January 8, 2016

B. Schedule of Findings and Questioned Costs

Section I.	Summary of Auditor's Results
-------------------	-------------------------------------

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses X yes no

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
93.778	Title XIX-Medicaid
93.767	Children's Health Insurance Program (CHIP) – State Selected
66.458	Capitalization Grants for Clean Water

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2015
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B. Schedule of Findings and Questioned Costs

Dollar threshold used to distinguish
between Type A and Type B Programs \$ 1,412,402

Auditee qualified as low-risk auditee? ___yes Xno

State Awards

Internal control over major state programs:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ___yes Xnone reported

Type of auditor's report issued on compliance for major state programs: Unmodified.

Any audit findings disclosed that are
required to be reported in accordance
with State Single Audit Implementation
Act ___yes Xno

Identification of major state programs:

Name of State Program or Cluster

The Medical Assistance Program which is a State match on a federal program also meets the criteria for a major state program, but this program has been included in the list of major federal programs above.

N.C. Rural Economic Development Center – Infrastructure Improvement Project

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2015
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B. Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

2015 –001 Segregation of Duties.

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among County personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan to follow.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2015
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
Corrective Action Plan

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2015 – 001 Segregation of Duties

Name of contact person: C.D. Crepps, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2015
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
C. Summary Schedule of Prior Year Findings

Status: 2014-001 Corrected
2014-002 Corrected.
2014-003 Corrected.
2014-004 Corrected.
2014-005 Corrected.
2014-006 Corrected.
2014-007 Corrected.

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Passed-Through N.C. Department of Health and Human Services:</u>					
<u>Division of Public Health:</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	\$ 846,129	\$ -	\$ -
Special Supplemental Nutrition Program for Women, Infants, and Children - administration	10.557	5403, -4, -5, -9	223,442	-	-
<u>Total Division of Public Health</u>			<u>1,069,571</u>	<u>-</u>	<u>-</u>
<u>Passed-Through N.C. Department of Health and Human Services:</u>					
<u>Division of Social Services:</u>					
<u>Administration:</u>					
<u>Supplemental Nutrition Assistance Program Cluster:</u>					
Supplemental Nutrition Asst. Program - State Administration Matching Grant	10.561	404, 417	319,296	-	319,295
Food Stamps Incentive Retention	10.561	455	36,162	(319)	-
Supplemental Nutrition Assistance Program - Fraud	10.561	405	7,348	-	7,348
<u>Total Supplemental Nutrition Assistance Program Cluster</u>			<u>362,806</u>	<u>(319)</u>	<u>326,643</u>
<u>Total U.S. Department of Agriculture</u>			<u>1,432,377</u>	<u>(319)</u>	<u>326,643</u>
<u>U.S. Department of Health and Human Services</u>					
<u>Passed-Through the N.C. Department of Health and Human Services:</u>					
<u>Divisions of Aging (thru Piedmont Triad Regional Council) and Social Services:</u>					
<u>Aging Cluster:</u>					
Special Programs for the Aging - In Home Services	93.044	-	10,476	86,710	2,500
III-B Grants for Supportive Services	93.044	-	27,757	16,977	2,500
Congregate Nutrition	93.045	-	31,248	1,840	2,500
Home Delivered Nutrition	93.045	-	50,810	42,540	2,500
NSIP Supplement	93.053	-	17,695	-	-
<u>Total Aging Cluster</u>			<u>137,986</u>	<u>148,067</u>	<u>10,000</u>
Social Services Block Grant - In Home Services	93.667	022, 030	211	-	30
<u>Total Division of Aging</u>			<u>138,197</u>	<u>148,067</u>	<u>10,030</u>
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster:</u>					
<u>Child Care Development Fund Sub-Cluster:</u>					
Child Care and Development Fund -- Administration - via Division of Social Services	93.596	364	82,019	-	-
Child Care and Development Fund -- Discretionary	93.575	D*23, TB23	326,836	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	111,868	-	-
<u>Total Child Care Development Fund Sub-Cluster</u>			<u>520,723</u>	<u>-</u>	<u>-</u>
<u>Temporary Assistance for Needy Families Cluster:</u>					
Temporary Assistance for Needy Families - Child Care	93.558	T223	83,460	-	-
<u>Total Temporary Assistance for Needy Families Cluster</u>			<u>83,460</u>	<u>-</u>	<u>-</u>

continued on next page

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2015

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>Division of Child Development:</u> (continued from above)					
<u>Subsidized Child Care Cluster:</u> (continued from above)					
Foster Care Title IV-E	93.658	Q423, 460, 467	7,773	4,026	-
State and Local Appropriations	-	0023	-	8,849	-
TANF-MOE	-	T623	-	64,454	-
<u>Total Subsidized Child Care Cluster</u>			611,956	77,329	-
<u>Centers for Medicare and Medicaid Services:</u>					
<u>Division of Medical Assistance:</u>					
<u>Medicaid Cluster:</u>					
Medicaid Assistance Program - direct benefit payments	93.778	-	25,610,183	14,136,975	-
Health Choice Program - direct benefit payments	93.767	-	595,763	187,846	-
<u>Division of Social Services:</u>					
Adult Care Home Case Mgmt/Spec	93.778	211, 213, 396	7,167	3,583	3,583
Medical Assistance Administration	93.778	412, 422, 441	637,562	-	197,875
Medical Assistance Services	93.778	477	25,580	-	25,580
Medical Transportation Administration	93.778	375	37,141	-	37,141
State-County Special Assistance	93.778	128, 131, 151	17,810	-	6,546
<u>Total Medicaid Cluster</u>			26,931,206	14,328,404	270,725
<u>Division of Public Health:</u>					
Public Health Emergency Preparedness	93.074	2680, 2784	39,912	-	-
Tuberculosis Control Programs	93.116	272A, 272E	33,372	-	-
Immunization Program/Aid to County Funding	93.268	623C, 625C, 631X	3,619	-	-
PPHF: Preventive Health Services	93.758	5503	13,757	-	-
HIV Prevention Activities	93.940	981C	1,000	-	-
STD Control Programs	93.977	462A, 462B	217	-	-
State-wide Health Promotion Program	93.991	5503	6,789	-	-
Maternal and Child Health Services Block Grant	93.994	5107,5318,5735,-40,-45	60,940	45,711	-
<u>Total Division of Public Health</u>			159,606	45,711	-
<u>Division of Social Services:</u>					
<u>Child Support Enforcement Funds:</u>					
Incentive Regular	93.563	-	64,749	-	-
<u>Total Child Support Enforcement Funds</u>			64,749	-	-
<u>Foster Care and Adoption Assistance Cluster:</u>					
IV-E Child Protective Services	93.658	072, 074	19,568	18,932	10,158
IV-E Foster Care Training	93.658	96, 97	58,035	-	58,035
IV-E Admin County Paid - direct benefit payments	93.658	-	8,204	4,102	4,102
IV-E Family Foster Max - direct benefit payments	93.658	-	94	-	49
IV-E Foster Care - direct benefit payments	93.658	-	26,836	6,953	6,953
IV-E Foster Care Eligibility Determination	93.658	431	14,027	-	-
IV-E Adoption Subsidy - direct benefit payments	93.659	-	33,645	8,719	8,719
IV-E Adoption Training	93.659	-	35	-	35
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	37,563	7,449
State Child Welfare/CPS/CS LD	-	-	-	61,090	-
State-County / Special Assistance Domiciliary Care Payments - direct benefit payments	-	-	-	318,300	318,308
State Foster Home and Families Maximization - direct benefit payments	-	-	-	7,238	7,237
<u>Total Foster Care and Adoption Assistance Cluster</u>			160,444	462,897	421,045

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County of Montgomery, North Carolina

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For the Year Ended June 30, 2015

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>TANF Cluster:</u>					
TANF Payments and Penalties - direct benefit payments	93.558	-	156,723	-	-
TANF Public Health Services	93.558	5151	3,827	-	-
Work First Administration	93.558	046, '048	52,031	-	86,627
Work First Services	93.558	047, '049	164,409	-	231,807
<u>Total TANF Cluster</u>			<u>376,990</u>	<u>-</u>	<u>318,434</u>
Family Preservation	93.556	-	5,280	-	-
<u>Subtotal</u>			<u>5,280</u>	<u>-</u>	<u>-</u>
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(26)	(7)	(7)
IV-D Offset Fees Federal	93.563	-	1,281	-	660
IV-D Offset Fees ESC	93.563	-	87	-	45
IV-D Government Service Contract	93.563	423, 449	366,826	-	188,971
AFDC Incentives / Program Integrity	-	267	-	925	-
Crisis Intervention Planning Services	93.568	372	130,400	-	-
Low-Income Energy Administration	93.568	-	25,005	-	-
LIHEAP	93.568	372	195,900	-	-
Permanency Planning - Services and Administration	93.645	368, 464, 465	(2,338)	-	(779)
Social Services Block Grant	93.667	10, 394, 395, 607, 608	100,757	11,612	37,456
LINKS	93.674	290, 291	56	14	-
N. C. Health Choice	93.767	440, 441, 483, 10126	760	239	-
<u>Office of Population Affairs:</u>					
Family Planning	93.217	592C, 592D	29,381	-	-
<u>Total U.S. Department of Health and Human Services</u>			<u>29,296,517</u>	<u>15,075,191</u>	<u>1,246,580</u>
U.S. Department of Justice					
<u>Direct Program:</u>					
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0824	2,855	-	-
U.S. Department of the Treasury					
<u>Direct program:</u>					
U.S. Immigration and Customs Enforcement	16.578	NC0230000	18,658	-	-
U.S. Environmental Protection Agency					
<u>Passed-Through NC Department of Environmental and Natural Resources:</u>					
S.T.A.G.	66.039	-	44,107	-	-
Capitalization Grants for Clean Water State Revolving Projects	66.458	-	2,300,313	-	-
<u>Total U.S. Environmental Protection Agency</u>			<u>2,344,420</u>	<u>-</u>	<u>-</u>
U.S. Federal Emergency Management Agency					
<u>Passed-Through NC Department of Crime Control and Public Safety:</u>					
Emergency Management Program	83.552	-	-	35,288	-
<u>Total Federal Awards</u>			<u>33,094,827</u>	<u>15,110,160</u>	<u>1,573,223</u>

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III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
State Awards:					
<u>N.C. Department of Commerce</u>					
Industrial Development Fund		Raw Water Intake	-	14,489	-
Industrial Development Fund		Alum Sludge Treatment	-	167,100	-
Infrastructure Improvement Project		Poole's Mill Road	-	107,524	-
Infrastructure Improvement Project		High Service Pump	-	500,000	-
NC One Grant - Baldor Electric Company		-	-	-	-
NC One Grant - Clearwater Paper Corporation		-	-	-	-
NC One Grant - Solaris Industries		-	-	-	-
<u>Total N.C. Dept of Commerce</u>			-	789,113	-
<u>N.C. Department of Environment and Natural Resources</u>					
Funds for Soil and Water Conservation District		-	-	21,085	55,464
Scrap Tire Disposal		-	-	42,000	-
White Goods Management		-	-	4,734	-
<u>Total N.C. Department of Environment and Natural Resources</u>			-	67,819	55,464
<u>N.C. Department of Health and Human Services</u>					
<u>Division of Public Health:</u>					
Food and Lodging Fees		1153-4752-SZ62	-	5,084	-
General Aid to Counties		1161-4110-0062	-	80,565	-
Public Health Nurse Training		1161-4301-0062	-	80	-
Communicable Disease Control		1175-4510-0062	-	11,139	-
Risk Reduction/Health Promotion		1261-5503-0062	-	6,286	-
Child Health		1271-5745-0062	-	1,763	-
Maternal Care		13A1-5107-0062	-	4,837	-
Family Planning (HMHC)		13A1-5735-0062	-	675	-
Maternal Health (HMHC)		13A1-5740-0062	-	16,754	-
Women's Health Service Fund		13A1-6015-FR62	-	14,445	-
HIV/STD State		1311-4536-BN62	-	400	-
HIV/STD SSBG Aid		1311-4536-RQ62	-	100	-
Sexually Transmitted Diseases		1311-4601-BN62	-	569	-
Sexually Transmitted Diseases		1311-4601-RQ62	-	45	-
School Nurse Funding Initiative		1332-5358-0062	-	100,000	-
Tuberculosis (TB)		1460-4551-0062	-	5,295	-
TB Medical Service		1460-4554-0062	-	1,034	-
Water Fluoridation Upgrade		-	-	10,000	-
<u>Division of Social Services:</u>					
Enterprise Program Integrity Control System		-	-	4,068	-
Energy Assistance Private Grants		-	-	5,868	-
<u>Total N. C. Department of Health and Human Services</u>			-	269,007	-
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds		-	-	250,000	-
<u>N.C. Department of Public Safety</u>					
Juvenile Crime Prevention Council		-	-	99,288	1,244
Tier II-Support LEPC		-	-	1,104	-
<u>Total N. C. Department of Public Safety</u>			-	100,392	1,244

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D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
State Awards: (continued from previous page)					
<u>N.C. Department of Transportation</u>					
<u>Rural Operating Assistance Program Cluster:</u>					
Elderly and Disabled Transportation Assistance Program		-	-	61,571	-
Rural General Public Program		-	-	50,910	10,000
Employment Transportation Assistance Program		-	-	1,340	-
<u>Total Rural Operating Assistance Program Cluster:</u>			-	113,821	10,000
State/Federal Block Grant Program		-	-	58,793	-
<u>Total N.C. Department of Transportation</u>			-	172,614	10,000
<u>N.C. Office of State Controller</u>					
Controlled Substances Tax		-	-	2,703	-
<u>Golden LEAF Foundation</u>					
Economic Catalyst-Wright Foods		-	-	361,899	-
Industrial Development		-	-	241,224	-
<u>Total N.C. Department of Revenue</u>			-	603,123	-
<u>Total State Awards</u>			-	2,254,771	66,708
<u>Total Federal and State Awards</u>			<u>\$ 33,094,827</u>	<u>\$ 17,364,931</u>	<u>\$ 1,639,931</u>

Note: The dollar threshold used to distinguish major federal programs was \$1,412,402.

County of Montgomery, North Carolina

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For the Year Ended June 30, 2015

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

D. Schedule of Expenditures of Federal and State Awards

1. Notes to Schedule of Expenditures of Federal and State Awards

1. Presentation Notes

Basis of Presentation: The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Since this presentation only includes a selected portion of the operations of the County, it is not intended to present nor does it present the financial position, changes in net position, nor cash flows of the County. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Summary of Significant Accounting Principles: Expenditures reported in the SEFSA are presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

Cluster of Programs: The following topics are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care, Foster Care and Adoption Assistance, and Child Support Enforcement.

2. Subrecipients

Of the federal and State expenditures presented in the schedule, the County provided federal and State awards to subrecipients as follows:

Program Title / Subrecipient	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Home & Community Care Block Grant					
Montgomery County Council on Aging		-	\$ 133,072	\$ 130,370	\$ -
Town of Troy		-	4,914	17,697	-
Juvenile Crime Prevention Council					
Randolph Day Reporting Center		-	\$ -	\$ 70,347	\$ -
Rural Operating Assistance Program					
Randolph County Area Transit System		-	\$ -	\$ 113,821	\$ 10,000

3. Pass-Thru Grant Awards from Jointly Governed Organization (Piedmont Triad Regional Council)

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<u>U.S. Department of Health and Human Services</u>					
<u>Passed-Through the N.C. Department of Health and Human Services:</u>					
<u>Divisions of Aging (thru Piedmont Triad Regional Council) and Social Services</u>					
Special Programs for the Aging - In Home Service:	93.044	-	\$ 10,476	\$ 86,710	\$ 2,500
III-B Grants for Supportive Services	93.044	-	27,757	16,977	2,500
Congregate Nutrition	93.045	-	31,248	1,840	2,500
Home Delivered Nutrition	93.045	-	50,810	42,540	2,500
NSIP Supplement	93.053	-	17,695	-	-
Total pass-thru grants awards from IPDC			\$ 137,986	\$ 148,067	\$ 10,000

County of Montgomery, North Carolina

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III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

D. Schedule of Expenditures of Federal and State Awards

1. Notes to Schedule of Expenditures of Federal and State Awards

4. Loans Outstanding to State

The County had the following loan balances outstanding at June 30, 2015. The loan made during the year is included in the federal expenditures presented in the SEFSA. Balances and transactions related to these programs are included in the County's basic financial statements.

Program Title	Federal CFDA Number	State Grantor Number	Amount Outstanding
North Carolina State Revolving Fund Loan - Drinking Water	66.458	H-LRX-F-05- 0998	\$ 3,322,771
North Carolina State Revolving Fund Loan - Drinking Water	66.458	H-LRX-F-09- 0998B	\$ 1,013,923
North Carolina State Revolving Fund Loan - Drinking Water	66.458	H-LRX-F-10- 1697	\$ 2,300,313

5. Benefit payments (reimbursements) issued by (to) the State

Direct benefit payments are paid directly to recipients and are only included in the County's basic financial statements as part of Note f, Benefit Payments Issued By the State, in the Notes to Financial Statements. However, due to the County's involvement in determining eligibility, these payments are considered federal awards to the County and are included on this schedule.

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Special Supplement Nutrition Program for Women, Infants, Children	10.557	-	\$ 846,129	\$ -	\$ -
Medical Assistance	93.778	-	25,610,183	14,136,975	-
Health Choice Claim Expenditures	93.767	-	595,763	187,846	-
Participation in Budgeted County Expenditures					
IV-E Adoption Subsidy	93.659	-	33,645	8,719	8,719
IV-E Admin County Paid	93.658	-	8,204	4,102	4,102
IV-E Family Foster Max	93.658	-	94	-	49
IV-E Foster Care	93.658	-	26,836	6,953	6,953
AFDC Payments and Penalties	93.560	-	(26)	(7)	(7)
TANF Payments and Penalties	93.558	-	156,723	-	-
Child Welfare Services Adoption Subsidy	n/a	-	-	37,563	7,449
Special Assistance Domicillary Care	n/a	-	-	318,300	318,308
State Foster Home Families Maximization	n/a	-	-	4,391	4,390
State Foster Home	n/a	-	-	2,847	2,847
Total participation in budgeted county expenditures			225,476	382,868	352,810
Total direct benefit payments			\$ 26,681,788	\$ 14,519,843	\$ 352,810

County of Montgomery, North Carolina
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For the Year Ended June 30, 2015

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