COUNTY OF MONTGOMERY
NORTH CAROLINA

MONTGOMERY COUNTY: A GOLDEN OPPORTUNITY

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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

COUNTY OF MONTGOMERY
NORTH CAROLINA

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
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Dear Board of Commissioners:

Please find attached the Montgomery County Budget Ordinance and Fee Schedule 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 sixty-two (62) cents per one hundred (100) dollars of property value.

The budget reflects a continuation of the priorities identified by the Board of Commissioners: education, infrastructure, economic development, public safety, technology, and consumer oriented service delivery models. It has been my pleasure to serve under the direction of a Board united to strengthen these fundamental foundations which will lead to growth and prosperity in the County.

Outwardly, the appearance of the County has not changed in a long while. Aside from a new dollar store, or two, dotted here and there like rural respite areas between the state-wide chain of Walmart stores, the economic landscape of the County looks significantly less prosperous than it did forty years ago. Nevertheless, because of the visionary leadership of the Board, I feel more optimistic about the current direction and the future direction of the County than I ever have.

Over the past several years, while not altogether outwardly visible, the Board has directed a fiscal reversal of the County's pocketbook to a level of long term stability with allowances for growth opportunities, has implemented capital replacement plans, has refinanced and shortened existing debt, has improved employee benefits and wages, has capitalized on state and federal funding sources, has eliminated audit issues and positioned the County in good graces with State governing authorities, has built cooperative and supportive relationships with municipalities in the County and with the Town of Robbins-the County's third largest purchaser of water, has created new facilities for the ethical treatment of animals, has improved cultural resource facilities like the public library, has championed highway projects to facilitate growth, has supported infrastructure growth by permitting cell towers-which everyone wants but not in their backyard, has protected residential rights by enforcing zoning requirements, and has holistically improved the level of County services for the people of Montgomery County.

I am fortunate to have been a part of this foundation building, and I wish the people of the County could see and appreciate the work that has been done, the earnestness of the Commissioners, and the efforts of County staff to facilitate the vision. Restricted as they are by limited sources of revenue and legislative mandates to provide educational, health and social programs, and public safety, the County's efforts to reverse the direction of fortune has necessarily been methodical and slow, yet managed in a way that has been forward thinking, steadfast, and cumulative in its efforts.

This coming fiscal year, 2016-17, will be monumental in that several of the long term goals envisioned years previous will, like seeds planted, begin to show signs of growth. Foremost among those goals, the Board has long believed education was essential to the prosperity of the County. To inspire students, to provide a qualified workforce, and to entice people to live in Montgomery County, education is the lynch pin to couple the County with the engine pushing toward success and against the backward rail slide of rural counties unable to compete in the postmodern, global economy.

The County will, in the coming weeks, be submitting an unparalleled request for funding to support a complete reworking of the educational system in Montgomery County. Significant to the request is the inclusion of independent auditor opinions supporting the County's financial wherewithal to invest in educational improvements.

Local governments are prohibited from borrowing beyond their means, or from borrowing only with a plan (i.e. future tax increases) to support their request. State approval for local government borrowing has been stringently scrutinized since the recession of 2007-09, and current approval from the State will be an assurance to the people of this County that their concerns are well managed.

It is an understatement to say it is a milestone accomplishment for Montgomery County to be in a position to do something about its rural decline. It was almost unthinkable a few years back for the County to be in a position to invest in economic prosperity. As monumental as it may be, however, the hardest work is yet to come.

With affirmation of fiscal abilities, the Board of Commissioners will move to the next phase of the plan. Public engagement; debate; dialogue; discussions; consultations; designs; drawings; and revisions innumerous - all of these actions will lead to the creation of a strategic plan aimed at making education our sturdiest foundation and our most shining accomplishment.

In that process there will be many varied opinions, many protests, and many attempts to derail the plan or even the creation of a plan. It is the nature of our world, and as Earle Connelly was fond of saying, a camel was a horse put together by a committee. Much hard work has been exerted to put us in this position, and I challenge the Board to remain committed to the ideals and standards they have exhibited in the process of getting the County to this point.

With the funding request and the independent financial analysis of the County, we are also submitting an architectural study which ties the standards set forth by the Department of Public Instruction for the construction of educational facilities to the financial capabilities of the County. This submittal, however, is not the end; it is the beginning. The studies simply set the stage and the parameters for the construction of a strategic plan, not a building. The Board is determined that no plan short of one aspiring to recast the students of Montgomery County for a global economy will be funded by the taxpayers of this County.

Present and intended funding sources may not come to fruition, and alternative financing may be implemented, but notwithstanding, from this point forward we are in a position to improve the economic vitality of the County through quality education.

In addition to education, the budget for the upcoming year also includes for the first time significant allocations aimed at product development for economic growth and for marketing assets in the County to strengthen existing businesses and promoting tourism. These plans will follow the same course as those for education: community dialogue, analysis, plan development, and debate. Again, it is an exciting time to be able to envision and design plans that can be implemented.

Montgomery County is emerging from troubled times and is committed to investing in itself. It has been a struggle and the work ahead will necessarily call upon additional forward thinking people to forge the pathways. Regardless of the outcomes of the fall elections, the average age of the County Board of Commissioners next term will be over sixty-five years. New leaders will take the place of those of us here now, and we hope they possess the vision and the dedication to appreciate the work done to-date, the planning processes that will be started next year and the years ahead, and will carry that work forward to the day that the signs of progress are clearly visible for all to see.

I respectfully submit the budget for fiscal year 2016-17, and again thank the Board for the work they perform for the people of Montgomery County.

Signed,

Matthew M. Woodard

Matthew Montgomery Woodard
County Manager

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
I: PREFACE AND INTRODUCTION

B. List of Principal County Officials

BOARD OF COUNTY COMMISSIONERS

JIM MATHENY
Commission Chair
Term Expires 2020

ANTHONY COPELAND
Commissioner
Term Expires 2020

JACKIE MORRIS
Commissioner
Term Expires 2018

MIKE CRISCOE
Commissioner
Term Expires 2018

TRIPP MYRICK + (WAYNE WOOTEN)
Commission Vice-Chair
Term Expires 2020

COUNTY OFFICIALS

MATTHEW M WOODARD
County Manager

DOSHIA SWARINGEN + (NATALIE CAVINESS)
Clerk to the Board / Assistant to the Manager

LEON EVERETT
Animal Control Director

BRIAN NORRIS
Building Inpsections Director

AMANDA WHITAKER
Economic Development Director

C. D. CREPPS
Finance Director

GRANT HUNSUCKER + (ROBBIE SMITH)
Fire Marshal / Emergency Management Director

LARRY LEAKE
Housekeeping Director

BETH DUNN + (RENEE JONES)
Human Resources Director

BRIAN HELMS
Information Technology Director

DAVID ATKINS
Library Director

ANDREW GAHAGAN
Planning/Zoning Director

CHRIS HILDRETH
Public Utilities Director

RUSS HOLLERS
Attorney

ELECTED DEPARTMENTS

MELISSA F PIPKIN
Register of Deeds (Term Expires 2016)

CHRIS WATKINS
Sheriff (Term Expires 2018)

COORDINATIVE DEPARTMENTS

MOLLY ALEXI
Cooperative Extension Director

AMY ROBERTS
Elections Director *

MARY PEREZ
Health Director

DOTTIE ROBINSON + (STEPHANIE SMITH)
Social Services Director

ANTHONY ELKINS + (JOSEPH HUNTLEY)
Soil & Water District Resource Specialist *

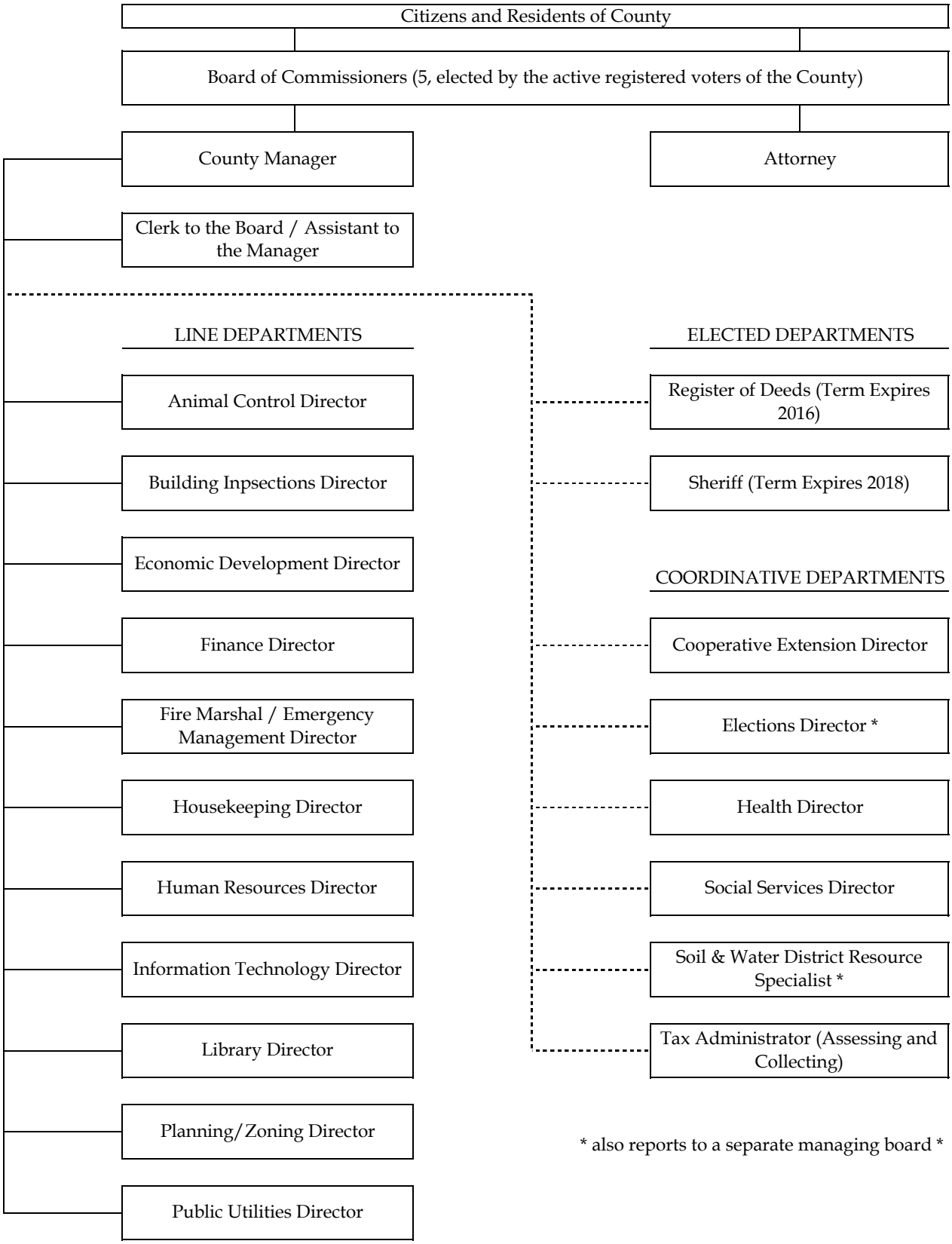
VICKIE MANESS
Tax Administrator (Assessing and Collecting)

+ left employment after June 30, 2016; 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, 2016
I: PREFACE AND INTRODUCTION

C. Organizational Chart



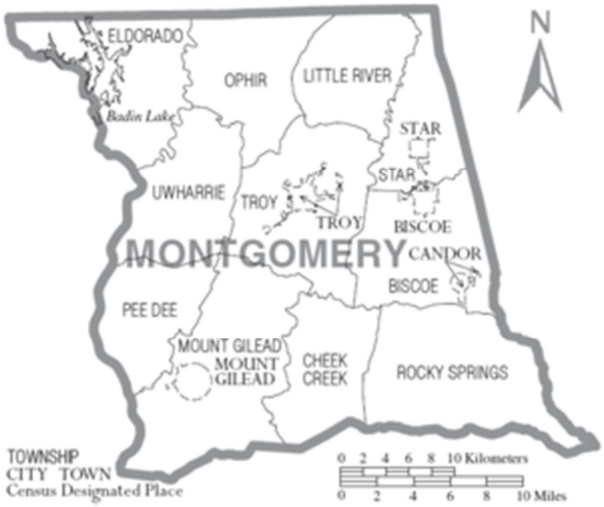
County of Montgomery, North Carolina
Annual and Financial Compliance Report
For the Year Ended June 30, 2016
I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

December 1, 2016

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 March 2016, the County entered a contract with Thompson, Price, Scott, Adams, and Company, CPAs to conduct the audit for the fiscal year ended June 30, 2016. 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 2016), the year previous to the year being audited (FY 2015), and the year subsequent to the year being audited (FY 2017). The amounts presented are the amounts included in the original budget ordinance each year. Budget amendments are not included.



DESCRIPTION	FY2017 BUDGET ORDINANCE	FY2016 BUDGET ORDINANCE	FY2015 BUDGET ORDINANCE
GENERAL FUND CLASSIFICATION			
Primary Government Services	$ 31,534,003	$ 30,322,634	$ 28,894,963
Vehicle Purchases	167,000	90,000	90,000
Property Tax Revaluation	125,000	125,000	100,000
Federal Forfeitures and State Substance Tax	34,883	34,883	40,000
County Fire Service	589,952	590,055	575,055
Court Facilities	48,815	89,015	165,000
Summer Recreation	88,063	87,125	86,303
Haltiwanger Retreat	15,000	15,000	15,000
SUBTOTAL, INCLUDING TRANSFERS	32,602,716	31,353,712	29,966,321
SPECIAL REVENUE FUND CLASSIFICATION			
E911 Emergency Telephone System	445,000	245,000	445,000
Emergency Management Performance	40,000	40,000	100,000
Community Development	100,000	-	440,000
Badin Lake Fire District	430,000	419,144	433,789
Lake Tillery Fire District	206,000	197,931	188,326
Child Support Incentives	287,183	279,365	30,000
SUBTOTAL, INCLUDING TRANSFERS	1,508,183	1,181,440	1,637,115
CAPITAL PROJECT FUND CLASSIFICATION			
Schools Projects	449,054	339,000	334,000
Educational Facilities	1,160,258	1,425,750	-
Airport Projects	379,667	379,667	470,667
County Projects	569,735	-	1,343,587
SUBTOTAL, INCLUDING TRANSFERS	2,558,714	2,144,417	2,148,254
ENTERPRISE FUND CLASSIFICATION			
Water System	3,983,463	4,184,518	3,720,802
Water Projects	2,467,413	2,467,413	5,881,024
SUBTOTAL, INCLUDING TRANSFERS	6,450,876	6,651,931	9,601,826
TOTAL, INCLUDING TRANSFERS	**$ 43,120,489**	**$ 41,331,500**	**$ 43,353,516**

County of Montgomery, North Carolina
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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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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 Auditors' 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, 2016, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 *Government 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, North Carolina as of June 30, 2016, 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 Law Enforcement Officers' Special Separation Allowance, Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and 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 introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 31, 2017

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2016
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, 2016* 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 $55,938,452 (a.k.a. total net position).
- On a government-wide basis, total net position decreased by - ($11,895,720) from last year. Prior period adjustments of – ($19,199,068) led to this decrease. The huge negative adjustment was partially offset by fiscal year activity that increased net position by $7,303,348.
- The ending fund balances of all governmental funds combined equals $20,919,449, an increase of $5,093,681 from prior year. This increase is primarily due to savings in various expenditures in the County's General Fund as well as property tax and sales tax revenues exceeding budgeted amounts.
- At the end of the fiscal year, the General Fund's total fund balance amounted to $12,522,376, while fund balance available for appropriation was $10,382,471, which represents 82.9% of the fund's total fund balance and 30.1% of total fund expenditures for the fiscal year.
- The County subtracted $2,144,191 (3.42%) from total capital assets during the fiscal year, resulting in an ending balance of $60,566,223, due primarily to a recalculation of accumulated depreciation based on revised estimates for useful lives. This recalculation is presented as a prior period adjustment.
- Total long-term liabilities decreased by $2,750,277 (8.2%) to $30,804,861 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 eight 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 (BFS) and Required Supplementary Information (RSI) — Summary

RSI - Management's Discussion and Analysis (MD&A)

BFS - Government-Wide Financial Statements (GWFS)

BFS - Fund Financial Statements (FFS)

Governmental Fund Financial Statements

Budgetary Comparison Statements-Major Governmental Funds

Proprietary Fund Financial Statements- Enterprise Funds

Fiduciary Fund Financial Statements

BFS – Notes to Financial Statements (Notes)

RSI - Other Supplementary Schedules

Actuarial Supplementary Information

Budgetary Comparison Schedules

Other Supplementary Information — Detail

Figure 1. Level of Detail

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, 2016, net position decreased by – ($11,895,720) to $55,938,452. A large prior period adjustment of – ($19,199,068) caused this decrease. Prior period adjustments are more fully explained in the Notes to the Financial Statements, which is part 3 of Subsection C within Section II. Fiscal year activity resulted in an increase of $7,303,358, caused primarily by conservatively budgeting revenues as well as limited spending on many expenditure items while the County strategizes to save money for future capital projects and other important needs.

Table 1. Condensed Statement of Net Position

Category	Governmental Activities 2016	2015	2014	Business-type Activities 2016	2015	2014
	(amounts depicted in thousands of dollars)					
Current and other assets	$ 23,087	$ 36,146	$ 17,713	$ 5,029	$ 4,634	$ 2,485
Capital assets	34,070	32,462	32,034	26,496	30,249	29,045
Total assets	57,157	68,608	49,747	31,525	34,883	31,530
Total deferred outflows	863	1,560	467	36	38	38
Current and other liabilities	4,003	2,930	2,663	1,382	1,677	1,516
Long-term liabilities	16,987	18,894	23,471	10,910	11,820	10,329
Total liabilities	20,990	21,824	26,134	12,292	13,497	11,845
Total deferred inflows	338	1,799	32	23	135	-
Invested in capital assets, net	16,648	13,217	10,423	15,210	19,054	18,103
Stabilization by State Statute	2,166	2,401	2,468	-	-	-
Restricted for other reasons	1,300	1,271	1,057	-	-	-
Unrestricted	16,578	29,656	10,100	4,036	2,235	1,620
Total net position	$ 36,692	$ 46,545	$ 24,048	$ 19,246	$ 21,289	$ 19,723

Table 2. Condensed Statement of Activities

Category	Governmental Activities 2016	2015	2014	Business-type Activities 2016	2015	2014
	(amounts depicted in thousands of dollars)					
Revenues:						
Program revenues						
Charges for services	$ 5,492	$ 4,728	$ 3,543	$ 4,379	$ 3,825	$ 4,066
Program grants & contributions	7,101	27,126	7,411	59	1,152	1,377
General revenues						
Property taxes	18,733	16,739	16,972	-	-	-
Other taxes	3,641	3,615	4,384	-	-	-
Other	52	8	7	2	1	1
Total revenues	35,019	52,216	32,317	4,440	4,978	5,444
Program expenses:						
General government	4,914	6,855	5,507	-	-	-
Transportation	214	512	21	-	-	-
Public safety	6,809	5,313	4,324	-	-	-
Human services	7,250	7,106	7,381	-	-	-
Environmental protection	543	170	33	3,338	3,336	3,229
Education, intergovernmental	6,494	6,436	5,546	-	-	-
Economic and phys. development	787	657	2,801	-	-	-
Cultural and recreational	532	555	267	-	-	-
Interest on long-term liabilities	1,275	1,217	1,463	-	-	-
Total expenses	28,818	28,821	27,343	3,338	3,336	3,229
Excess (deficiency) before transfers	6,201	23,395	4,974	1,102	1,642	2,215
Transfers	-	-	(485)	-	-	485
Change in net position	6,201	23,395	4,489	1,102	1,642	2,700
Net position, beginning, July 1	46,545	24,048	21,188	21,289	19,723	17,023
Adjustments to prior period	(16,054)	(898)	(1.629)	(3,145)	(76)	(381)
Net position, beginning, restated	30,491	23,150	19,559	18,144	16,502	13,802
Net position, ending, June 30	$ 36,692	$ 46,545	$ 24,048	$ 19,246	$ 18,144	$ 16,502

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, 2016, 56.70% stems from property and other taxes, 25.01% from charges for services, and 18.15% from program grants and contributions. For the year ended June 30, 2015, 49.44% stems from program grants and contributions, 35.59% from property and other taxes, and 14.95% from charges for services, numbers which are largely consistent from the prior year, except for much lower program grants and contributions for projects within business-type activities, if you were to remove the effect of a nearly $18 million error that was included as program grants and contributions in the prior year statements.

Table 3. Condensed Statement of Activities (Percentages)

	Governmental Activities			**Business-type Activities**		
Category	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Revenues:						
Program revenues						
Charges for services	15.68%	9.05%	10.96%	98.62%	76.84%	74.69%
Program grants & contributions	20.28%	51.95%	22.93%	1.33%	23.14%	25.29%
General revenues						
Property taxes	53.49%	3.06%	52.52%	0.00%	0.00%	0.00%
Other taxes	10.40%	6.92%	13.57%	0.00%	0.00%	0.00%
Other	0.15%	0.02%	0.02%	0.05%	0.02%	0.02%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	17.05%	22.78%	20.14%	0.00%	0.00%	0.00%
Transportation	0.75%	1.78%	0.08%	0.00%	0.00%	0.00%
Public safety	23.63%	18.43%	15.81%	0.00%	0.00%	0.00%
Human services	25.16%	24.66%	27.00%	0.00%	0.00%	0.00%
Environmental protection	1.88%	0.59%	0.12%	100.00%	100.00%	100.00%
Education, intergovernmental	22.53%	22.33%	20.28%	0.00%	0.00%	0.00%
Economic and phys. development	2.73%	2.28%	10.24%	0.00%	0.00%	0.00%
Cultural and recreational	1.85%	1.93%	0.98%	0.00%	0.00%	0.00%
Interest on long-term liabilities	4.42%	4.22%	5.35%	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, 2016, about 22.55% is spent toward human service programs, 21.17% on public safety programs, 20.20% toward education programs, and 15.28% on general government activities. For the year ended June 30, 2015, about 22.10% is spent toward human service programs, 21.32% on general government activities, 20.01% toward education programs, and 16.53% on public safety programs. Expenses in these main programs vary some 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 $39.5 million and total expenses are $32.2 for the year ended June 30, 2016, adding about $7.3 million to the total net position of the County. For the year ended June 30, 2015, after eliminating the effect of a nearly $18 million error that was included as program grants and contributions in the prior year statements, the County's total revenues were $39.2 million and total expenses were $32.1 million, adding about $7.1 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.

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

Indicator Name / Result	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
total margin ratio	1.227	1.240	1.215	1.139	1.139	1.122	1.004
percentage change in net assets	15.0%	18.0%	18.3%	12.5%	13.4%	13.6%	0.5%
debt service ratio	0.104	0.117	0.108	0.098	0.115	0.109	0.090
quick ratio	11.969	9.300	5.920	11.560	6.932	7.169	2.030
net assets ratio	0.619	0.903	0.259	0.291	0.261	(0.166)	(0.279)
debt-to-assets ratio	0.347	0.392	0.444	0.485	0.495	0.538	0.575
capital assets condition ratio	0.629	0.656	0.656	0.678	0.686	0.710	0.737

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

- total resource inflow = $39,459,568, which is total general revenues and transfers ($22,427,756) plus program revenues (9,871,823 + $6,450,308 + $709,681) of the County (from Exhibit II.C.1.b)
- total resource outflow = $32,156,220, which is total expenses of the County (from Exhibit II.C.1.b)
- total margin ratio = $39,459,568 / $32,156,220 = 1.227

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

- change in net position = $7,303,348 (from Exhibit II.C.1.b)
- beginning net position, restated = $48,635,104 (from Exhibit II.C.1.b)
- percentage (%) change in net position = $7,303,348 / $48,635,104 = 15.0%

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

- principal payments = $1,919,517 + $826,413 = $2,745,930 (from Exhibits II.C.2.b and II.D.6.a)
- interest and fees payments = $587,226 + $296,222 = $883,448 (from Exhibits II.C.2.b and II.D.6.a)
- debt service ratio = ($2,745,930 + $883,448) / ($32,156,220 + $2,745,930) = 0.104

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

- cash and cash equivalents = $22,946,333 (from Exhibit II.C.1.a)
- current liabilities = $1,068,935 + $239,573 + $282,344 + $274,639 + $51,666 = $1,917,157 (from Exhibit II.C.1.a)
- quick ratio = $22,946,333 / $1,917,157 = 11.969

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

- unrestricted net position = $20,613,924 (from Exhibit II.C.1.a)
- total liabilities = $33,281,844 (from Exhibit II.C.1.a)
- net position ratio = $20,613,924 / $33,281,844 = 0.619

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

- outstanding long-term liabilities = $30,804,861 (from Exhibit II.C.1.a)
- total assets = $88,682,079 (from Exhibit II.C.1.a)
- debt-to-assets ratio = $30,804,861 / $88,682,079 = 0.347

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

- accumulated depreciation = $15,567,719 + $19,282,578 = $34,850,297 (from Note b.A.5 on Capital Assets)
- capital assets being depreciated = $48,304,611 + $45,622,130 = $93,926,741 (from Note b.A.5 on Capital Assets)
- capital assets condition ratio = 1.000 - ($34,850,297 / $93,926,741) = 0.629

Governmental Activities

Governmental activities increased the County's net position by $6,201,373, thereby responsible for 84.9% 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 limited spending in many expenditure items and increases in major 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 $1,101,975, accounting for the remaining 15.1% 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, 2016*.

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 $18.5 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 50.6% and total fund balance amounts to 57.2% of total expenditures. Last year, for all governmental funds, fund balance available for appropriation amounts to 39.2% and total fund balance amounts to 47.0% 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 effect

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, 2016, the County reports $20,919,449 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of $5,093,681 may be primarily attributed to conservative estimates of major revenue items, such as property taxes and sales taxes, while limiting spending below budgeted amounts. On June 30, 2015, the County reported $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.

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 $10,382,471, while total fund balance reached $12,522,376. The total decrease in the fund balance of the General Fund of ($1,375,722) can be attributed to a special $5,000,000 transfer to the Education Facilities Fund, mostly offset by unanticipated increases in sales taxes revenues and savings in various expenditures. Fund balance available for appropriation represents 30.1% of total General Fund expenditures, while total fund balance represents 36.3% of that same amount. This relatively large fund balance of the General Fund will likely be reduced further over the next few years as the County replaces and/or improves certain educational facilities and addresses other pressing needs.

At June 30, 2015, 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. 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	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
available fund balance-to-expenditures	30.1%	40.5%	39.1%	30.0%	24.6%	14.7%	3.6%

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 projects, the County Projects Fund remains to be presented as a major fund for the year ended June 30, 2016. The County plans to accumulate cash to help finance current and future projects.

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 = $41,380,482, which is total revenues ($34,169,516) plus transfers in ($7,210,966) of the County's governmental funds (from Exhibit II.C.2.b)
- transfers-in to capital project-type funds = $7,004,512, which is total transfers-in to capital projects funds (from Exhibit II.E.02)
- total expenditures plus transfers out = $36,286,801, which is total expenditures ($29,075,835) plus transfers out ($7,210,966) 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 = ($41,380,482 - $7,004,512) / ($36,286,801 - $0) = 0.947

2) percentage (%) change in fund balance = (change in fund balance) divided by (beginning fund balance)

- change in fund balance = $5,093,681 (from Exhibit II.C.2.b)
- beginning fund balance = $15,825,768 (from Exhibit II.C.2.b)
- percentage change in fund balance = $5,093,681 / $15,825,768 = 32.2%

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 = $1,919,517 (from Exhibit II.C.2.b)
- interest payments = $587,226 (from Exhibit II.C.2.b)
- debt service ratio = ($1,919,617 + $587,226) / ($36,286,801 - $0) = 0.069

4) quick ratio = (cash and investments) divided by (current liabilities--not including deferred revenues)

- cash and cash equivalents = $19,298,287 (from Exhibit II.C.2.a)
- current liabilities--not including deferred revenues = $1,175,249 (from Exhibit II.C.2.a)
- quick ratio = $19,298,287 / $1,175,249 = 16.421

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 = $18,516,174 (from Exhibit II.C.2.a)
- available fund balance-to-expenditures ratio = $18,516,174 / ($36,286,801 - $0) = 0.510

6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)

- long-term debt = $17,423,021 (from detail notes in Exhibit II.C.3.b.B.7.e)
- total assessed value used for property tax purposes = $3,004,804,850 (from Exhibit II.E.03)
- debt-to-assessed value ratio = $17,423,021 / $3,004,804,850 = 0.0058

7) intergovernmental ratio = (intergovernmental revenues, both restricted and unrestricted) divided by ((total revenues) plus (transfers in) less (transfers in to capital projects-type funds))

- intergovernmental revenues = $6,527,523 (from Exhibit II.C.2.b)
- intergovernmental ratio = $6,527,523 / ($41,380,482 - $7,004,512) = 0.190

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

Indicator Name / Result	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
operations ratio	0.947	1.104	1.052	1.151	1.105	1.095	1.015
% change in fund balance	32.2%	(0.3)%	9.8%	37.7%	36.0%	48.5%	10.3%
debt service ratio	0.069	0.089	0.085	0.086	0.087	0.103	0.090
quick ratio	16.421	20.682	9.682	15.886	4.733	4.095	1.836
available fund balance-to-expenditures	0.510	0.392	0.426	0.484	0.313	0.239	0.117
debt-to-assessed value ratio	0.0058	0.0065	0.0079	0.0087	0.0101	0.0106	0.0113
intergovernmental ratio	0.190	0.227	0.243	0.235	0.242	0.216	0.263

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 $4,035,643 and total net position of the fund is $19,245,827. 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, 2016 totals $60,566,223 (net of accumulated depreciation), which represents a decrease of $2,144,191 from prior year, whereas total capital assets as of June 30, 2015 were $62,710,414 (net of accumulated depreciation), which

represented an increase of $1,631,389 from prior year. These assets include construction in progress, equipment and vehicles, buildings, land, improvements to both land and buildings, water distribution lines, airport infrastructure, 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 ($2,925,369 increase to reported capital assets).
- Purchase and other additions of vehicles and other equipment ($960,083 increase).
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of $791,656 and on capital assets other than equipment and vehicles of $1,829,917 (total $2,621,573 decrease).
- Retirement of older vehicles, net of related depreciation, of $2,155,788 decrease.
- Further, prior period adjustments were made to add $360,198 (increase) in vehicles and other equipment and increase accumulated depreciation by $1,612,480 (decrease).

The County's investments in capital assets decreased over 3.4% 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

	Governmental Activities			Business-type Activities		
Category	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
	(amounts depicted in thousands of dollars)					
Land and land improvements	$ 1,093	$ 853	$ 819	$ 95	$ 88	$ 88
Construction in progress	241	162	2,228	61	2,086	3,271
Buildings and improvements	23,491	26,424	27,215	1,170	27,896	25,462
Infrastructure	2,497	-	-	21,885	-	-
Equipment (including vehicles)	6,298	5,023	1,772	179	179	224
Total capital assets, net	$ 34,070	$ 32,462	$ 32,034	$ 26,496	$ 30,249	$ 29,045

Long-term Liabilities. As of June 30, 2016, the County had total long-term liabilities outstanding of $30,804,861, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to $29,045,097. During the year ended June 30, 2016, the change in total long-term liabilities was - ($2,750,277) (or – (8.2%)) and the change in outstanding indebtedness was – ($2,838,584) (or – (8.9%)). During the year, the County met all normal debt service requirements (both principal and interest payments) of $3,629,378.

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 $4,002,144.

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 non-utility long-term debt, the legal debt margin for the County is $215,791,033. 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 $1,379,828, appropriations of fund balance by $5,066,509, and incoming transfers from other funds by $55,500 for a total budgetary increase of $6,501,837 and a final budget of $37,970,549. The primary reasons for these increases were: (1) to allocate $5,000,000 toward an upcoming high school project, (2) to accept new grants and other new resources for the purchase of various supplies, equipment, and services to advance specific programs, and (3) 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.

County Projects Fund. The County Projects Fund, along with all other project funds, is excluded from this presentation of the annual budget and amendments thereto.

Water and Sewer Fund. In the County's sole enterprise fund, an amendment was posted to carry-forward budget related to unpaid obligations from the previous fiscal year (i.e. year-end outstanding encumbrances).

Non-major Funds. Total amendments to non-major funds of $48,611 include the carry-forward budget of incomplete special projects and new budget for new special projects.

Table 7. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	$ 31,468,712	$ 6,501,837	$ 37,970,549
Water & Sewer Fund	4,184,518	90,347	4,274,865
Non-major Funds	1,251,440	48,611	1,300,051
Totals	$ 36,904,670	$ 6,640,795	$ 43,545,465

ECONOMIC HIGHLIGHTS AND OTHER IMPORTANT FACTS

The area's unemployment rate has been higher than the state average for several 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. In recent years, the local economy has seen slight improvement.

Though local retail sales have not fully 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.

Since 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 2017 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. Some major projects will also begin and some may be completed.

All Funds: Total County beginning budget for fiscal year 2017 increases estimated revenues and appropriations by $1,788,989 (or 4.33%) from the prior year's beginning budget figure. The total figure approximates the beginning budget for fiscal year 2015.

The total County beginning budget for fiscal year 2016 decreased estimated revenues and appropriations by – ($2,022,016) (or - (4.66%)) from the prior year's beginning budget figure.

For a look at the County's adopted budget for fiscal years 2017, 2016, and 2015, please review Subsection I.D, Introduction from the County Finance Director, found at the end of Section I.

Governmental Funds: The fiscal year 2017 beginning budget for the General Fund increases estimated revenues and appropriations by $1,249,004, or 3.98%. The fiscal year 2017 beginning budget for the County Projects Fund was $569,735 (was $0 for the previous fiscal year) to acknowledge incoming funds intended to be retained for future projects. For all other governmental funds, the fiscal year 2017 beginning budget summed to $171,305.

Enterprise Funds: The fiscal year 2017 beginning budget for the Water and Sewer Fund decreases estimated revenues and appropriations by – ($201,055), or – (3.02%). Compared to the previous fiscal year's beginning budget, the amount budgeted to address needed improvements to maintain a healthy water system was reduced slightly.

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
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)

	Identifier	Page No.
1. Government-Wide Financial Statements	Part II.C.1	27
2. Fund Financial Statements	Part II.C.2	31
3. Notes to Financial Statements	Part II.C.3	41

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, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)

1. Government-Wide Financial Statements

	Identifier	Page No.
a. Government-Wide Statement of Net Position	Exhibit II.C.1.a	28
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	29

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, 2016
With Comparative Totals as of June 30, 2015

	Primary Government				Component Unit	
	Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority	
			2016	2015	2016	2015
ASSETS						
Cash and cash equivalents	$ 19,298,287	$ 3,648,046	$ 22,946,333	$ 16,417,548	$ 81,607	$ 73,992
Taxes receivable, net	886,956	-	886,956	832,457	3,927	3,508
Accounts receivable, net	1,804,550	474,430	2,278,980	2,052,584	-	-
Due from other governments	469,122	20,152	489,274	377,545	-	-
Inventories	31,034	224,891	255,925	330,311	-	-
Prepaid items	206,206	42,559	248,765	188,178	338	470
Restricted cash	332,869	619,072	951,941	19,788,040	-	-
Net pension asset	57,682	-	57,682	793,979	-	-
Capital assets					-	-
Land and construction in progress	1,333,799	155,980	1,489,779	3,189,058	-	-
Other capital assets, net of accumulated depreciation	32,736,892	26,339,552	59,076,444	59,521,356	-	-
Total capital assets	34,070,691	26,495,532	60,566,223	62,710,414	-	-
Total Assets	$ 57,157,397	$ 31,524,682	$ 88,682,079	$ 103,491,056	$ 85,872	$ 77,970
DEFERRED OUTFLOWS OF RESOURCES:						
Pension-related deferrals	$ 460,703	$ 35,951	$ 496,654	$ 505,225	$ -	$ -
Deferred charges from advance refunding	402,607	-	402,607	1,092,790	-	-
Total Deferred Outflows	$ 863,310	$ 35,951	$ 899,261	$ 1,598,015	$ -	$ -
LIABILITIES						
Accounts payable and accrued expenses	$ 930,873	$ 138,062	$ 1,068,935	$ 1,052,238	$ -	$ -
Unearned revenues	239,573	-	239,573	121,221	-	-
Accrued interest payable	242,628	32,011	274,639	280,264	-	-
Payable from restricted assets	-	282,344	282,344	259,854	-	-
Due to other taxing units	-	51,666	51,666	51,666	-	-
Net pension liability	518,350	41,476	559,826	-	-	-
Long-term liabilities						
Current portion of long-term liabilities	2,071,567	836,331	2,907,898	2,841,402	-	-
Non-current portion of long-term liabilities	16,986,978	10,909,985	27,896,963	30,713,736	-	-
Total Long-term liabilities	19,058,545	11,746,316	30,804,861	33,555,138	-	-
Total Liabilities	$ 20,989,969	$ 12,291,875	$ 33,281,844	$ 35,320,381	$ -	$ -
DEFERRED INFLOWS OF RESOURCES:						
Unearned revenues	$ 52,173	$ -	$ 52,173	$ 124,197	$ -	$ -
Pension-related deferrals	285,940	22,931	308,871	1,810,321	-	-
Total Deferred Inflows	$ 338,113	$ 22,931	$ 361,044	$ 1,934,518	$ -	$ -
NET POSITION						
Net investment in capital assets	$ 16,647,670	$ 15,210,184	$ 31,857,854	$ 32,271,612	$ -	$ -
Restricted net position:						
Stabilization of State Statute	2,166,035	-	2,166,035	2,401,297	-	-
General government	286,312	-	286,312	195,417	-	-
Public Safety	394,721	-	394,721	472,414	-	-
Human services	208,260	-	208,260	311,654	-	-
Schools capital outlay	-	-	-	98,637	-	-
Economic and physical development	300,653	-	300,653	131,472	85,872	77,970
Cultural and recreational	110,693	-	110,693	60,667	-	-
Total restricted net position	3,466,674	-	3,466,674	3,671,558	85,872	77,970
Unrestricted net position	16,578,281	4,035,643	20,613,924	31,891,002	-	-
Total Net Position	$ 36,692,625	$ 19,245,827	$ 55,938,452	$ 67,834,172	$ 85,872	$ 77,970

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Program Revenues (Expenses)
EXPENSES, PROGRAM REVENUES, AND NET RESULTS					
Governmental activities:					
General government	$ (4,913,716)	$ 1,032,649	$ 338,014	$ -	$ (3,543,053)
Transportation	(213,769)	-	-	218,031	4,262
Public safety	(6,809,459)	1,201,702	359,843	-	(5,247,914)
Human services	(7,249,759)	554,767	5,252,290	-	(1,442,702)
Environmental protection	(542,641)	2,605,585	59,499	-	2,122,443
Education (intergovernmental)	(6,493,910)	-	250,000	399,077	(5,844,833)
Economic and physical development	(787,341)	8,054	-	92,573	(686,714)
Cultural and recreational	(531,995)	89,727	24,800	-	(417,468)
Interest on long-term liabilities	(1,274,939)	-	106,524	-	(1,168,415)
Subtotal governmental activities	(28,817,529)	5,492,484	6,390,970	709,681	(16,224,394)
Business-type activities					
Water distribution system	(3,338,691)	4,379,339	59,338	-	1,099,986
Total primary government	$ (32,156,220)	$ 9,871,823	$ 6,450,308	$ 709,681	$ (15,124,408)
Component unit:					
Tourism development authority	$ (28,310)	$ -	$ -	$ -	$ (28,310)

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 2016	Totals 2015	Tourism Development Authority 2016	Tourism Development Authority 2015
$ (3,543,053)	$ -	$ (3,543,053)	$ 12,268,031	$ -	$ -
4,262	-	4,262	(434,805)	-	-
(5,247,914)	-	(5,247,914)	(3,642,058)	-	-
(1,442,702)	-	(1,442,702)	(1,385,704)	-	-
2,122,443	-	2,122,443	2,350,961	-	-
(5,844,833)	-	(5,844,833)	(5,799,658)	-	-
(686,714)	-	(686,714)	1,678,218	-	-
(417,468)	-	(417,468)	(317,892)	-	-
(1,168,415)	-	(1,168,415)	(1,217,329)	-	-
(16,224,394)	-	(16,224,394)	3,499,764	-	-
-	1,099,986	1,099,986	1,679,028	-	-
(16,224,394)	1,099,986	(15,124,408)	5,178,792	-	-
-	-	-	-	(28,310)	(19,796)
18,732,699	-	18,732,699	16,739,468	-	-
3,640,850	-	3,640,850	3,614,182	-	-
-	-	-	-	36,212	32,576
2,182	-	2,182	658	-	-
50,036	1,989	52,025	8,904	-	-
22,425,767	1,989	22,427,756	20,363,212	36,212	32,576
6,201,373	1,101,975	7,303,348	25,542,004	7,902	12,780
46,545,238	21,288,934	67,834,172	43,266,059	77,970	65,190
(16,053,986)	(3,145,082)	(19,199,068)	-	-	-
-	-	-	(973,891)	-	-
30,491,252	18,143,852	48,635,104	42,292,168	77,970	65,190
$ 36,692,625	$ 19,245,827	$ 55,938,452	$ 67,834,172	$ 85,872	$ 77,970

(continued from previous page)

County of Montgomery, North Carolina

Annual Financial and Compliance Report
For the Year Ended June 30, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)

2. Fund Financial Statements

	Identifier	Page No.
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	32
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Position'	Exhibit II.C.2.a.i	33
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	34
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	35
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	36
d. Enterprise Fund: Public Utilities: Statement of Fund Net Position	Exhibit II.C.2.d	37
e. Enterprise Fund: Public Utilities: Statement of Revenues, Expenses, and Changes in Fund Net Position	Exhibit II.C.2.e	38
f. Enterprise Fund: Public Utilities: Statement of Cash Flows	Exhibit II.C.2.f	39
g. Fiduciary Funds: Statement of Fiduciary Net Position	Exhibit II.C.2.g	40

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
a. Governmental Funds: Balance Sheet

(continued on next page)

June 30, 2016
With Comparative Totals as of June 30, 2015

	Governmental Funds				
	Major: General	Major: County Projects	Non-major: All Others	Totals 2016	Totals 2015
ASSETS					
Cash and cash equivalents	$ 11,065,479	$ 305,586	$ 7,927,222	$ 19,298,287	$ 14,132,910
Taxes receivable, net	867,425	-	19,531	886,956	832,457
Accounts receivable, net	1,696,265	-	108,285	1,804,550	1,696,493
Due from other governments	229,781	-	239,341	469,122	346,358
Due from other governmental funds	4,803	-	-	4,803	4,804
Inventories	31,034	-	-	31,034	40,716
Prepaid items	178,022	-	28,184	206,206	176,883
Restricted cash	332,869	-	-	332,869	235,158
Total assets	$ 14,405,678	$ 305,586	$ 8,322,563	$ 23,033,827	$ 17,465,779
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	$ 904,519	$ -	$ 26,354	$ 930,873	$ 557,332
Unearned revenues	59,185	-	180,388	239,573	121,221
Due to other governmental funds	-	-	4,803	4,803	4,804
Total liabilities	963,704	-	211,545	1,175,249	683,357
Deferred inflows of resources					
Property taxes receivable, net	867,425	-	19,531	886,956	832,457
Unearned tax revenues	52,173	-	-	52,173	124,197
Total deferred inflows	919,598	-	19,531	939,129	956,654
Fund balances					
Non-spendable					
Inventories	31,034	-	-	31,034	40,716
Prepaid items	178,022	-	28,184	206,206	176,883
Restricted					
Stabilization of State Statute	1,930,849	-	235,186	2,166,035	2,401,297
General Government	286,312	-	-	286,312	195,417
Public Safety	101,743	-	292,978	394,721	493,638
Human Services	2,917	-	205,343	208,260	311,654
Education (intergovernmental)	-	-	-	-	59,372
Schools Capital Outlay	-	-	-	-	98,637
Economic and Physical Development	-	-	300,653	300,653	131,472
Cultural and Recreational	110,693	-	-	110,693	60,667
Committed					
Public Safety	619,635	-	10	619,645	760,518
Education (intergovernmental)	-	-	990,706	990,706	-
Schools Capital Outlay	-	-	6,038,427	6,038,427	340,304
Cultural and Recreational	46,873	-	-	46,873	50,555
Assigned					
Incomplete projects	-	305,586	-	305,586	-
Transportation	-	-	-	-	34,499
Public Safety	62,647	-	-	62,647	-
Unassigned	9,151,651	-	-	9,151,651	10,670,139
Total fund balances	12,522,376	305,586	8,091,487	20,919,449	15,825,768
Total liabilities, deferred inflows, and fund balances	$ 14,405,678	$ 305,586	$ 8,322,563	$ 23,033,827	$ 17,465,779

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

(continued from previous page)

June 30, 2016
With Comparative Totals as of June 30, 2015

		2016		2015
Total fund balances of governmental funds	**$**	**20,919,449**	$	15,825,768

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 focii 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:		**49,638,410**		48,658,392
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:		**(15,567,719)**		(16,196,625)
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:		**886,956**		832,457
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:		**(242,628)**		(245,108)
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.		**(18,655,938)**		(19,807,455)
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.		**(285,905)**		(468,977)
Total net position of governmental activities		**$**	**36,692,625**	$	28,598,452

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

(continued from previous page)

County of Montgomery, North Carolina

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

(continued on next page)

For the Year Ended June 30, 2016
With Comparative Totals For the Year Ended June 30, 2015

	Governmental Funds				
	Major: General	Major: County Projects	Non-major: All Others	Totals 2016	Totals 2015
REVENUES					
Ad valorem property taxes	$ 18,678,200	$ -	$ 608,548	$ 19,286,748	$ 17,417,972
Local option sales taxes	3,640,850	-	399,073	4,039,923	3,992,326
Other taxes	2,182	-	-	2,182	658
Unrestricted intergovernmental revenues	388,535	-	-	388,535	399,728
Restricted intergovernmental revenues	5,661,991	-	476,997	6,138,988	8,048,588
Licenses, fees, and permits	3,483,530	-	-	3,483,530	3,230,894
Sales and services	605,519	-	-	605,519	504,890
Investment earnings	50,036	-	250	50,286	15,885
Miscellaneous	81,232	-	92,573	173,805	344,714
Total revenues	32,592,075	-	1,577,441	34,169,516	33,955,655
EXPENDITURES					
General government	3,836,693	-	-	3,836,693	5,699,175
Transportation	141,941	-	216,280	358,221	203,199
Public safety	6,167,905	-	723,845	6,891,750	5,153,531
Human services	7,398,275	-	58,937	7,457,212	7,206,040
Environmental protection	540,765	-	-	540,765	164,749
Education (intergovernmental)	5,911,884	-	582,026	6,493,910	6,269,909
Schools capital outlay	-	-	-	-	167,813
Economic and physical development	555,943	-	833	556,776	1,872,893
Cultural and recreational	433,755	-	-	433,755	335,092
Debt service, principal reduction	1,710,681	-	208,836	1,919,517	1,908,667
Debt service, interest and fees	454,933	10	132,293	587,236	1,077,924
Debt service, issuance costs	-	-	-	-	99,250
Total expenditures	27,152,775	10	1,923,050	29,075,835	30,158,242
Excess (deficiency) of revenues over expenditures	5,439,300	(10)	(345,609)	5,093,681	3,797,413
OTHER FINANCING SOURCES (USES)					
Transfers in	197,972	225,000	6,787,994	7,210,966	3,573,694
Transfers out	(7,012,994)	-	(197,972)	(7,210,966)	(3,573,694)
Installment financing issued	-	-	-	-	14,099,205
Payments to bond escrow agent	-	-	-	-	(17,951,955)
Total other financing sources (uses)	(6,815,022)	225,000	6,590,022	-	(3,852,750)
Net change in fund balances	(1,375,722)	224,990	6,244,413	5,093,681	(55,337)
FUND BALANCES					
Beginning fund balances (July 1)	13,898,098	80,596	1,847,074	15,825,768	15,881,105
Ending fund balances (June 30)	$ 12,522,376	$ 305,586	$ 8,091,487	$ 20,919,449	$ 15,825,768

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

		2016		2015
Net change in fund balances of governmental funds	**$**	**5,093,681**	$	(55,337)

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 focii and bases of accounting, specifically relating to the following reasons:

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:	**1,324,895**	2,422,214
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:	**(1,529,518)**	(1,786,631)
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:	**26,002**	206,895
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.	**54,499**	(33,887)
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:	**1,919,517**	19,608,667
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:	**(687,703)**	(139,405)
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:	**-**	(14,141,827)

Total net change in net position of governmental activities	**$**	**6,201,373**	$	5,914,965

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, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES				
Ad valorem property taxes	$ 18,164,095	$ 18,158,740	$ 18,678,200	$ 519,460
Local option sales taxes	3,310,920	3,320,920	3,640,850	319,930
Other taxes	-	-	2,182	2,182
Unrestricted intergovernmental revenues	237,965	231,965	388,535	156,570
Restricted intergovernmental revenues	5,008,239	5,850,176	5,661,991	(188,185)
Licenses, fees, and permits	3,063,428	3,069,428	3,483,530	414,102
Sales and services	566,002	638,038	605,519	(32,519)
Investment earnings	4,000	4,000	50,036	46,036
Miscellaneous	33,000	62,315	81,232	18,917
Total revenues	30,387,649	31,335,582	32,592,075	1,256,493
EXPENDITURES				
General government	5,236,270	4,900,415	3,836,693	1,063,722
Transportation	153,821	165,087	141,941	23,146
Public safety	6,134,284	6,769,083	6,167,905	601,178
Human services	7,258,444	7,964,656	7,398,275	566,381
Environmental protection	477,414	543,468	540,765	2,703
Education (intergovernmental)	5,847,682	5,911,884	5,911,884	-
Economic and physical development	453,383	634,321	555,943	78,378
Cultural and recreational	400,212	462,405	433,755	28,650
Debt service, principal reduction	1,920,097	1,920,097	1,710,681	209,416
Debt service, interest and fees	579,240	579,240	454,933	124,307
Debt service, issuance costs	-	-	-	-
Total expenditures	28,460,847	29,850,656	27,152,775	2,697,881
Excess of revenues over (under) expenditures	1,926,802	1,484,926	5,439,300	3,954,374
OTHER FINANCING SOURCES (USES)				
Transfers in	-	89,742	197,972	108,230
Transfers out	(1,990,367)	(6,995,081)	(7,012,994)	(17,913)
Capital lease financing issued	24,000	24,000	-	(24,000)
Fund balance appropriated (contingency)	39,565	5,396,413	-	(5,396,413)
Total other financing sources (uses)	(1,926,802)	(1,484,926)	(6,815,022)	(5,330,096)
Net change in fund balance	$ -	$ -	(1,375,722)	$ (1,375,722)
FUND BALANCES				
Beginning fund balances (July 1)			13,898,098	
Ending fund balances (June 30)			$ 12,522,376	

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, 2016
With Comparative Totals as of June 30, 2015

	Enterprise Fund: Public Utilities			
	Totals			
	2016		2015	
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**3,648,046**	$	2,284,638
Accounts receivable, net		**474,430**		356,091
Due from other governments		**20,152**		31,187
Inventories		**224,891**		289,595
Prepaid items		**42,559**		11,295
Total current assets:		**4,410,078**		2,972,806
Non-current assets:				
Restricted cash		**619,072**		1,606,096
Net pension asset		**-**		55,164
Capital assets				
Land, land improvements, and construction in progress		**155,980**		2,174,101
Other capital assets, net of accumulated depreciation		**26,339,552**		28,074,546
Total capital assets		**26,495,532**		30,248,647
Total non-current assets		**27,114,604**		31,909,907
Total assets	**$**	**31,524,682**	$	34,882,713
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related deferrals	**$**	**35,951**	$	37,758
LIABILITIES				
Current liabilities:				
Accounts payable	**$**	**138,062**	$	494,906
Due to other taxing units		**51,666**		51,666
Accrued interest payable		**32,011**		35,156
Payable from restricted assets		**282,344**		259,854
Compensated absences		**9,328**		8,771
Loans and other debt, amount due next year		**827,003**		826,413
Total current liabilities		**1,340,414**		1,676,766
Non-current liabilities:				
Compensated absences		**37,312**		35,085
Net OPEB obligation for retirees' healthcare coverage		**77,600**		70,472
Net pension liability		**41,476**		-
Loans and other debt, amount due after next year		**10,795,073**		11,714,152
Total non-current liabilities		**10,951,461**		11,819,709
Total liabilities	**$**	**12,291,875**	$	13,496,475
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferrals	**$**	**22,931**	$	135,062
NET POSITION				
Net investment in capital assets	**$**	**15,210,184**	$	19,054,324
Unrestricted net position		**4,035,643**		2,234,610
Total net position	**$**	**19,245,827**	$	21,288,934

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	Enterprise Fund: Public Utilities	
	Totals	
	2016	2015
OPERATING REVENUES		
Departmental fees	**$ 4,379,339**	$ 3,825,037
Other operating revenue	**59,338**	70,757
Total operating revenues	**4,438,677**	3,895,794
OPERATING EXPENSES		
Salaries and employee benefits	**771,380**	733,738
Various professional services	**28,348**	-
Supplies and materials	**328,244**	83,430
Automotive fuels and supplies	**21,962**	36,555
Utilities	**304,553**	260,039
Repairs and maintenance	**232,073**	472,457
Rental/lease expenditures	**33,639**	-
Sludge removal	**27,935**	158,310
Contracted services	**152,559**	-
Water flouridation upgrade	**-**	13,868
Penalties and fines	**2,900**	12,500
Furniture, equipment, and tools	**(2,442)**	27,079
Sewer processing charges	**62,890**	-
Bad debt expense	**(47,215)**	124,608
Pension expense	**(13,684)**	3,305
Depreciation	**1,092,055**	934,545
Other operating expenses	**39,680**	45,687
Total operating expenses	**3,034,877**	2,906,121
Operating income (loss)	**1,403,800**	989,673
NONOPERATING REVENUES AND EXPENSES		
Intergovernmental revenues, restricted	**-**	10,000
Investment earnings	**1,989**	1,215
Project-related expenses	**(10,737)**	(72,820)
Debt service, interest and fees	**(293,077)**	(318,936)
Gain (loss) on disposal of capital assets	**-**	(3,333)
Total nonoperating revenues and expenses	**(301,825)**	(383,874)
Income before contributions and transfers	**1,101,975**	605,799
Capital contributions	**-**	1,074,444
Change in net position	**1,101,975**	1,680,243
Beginning net position (July 1)	**21,288,934**	19,685,284
Adjustment to prior period	**(3,145,082)**	-
Restatement from change in accounting principles (GASBS 68)	-	(76,593)
Beginning net position-restated	**18,143,852**	19,608,691
Net position, ending (June 30)	**$ 19,245,827**	$ 21,288,934

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	Enterprise Fund: Public Utilities	
	Totals	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	**$ 4,319,250**	$ 4,193,502
Cash received from other operations	**59,338**	70,757
Cash paid to employees for services	**(798,631)**	(748,155)
Cash paid for goods and services	**(1,446,667)**	(1,132,892)
Net cash flows from operating activities	**2,133,290**	2,383,212
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Government grants for non-capital purchases	**-**	77,022
Due from other funds and projects	**(60,162)**	(66,471)
Net cash flows from non-capital financing activities	**(60,162)**	10,551
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Government grants for capital purchases	**-**	1,007,422
Debt service, principal reduction	**(826,413)**	(701,631)
Debt service, interest and fees	**(296,222)**	(313,922)
Purchase and construction of capital assets	**(484,022)**	(2,141,031)
Proceeds from borrowings	**(92,076)**	2,300,313
Net cash flows from capital and related financing activities	**(1,698,733)**	151,151
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	**1,989**	1,215
Net cash flows from investing activities	**1,989**	1,215
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**376,384**	2,546,129
Beginning cash, cash equivalents, and restricted cash (July 1)	**3,890,734**	1,344,605
Ending cash, cash equivalents, and restricted cash (June 30)	**$ 4,267,118**	$ 3,890,734
Schedule of Noncash Capital and Related Financing Activities		
Net capital assets transferred from (to) the General Fund	**$ -**	$ -
Trade-in allowance on purchase of capital asset	**$ -**	$ -

(continued on next page)
(continued from previous page)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	**$ 1,403,800**	$ 989,673

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	**(107,304)**	493,073
2. Decrease (increase) in prepayments and inventories	**33,440**	(41,121)
3. Increase (decrease) in accounts payable and contract retainages	**(356,844)**	846
4. Increase (decrease) in customer deposits	**22,490**	24,280
5. Increase (decrease) in accrued compensatory leave and retirement benefits	**9,912**	23,340
6. Increase (decrease) in net pension liability (asset)	**96,640**	(169,337)
7. Bad debt expense (not a cash expenditure, no effect on cash flow)	**(47,215)**	124,608
8. Pension deferrals (not a cash expenditure, no effect on cash flow)	**(13,684)**	3,305
9. Depreciation expense (not a cash expenditure, no effect on cash flow)	**1,092,055**	934,545
Net cash flows from operating activities	**$ 2,133,290**	$ 2,383,212

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, 2016
With Comparative Totals as of June 30, 2015

	Agency Funds	
	Totals	
	2016	2015
ASSETS		
Cash and cash equivalents	**$ 104,522**	$ 78,203
Taxes receivable, net	**281,282**	255,531
Total assets	**$ 385,804**	$ 333,734
LIABILITIES		
Accounts payable and accrued expenses	**$ 68,365**	$ 48,235
Due to other taxing units	**317,439**	285,499
Total liabilities	**$ 385,804**	$ 333,734

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, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)

3. Notes to Financial Statements

	Identifier	Page No.
a. Summary of Significant Accounting Policies	Note a	42
b. Detail Notes on Important Items	Note b	49
c. Joint Ventures	Note c	72
d. Jointly Governed Organization	Note d	73
e. Benefit Payments Issued by the State	Note e	74
f. Stewardship, Compliance, Accountability, and Significant Events	Note f	74
g. Prior Period Adjustments and Other Restatements	Note g	75

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.

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 Sub-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 Sub-Fund, VFD Sub-Fund, Court Facilities Sub-Fund, Recreation Sub-Fund, and Haltiwanger Retreat Sub-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, 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 two funds have been combined and reported as the non-major Community Development 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 reconcilement is included in the Fund Financial Statements. The reconcilement 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 Sub-Fund (a component fund of the General Fund) is classified as restricted assets because its use is restricted per NCGS 153A-150 and 159-13. Similarly, money in the Drug Forfeitures Sub-Fund and in the Court Facilities Sub-Fund is restricted to a specific use by its source.

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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after

July 1, 2015 are recorded at acquisition value. 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 also reports 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 criterion – contributions made to pension plans during the fiscal year and other pension-related deferrals.

In addition to liabilities, the Statement of Net Position also reports 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 criterion – 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 to spend) 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 a specific 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 a specific 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 a specific 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, 2016, the County's deposits had a carrying amount of $7,580,041 and a bank balance of $8,408,335. Of the bank balance, $418,393 was covered by federal depository insurance and the remaining $7,989,942 in interest bearing deposits was covered by collateral held under the pooling method. In addition, escrow agents were holding $336,728 in unspent loan proceeds. Also at June 30, 2016, The County had $1,541 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, 2016, the TDA's deposits had a carrying amount of $81,607 and a bank balance of $81,607. The entire bank balance of $81,607 was covered by federal depository insurance. At June 30, 2016, the TDA had $0 cash on hand.

The County's restricted cash stem from unexpended loan proceeds, customer deposits, and other monies restricted for specified uses.

Type of Restricted Cash	Corresponding Fund	June 30, 2016	June 30, 2015
Governmental activities:			
Property tax revaluation	General Fund	$ 200,924	$ 136,511
Federal and state forfeitures	General Fund	41,553	-
Court facilities fees	General Fund	90,392	-
Unexpended loan proceeds	School Projects Fund	-	98,637
Unexpended loan proceeds	County Projects Fund	-	10
Unexpended loan proceeds	Advanced refundings	-	17,946,786
Total governmental activities		332,869	18,181,944
Business-type activities:			
Customer deposits	Water System Fund	282,344	259,854
Unexpended loan proceeds	Water Projects Fund	336,728	1,346,242
Total business-type activities		619,072	1,606,096
Total restricted cash		$ 951,941	$ 19,788,040

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, 2016, these resources amounted to $617,505. 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

All investments are valued using the market approach. Under the market approach, the County uses price information and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The NCCMT - Cash Portfolio, an investment with a rating of AAAm, uses amortized cost as its valuation measurement method. The NCCMT - Term Portfolio, an investment that is not rated, is valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Since the NCCMT – Term Portfolio investment has a weighted average maturity of less than 90 day, it is presented below as an investment with a maturity of 0 to 3 months.

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.

At June 30, 2016, the County's investment balances and maturities were as follows:

Investment Type	Fair Market Value	Due to Mature Within: 0 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years
NCCMT -- Cash Portfolio	$ 4,048,131	n/a	n/a	n/a	n/a
NCCMT – Term Portfolio	12,036,355	12,036,355	-	-	-
Total Investments	**$ 16,084,486**	**$ 12,036,355**	**$ -**	**$ -**	**$ -**

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, 2016, 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. <u>Property Tax - Use-Value Assessment on Certain Lands</u>

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, 2016:

Tax Year Levied	Additional Tax	Interest	Total
2016	$ 690,813	$ 39,723	$ 730,536
2015	593,362	87,521	680,883
2014	570,365	135,462	705,827
2013	506,681	163,939	670,620
Total	**$ 2,361,221**	**$ 426,645**	**$ 2,787,866**

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2016 are reported net of an allowance for uncollectible accounts as follows:

	Taxes & Other Assessments	Accounts	Due from Other Governments	Total
Governmental activities:				
General Fund	$ 1,556,379	$ 1,802,197	$ 229,781	$ 3,588,357
Nonmajor governmental funds	28,008	108,285	239,341	375,634
Total receivables	**1,584,387**	**1,910,482**	**469,122**	**3,963,991**
General Fund	(688,954)	(105,932)	-	(794,886)
Nonmajor governmental funds	(8,477)	-	-	(8,477)
Total allowances for uncollectible accounts	**(697,431)**	**(105,932)**	**-**	**(803,363)**
Total governmental activities	**$ 886,956**	**$ 1,804,550**	**$ 469,122**	**$ 3,160,628**
Business-type activities:				
Water System Fund, receivables	$ -	$ 821,831	$ 20,152	$ 841,983
Water System Fund, allowances	-	(347,401)	-	(347,401)
Total business-type activities	**$ -**	**$ 474,430**	**$ 20,152**	**$ 494,582**

5. Capital Assets

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

Capital Asset Category	Previous Useful Life	New Useful Life
Computer equipment and software	3 to 10 years	7 years
Electronic items, utility trailers, and vehicles	5 to 15 years	7 to 15 years
Firearms, furniture, and other equipment	7 to 15 years	15 years
Infrastructure and depreciable improvements	15 to 39 years	25 to 39 years
Buildings	39 years	39 years

The tables below display the changes in capital assets, including accumulated depreciation. Additions and retirements of capital assets reflect purchases, sales, and other similar activity. Depreciation expense was charged as shown under "Additions" to accumulated depreciation. The adjustment for $360,198 within Governmental Activities includes existing capital asset items not previously included in this schedule. Adjustments for accumulated depreciation reflect a change in estimates for calculating depreciation, plus the newly recognized accumulated depreciation for these existing capital items that are now included in this schedule. Transfers are reclassifications among capital asset categories. Adjustments and transfers both reflect the differing opinions of new management and are reflected as prior period adjustments within the financial statements. Other changes in accumulated depreciation were offset by changes in capital assets or by recording gains/losses on the disposition of capital assets.

Capital asset activity, by expenditure function, for the year ended June 30, 2016 was as follows for Governmental Activities:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Adjust-ments	Additions	Retirements	Transfers	Ending Balance
General Government	$ 21,257,529	$ -	$ 217,190	$ (57,113)	$ (645,731)	$20,771,875
Transportation	3,583,766	-	215,877	-	48,093	3,847,736
Public Safety	18,411,040	360,198	889,872	(600,126)	312,203	19,373,187
Human Services	1,186,331	-	-	(47,836)	69,400	1,207,895
Environmental Protection	115,228	-	-	-	-	115,228
Economic and Physical Dev.	3,633,501	-	1,956	-	26,221	3,661,678
Cultural and Recreational	470,997	-	-	-	189,814	660,811
-	**48,658,392**	**360,198**	**1,324,895**	**(705,075)**	**-**	**49,638,410**
Less Accumulated Depreciation:						
General Government	(6,029,607)	80,852	(503,781)	-	262,577	(6,189,959)
Transportation	(1,069,873)	680,611	(71,425)	-	35,792	(424,895)
Public Safety	(7,446,818)	568,535	(675,012)	577,986	(122,472)	(7,097,781)
Human Services	(800,168)	38,852	(32,171)	47,836	(68,400)	(814,051)
Environmental Protection	(71,628)	-	-	-	-	(71,628)
Economic and Physical Dev.	(447,573)	165,531	(236,672)	-	(11,092)	(529,786)
Cultural and Recreational	(330,958)	(1,799)	(10,457)	-	(96,405)	(439,619)
Total Accumulated Deprec.	**(16,196,625)**	**1,532,602**	**(1,529,518)**	**625,822**	**-**	**(15,567,719)**
Total Capital Assets, Net	**$ 32,461,767**	**$ 1,892,800**	**$ (204,623)**	**$ (79,253)**	**$ -**	**$ 34,070,691**

Capital asset activity, by asset class, for the year ended June 30, 2016 was as follows for Governmental Activities.

GOVERNMENTAL ACTIVITIES	Beginning Balance	Adjust-ments	Additions	Retirements	Transfers	Ending Balance
Capital Assets Not Being Depreciated:						
Land and Land Improvements	$ 853,165	-	$ 239,656	$ -	$ -	$ 1,092,821
Construction in Progress	161,792	-	136,399	(57,113)	-	240,978
Subtotal	1,014,957	-	375,955	(57,113)	-	1,333,799
Capital Assets Being Depreciated:						
Buildings and Improvements	35,989,397	-	106,733	-	(2,751,870)	33,344,260
Airport Infrastructure	-	-	-	-	2,875,769	2,875,769
Vehicles and Motorized Equipment	6,538,265	360,198	785,095	(647,962)	80,209	7,115,805
Other Equipment	5,115,773	-	57,112	-	204,108	4,968,777
Subtotal	47,643,435	360,198	948,940	(647,962)	-	48,304,611
Total Capital Assets	**48,658,392**	**360,198**	**1,324,895**	**(705,075)**	**-**	**49,638,410**
Less Accumulated Depreciation:						
Buildings and Improvements	(9,564,920)	754,029	(803,289)	-	211,622	(9,402,558)
Airport Infrastructure	-	-	(70,096)	-	(308,728)	(378,824)
Vehicles and Motorized Equipment	(4,922,760)	400,061	(361,481)	625,822	(69,786)	(4,328,144)
Other Equipment	(1,708,945)	378,512	(294,652)	-	166,892	(1,458,193)
Total Accumulated Deprec.	**(16,196,625)**	**1,532,602**	**(1,529,518)**	**625,822**	**-**	**(15,567,719)**
Total Capital Assets, Net	**$ 32,461,767**	**$ 1,892,800**	**$ (204,623)**	**$ (79,253)**	**$ -**	**$ 34,070,691**

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, 2016 was as follows for Business-Type Activities.

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Adjust-ments	Additions	Retirements	Transfers	Ending Balance
Capital Assets Not Being Depreciated:						
Land and Land Improvements	$ 88,467	$ -	$ 6,789	$ -	$ -	$ 95,256
Construction in Progress	2,085,634	-	51,625	(2,076,535)	-	60,724
Subtotal	2,174,101	-	58,414	(2,076,535)	-	155,980
Capital Assets Being Depreciated:						
Buildings and Improvements	32,591,599	-	51,051	-	(27,109,000)	5,533,650
Plant and Distribution System	9,518,738	-	-	-	(9,518,738)	-
Lines and Related Infrastructure	-	-	2,333,216	-	33,178,067	35,511,283
Vehicles and Motorized Equipment	-	-	62,010	-	358,847	420,857
Other Equipment	-	-	55,866	-	4,100,474	4,156,340
Equipment (including Vehicles)	1,002,900	-	-	-	(1,002,900)	-
Other Capital Assets	6,750	-	-	-	(6,750)	-
Subtotal	43,119,987	-	2,502,143	-	-	45,622,130
Total Capital Assets	**45,294,088**	**-**	**2,560,557**	**(2,076,535)**	**-**	**45,778,110**
Less Accumulated Depreciation:						
Buildings and Improvements	(10,341,994)	-	(136,188)	-	6,114,410	(4,363,772)
Plant and Distribution System	(3,872,619)	-	-	-	3,872,619	-
Lines and Related Infrastructure	-	(3,338,039)	(820,344)	-	(9,468,094)	(13,626,477)
Vehicles and Motorized Equipment	-	30,112	(33,115)	-	(268,315)	(271,318)
Other Equipment	-	162,845	(102,408)	-	(1,081,448)	(1,021,011)
Equipment (including Vehicles)	(824,078)	-	-	-	824,078)	-
Other Capital Assets	(6,750)	-	-	-	6,750	-
Total Accumulated Deprec.	**(15,045,441)**	**(3,145,082)**	**(1,092,055)**	-	-	**(19,282,578)**
Total Capital Assets, Net	**$ 30,248,647**	**(3,145,082)**	**$ 1,468,502**	**$ (2,076,535)**	**$ -**	**$ 26,495,532**

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2016 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Total
Governmental Activities:				
General Fund	$ 483,671	$ 420,848	$ -	$ 904,519
Nonmajor Governmental Funds	26,354	-	-	26,354
Total Governmental Activities	**$ 510,025**	**$ 420,848**	**$ -**	**$ 930,873**
Business-Type Activities:				
Water System Fund	**$ 115,886**	**$ 22,176**	**$ 282,344**	**$ 420,406**
Fiduciary Activities:				
Agency Funds	**$ -**	**$ -**	**$ 68,365**	**$ 68,365**

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 $491,297 for the year ended June 30, 2016. For the years ended June 30, 2015, 2014, and 2013, the County's contributions to LGERS were $502,724,

$503,084, and $477,835, 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 was 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 $430,433 for the year ended June 30, 2016.

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, 2016, the County reports a liability of $559,826 for its proportionate share of the LGERS net pension liability. The LGERS net pension asset was measured as of June 30, 2015. 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, 2014. The LGERS total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the LGERS net pension liability 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, 2015, the County's proportion was 0.125%, which was practically identical from its proportion measured as of June 30, 2014. This presentation at June 30, 2015 is the second presentation of this information in the County's financial statements.

For the year ended June 30, 2016, the County recognized pension expense of $299,178. At June 30, 2016, 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, 2015	-	491,297
Difference between projected and actual costs	131,591	-
Difference between projected and actual earnings	159,381	-
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	15,240	-
Total items	**$ 306,212**	**$ 491,297**

The $491,297 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2015 will be recognized as a decrease of the net pension liability in the

year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a component of pension expense in subsequent years as follows:

Year Ending June 30	Pension Expense
2017	$ (190,143)
2018	(190,143)
2019	(189,921)
2020	263,995
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.20%
Global Equity	42.0%	5.80%
Real Estate	8.0%	5.20%
Alternatives	8.0%	9.80%
Credit	7.0%	6.80%
Inflation Protection	6.0%	3.40%
Total	**100.00%**	**n/a**

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the LGERS net pension liability to changes in the discount rate. The following presents the County's proportionate share of the LGERS net pension liability 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)	$ 3,903,745	$ 559,826	$ (2,257,352)
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 December 31, 2015, the LEOSSA's membership consisted of:

Member Category	No.
retirees currently receiving benefits	6
terminated plan members entitled to but not yet receiving benefits	-
active plan members:	
Vested	19
non-vested	7
total members	32

Summary of Significant Accounting Policies & Basis of Accounting. 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, 2015) and through June 30, 2016, the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $726,617. The annual payroll of active employees covered under this plan (covered payroll) was $1,188,937 and the ratio of the UAAL to the covered payroll was 61.115%. 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 not setup an irrevocable 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, 2016 is $53,425. 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 of $73,504 was determined as part of the December 31, 2014 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, 2014 was 16 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, 2016 are $67,636 and $169,141, respectively.

Net Pension Obligation, as of June 30, 2015			$ 154,930
Annual required contribution	$ 73,504		
Adjustment to annual required contribution	(13,615)		
Interest on Net Pension Obligation	7,747		
Annual pension cost		$ 67,636	
Contributions		(53,425)	
Change in Net Pension Obligation			$ 14,211
Net Pension Obligation, as of June 30, 2016			$ 169,141

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, 2016 were $102,742, which consisted of $49,372 from the County and $53,370 from the law enforcement officers. 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.

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, 2016 were $294,579, which consisted of

$102,182 from the County and $192,397 from employees. 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, 2016 and June 30, 2015 were $2,350 and $4,061, respectively 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 employer 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 $2,214 for the year ended June 30, 2016. Contributions to the RODSPF pension plan from the County were $1,992 for the year ended June 30, 2015.

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

At June 30, 2016, the County reports an asset of $57,682 for its proportionate share of the RODSPF net pension asset. The RODSPF net pension asset was measured as of June 30, 2015. 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, 2014. The RODSPF total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was 0.249%, which was an increase of 0.004% from its proportion measured as of June 30, 2014. This presentation at June 30, 2016 is the second presentation of this information in the County's financial statements.

For the year ended June 30, 2016, the County recognized pension expense of $2,425. At June 30, 2016, 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, 2015	-	2,214
Difference between projected and actual costs	955	282
Difference between projected and actual earnings	-	2,861
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	1,704	-
Total items	**$ 2,659**	**$ 5,357**

The $2,214 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2015 will be recognized as an increase of the net pension asset in the year ended June 30, 2017. 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
2017	$ (680)
2018	(159)
2019	551
2020	772
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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, 2015 is 2.2%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.00%. 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)	$ (52,042)	$ (57,682)	$ (62,536)
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, forty-four (44) retirees were receiving post-employment healthcare benefits. Since no assets have been set aside in an irrevocable trust fund 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 & Basis of Accounting. 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.

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, 2014 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 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, 2014 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, 2016, the County made payments to the OPEB-RHC plan of $107,409. 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 of $283,091 was determined as part of the December 31, 2014 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, 2014 is 16 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, 2016 are $269,069 and $1,060,180, 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, 2015			$	898,520
Annual required contribution	$ 283,091			
Adjustment to annual required contribution	(49,963)			
Interest on Net OPEB Obligation	35,941			
Annual OPEB cost		$ 269,069		
Contributions		(107,409)		
Change in Net OPEB Obligation			$	161,660
Net OPEB Obligation, as of June 30, 2016			$	1,060,180

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	$ 52,173	$ -
Items not reported in the funds:		
Charge on refunding of debt	-	402,607
Pension-related activities:		
Contributions to pension plan after June 30, 2015		
Local Government Employees Retirement System (LGERS)	-	455,346
Register of Deeds Supplemental Pension Fund (RODSPF)	-	2,214
Difference between projected and actual costs:		
Local Government Employees Retirement System (LGERS)	121,764	-
Register of Deeds Supplemental Pension Fund (RODSPF)	955	282
Difference between projected and actual earnings:		
Local Government Employees Retirement System (LGERS)	147,416	-
Register of Deeds Supplemental Pension Fund (RODSPF)	-	2,861
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:		
Local Government Employees Retirement System (LGERS)	14,101	-
Register of Deeds Supplemental Pension Fund (RODSPF)	1,704	-
Total governmental activities	**$ 338,113**	**$ 863,310**

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, 2015	-	35,951
Difference between projected and actual costs	9,827	-
Difference between projected and actual earnings	11,965	-
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:	1,139	-
Total business-type activities	**$ 22,931**	**$ 35,951**

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 such refunds of grant revenues.

At June 30, 2016, 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 $2,208,237 requires twenty (20) annual payments of $110,412 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, 2016.

General Fund: Certificates of Participation (COPS)	Outstanding at June 30, 2016	Outstanding at June 30, 2015
$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%	$ 805,000	$ 1,510,000
$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%	455,000	910,000
$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%	8,024,145	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%	5,363,595	5,560,068
Subtotal COPS	14,647,740	16,195,882
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
$3,132,548 - Qualified School Construction Bonds, 2012 loan; due in annual installments of $208,836 through September 27, 2027; interest at 4.21%	2,506,030	2,714,866
$100,000 - Vehicle Purchases, 2013 loan for 59 months; due in annual payments of $21,015 through February 28, 2018; interest at 1.65%	40,990	60,982
$180,000 - Building Purchase, 2013 loan for 59 months; due in annual installments of $38,163 through May 27, 2018; interest at 1.65%	72,775	109,108
$254,930 - Vehicle Purchases, 2013 loan for 59 months; due in annual installments of $53,575 through August 20, 2018; interest at 1.65%	155,486	205,620
Subtotal IPL	2,775,281	3,147,234
Total outstanding loans serviced by governmental activities	$ 17,423,021	$ 19,343,116

Water System Fund: Drinking Water State Revolving Loans (DWSRL)	Outstanding at June 30, 2016	Outstanding at June 30, 2015
$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% (Ref. # H-LRX-F-05-0998)	$ 3,067,173	$ 3,322,771
$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% (Ref. # H-LRX-F-09-0998B)	941,500	1,013,923
$2,208,237 - Drinking Water State Revolving Loan Fund, Series 2014; due in annual installments of $115,016 through May 1, 2035; interest at 0.00% (Ref. # H-LRX-F-10-1697)	2,093,221	2,300,313
Subtotal DWSRL	6,101,894	6,637,007
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%	328,107	488,016
$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%	5,192,075	5,415,542
Subtotal IPL	5,520,182	5,903,558
Total outstanding loans serviced by business-type activities	$ 11,622,076	$ 12,540,565
Total outstanding loans serviced	$ 29,045,097	$ 31,883,681

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

Year Ending	Governmental Activities		Business-Type Activities		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 1,974,806	$ 500,280	$ 827,003	$ 278,229	$ 2,801,809	$ 778,510
2018	1,984,704	420,191	843,165	259,715	2,827,869	679,906
2019	1,915,320	368,391	686,218	241,314	2,601,538	609,705
2020	1,852,507	317,944	693,762	225,149	2,546,269	543,093
2021	1,840,431	268,553	701,784	208,721	2,542,215	477,274
2022-2026	7,437,581	612,860	3,650,868	786,616	11,087,881	1,399,475
2027-2031	417,672	26,376	3,006,300	345,545	3,423,972	371,921
2032-2035	-	-	1,213,544	40,397	1,213,544	40,397
Total	**$ 17,423,021**	**$ 2,514,595**	**$ 11,622,076**	**$ 2,385,685**	**$ 29,045,097**	**$ 4,900,280**

Debt Related to Capital Activities - Of the total principal shown for Governmental Activities, all $17,423,021 relates to assets to which the County holds title. Unspent restricted cash related to this debt for Governmental Activities amounts to $0.

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, 2016, the County had an amount of bonds authorized but un-issued of $-0- and a legal debt margin of $215,791,033. The following is the computation of the legal debt margin for this year.

Description	Balance June 30, 2016
Real property	$ 2,439,636,580
Personal property	475,539,095
Real and personal property	2,915,175,675
Percentage factor	8.00%
Legal debt limit	233,214,054
Total long-term non-utility borrowings	17,423,021
Legal debt margin	215,791,033

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, 2016:

Governmental activities:	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Due by June 30, 2017
Certificates of participation	$ 16,195,882	$ -	$ (1,548,142)	$ 14,647,740	$ 1,657,729
Installment purchases loans	3,147,234	-	(371,953)	2,775,281	317,077
Compensated absences	574,151	-	(90,348)	483,803	96,761
Net pension liability-LGERS	-	518,350	-	518,350	n/a
Net pension obligation-LEOSSA	154,930	14,211	-	169,141	n/a
Retiree healthcare coverage	828,048	154,532	-	982,580	n/a
Total governmental activities	**$ 20,900,245**	**$ 687,093**	**$ (2,010,443)**	**$ 19,576,895**	**$ 2,071,567**

Business-type activities:	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Due by June 30, 2017
Drinking water state loans	$ 6,637,007	$ -	$ (535,113)	$ 6,101,894	$ 433,829
Installment purchases loans	5,903,558	-	(383,376)	5,520,182	393,174
Compensated absences	43,856	2,784	-	46,640	9,328
Net pension liability-LGERS	-	41,476	-	41,476	n/a
Retiree healthcare coverage	70,472	7,128	-	77,600	n/a
Total business-type activities	**$ 12,654,893**	**$ 51,388**	**$ (918,489)**	**$ 11,787,792**	**$ 836,331**
Total government-wide	**$ 33,555,138**	**$ 738,481**	**$ (2,928,932)**	**$ 31,364,687**	**$ 2,907,898**

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, 2016, 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, 2016 is as follows:

Reporting Fund	Due from General Fund	Due to Other Funds
Governmental Funds		
General Fund	$ -	$ 4,803
Badin Lake Fire District Fund	3,020	-
Lake Tillery Fire District Fund	1,783	-
Total interfund balances	4,803	4,803

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, 2016 consists of the following:

Activity description	June 30, 2016	June 30, 2015
From General Fund to Emergency Telephone Fund to meet requirements of NC 911 Board	8,482	-
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 and future capital maintenance projects activity	599,868	264,225
From General Fund to Educational Facilities Fund for accumulating resources for future capital projects	6,162,977	-
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	225,000	3,041,173
Subtotal from General Fund	7,012,994	3,518,633
From Emergency Telephone Fund to General Fund for portion of costs of personnel involved in supporting fund activities	55,507	55,061
From EMPG Fund to General Fund for release of loan funds to be used for vehicle purchase	34,742	-
From Child Incentives Fund to General Fund for spent funds restricted to child support incentives	107,723	-
Total interfund activity	$ 7,210,966	$ 3,573,694

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	$ 11,398,348	$ 305,586	$ 7,927,222
Liabilities and deferred inflows	(1,883,302)	-	(231,076)
Unavailable revenues not arising from cash receipts	867,425	-	19,531
Fund balance available for appropriation	**10,382,471**	**305,586**	**7,715,677**
Restricted for Stabilization of State Statute			
Total fund balance	12,522,376	305,586	8,091,487
Fund balance available for appropriation	(10,382,471)	(305,586)	(7,715,677)
Fund balance not available for appropriation	2,139,905	-	375,810
Nonspendable fund balance	(209,056)	-	(28,184)
Unreportable amounts *	-	-	(112,440)
Restricted for Stabilization of State Statute	**$ 1,930,849**	**$ -**	**$ 235,186**

* 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 both major funds (the General Fund and the County Capital Projects Fund), there are no unreportable amounts. In the table above, the unreportable amounts total $112,440 for other non-major funds.

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, 2016, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance
Capital assets	$ 48,658,392	$ 980,118	$ 49,638,410
Adjustments for depreciation and related debt			
Depreciation on capital assets	(16,196,625)	628,906	(15,567,719)
Unspent debt proceeds for capital purposes	98,637	(98,637)	-
Long-term debt issued for capital purposes	(19,343,116)	1,920,095	(17,423,021)
Subtotal adjustments	(35,441,104)	2,450,364	(32,990,740)
Net investment in capital assets	**$ 13,217,288**	**$ 3,430,382**	**$ 16,647,670**
Business-type activities:			
Capital assets	$ 45,294,088	$ 484,022	$ 45,778,110
Adjustments for depreciation and related debt			
Depreciation on capital assets	(15,045,441)	(4,237,137)	(19,282,578)
Unspent debt proceeds for capital purposes	1,346,242	(1,009,514)	336,728
Long-term debt issued for capital purposes	(12,540,565)	918,489	(11,622,076)
Subtotal adjustments	(26,239,764)	(4,328,162)	(30,567,926)
Net investment in capital assets	**$ 19,054,324**	**$ (3,844,140)**	**$ 15,210,184**

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, 2016, the County contributed $736,080 for operating purposes to MCC and allocated an additional $100,000 for facility maintenance purposes on behalf of MCC. The County paid an additional $76 to MCC for training courses and course materials for clients. 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 facility maintenance 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 facility maintenance 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 $56,658 on installment purchase debt from Fidelity Bank issued for community college capital facilities. During the previous 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, -$0- 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, 2016, 2015, and 2014, the County's appropriation to the EDC was $0, $23,600, and $82,800, respectively. Over recent years, the EDC has essentially slowed operations and County administration has been orchestrating a merger with the local Chamber of Commerce to create a replacement entity. 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 $294,280 and $295,390 for the years ended June 30, 2016 and 2015, respectively, to supplement activities of the local library operations, including $10,000 and $10,000, respectively to SRLS. 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, 2016 and 2015, respectively, to the Sandhills Center to supplement its activities. This appropriation includes amounts distributed to the County from local ABC boards intended to support mental health 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 $8,586 and 8,874 to PTRC during the fiscal years ended June 30, 2016 and 2015, 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, 2016:

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures
U.S. Department of Health and Human Services				
Passed-Through the N.C. Department of Health and Human Services:				
Divisions of Aging (thru Isothermal Planning and Development) and Social Services				
Special Programs for the Aging - In Home Services	93.044	-	$ 17,398	$ 86,126
III-B Grants for Supportive Services	93.044	-	20,910	25,889
Congregate Nutrition	93.045	-	17,576	1,035
Home Delivered Nutrition	93.045	-	34,414	61,366
NSIP Supplement	93.053	-	18,309	-
Social Services Block Grant -- In-Home Services	93.667	022, 030	8,413	236
Total pass-thru grants awards from IPDC			$ 117,020	$ 174,652

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.

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures
Special Supplemental Nutrition Program for Women, Infants, Children	10.557	-	$ 710,758	$ -
Food Stamps	10.551	-	7,378,445	-
Medical Assistance	93.778	-	24,765,858	13,455,624
Health Choice Claim Expenditures	93.767	-	807,587	62,944
Participation in Budgeted County Expenditures				
IV-E Adoption Subsidy	93.659	-	32,968	8,423
IV-E Admin County Paid	93.658	-	8,890	4,445
IV-E Family Foster Max	93.658	-	295	-
IV-E Foster Care	93.658	-	31,604	11,254
AFDC Payments and Penalties	93.560	-	(84)	(23)
TANF Payments and Penalties	93.558	-	164,561	-
Child Welfare Services Adoption Subsidy	n/a	-	-	35,831
Special Assistance Domicillary Care	n/a	-	-	326,992
State Foster Home Families Maximization	n/a	-	-	4,423
State Foster Home	n/a	-	-	2,615
Total participation in budgeted county expenditures			238,234	393,960
Total direct benefit payments			$ 25,714,850	$ 13,849,584

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 such refunds 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 a future year. These funds no longer have a deficit fund equity at June 30, 2016.

Note g: PRIOR PERIOD ADJUSTMENTS AND OTHER RESTATEMENTS

A. Prior Period Restatements

For the fiscal year ended June 30, 2016, errors were discovered relating to the capital asset balances previously reported in the governmental activities. Also, accumulated depreciation has been recomputed based on revised estimates of useful lives of certain capital assets, which changed the capital asset 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 an increase of $1,892,800 and the beginning net position of business-type activities (and statements concerning the Water System Fund) were restated by a decrease of $3,145,082 for the year ended June 30, 2015.

Furthermore, for the fiscal year ended June 30, 2016, errors were discovered relating to the inclusion of restricted cash from the advanced refunding of defeased debt in the governmental activities. As a result of not including this restricted cash, the beginning net position of governmental activities was restated by a decrease of $17,946,786 for the year ended June 30, 2015.

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.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:

	Identifier	Page No.
1. Financial Schedules for Law Enforcement Officers' Special Separation Allowance	Part II.D.1	77
2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage	Part II.D.2	82
3. Financial Schedules for Pension-Related Deferrals	Part II.D.3	87
4. Financial Statements for Major Governmental Funds	Part II.D.4	90
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6. Financial Schedules for Major Enterprise Fund	Part II.D.6	116
7. Financial Statement for Fiduciary Funds	Part II.D.7	120
8. Financial Statements for Component Unit	Part II.D.8	123

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.

County of Montgomery, North Carolina

Annual Financial and Compliance Report
For the Year Ended June 30, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:

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

	Identifier	Page No.
a. LEOSSA Schedule of Funding Progress	Exhibit II.D.1.a	78
b. LEOSSA Schedule of Employer Contributions	Exhibit II.D.1.b	78
c. Notes to LEOSSA Financial Schedules	Exhibit II.D.1.c	79

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. LEOSSA Schedule of Funding Progress

For the Year Ended June 30, 2016

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						
2015	$ -	$ 726,617	$ 726,617	0.000%	$ 1,188,937	61.115%
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%

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

b. LEOSSA Schedule of Employer Contributions

For the Year Ended June 30, 2016

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						
2016	$ 53,425	$ 73,504	72.683%	$ 67,636	78.989%	$ 169,141
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

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INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2016

The actuarial valuation for the fiscal year ended 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 below.

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		$	1,189,575

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	$	579,340
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	$	579,340

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2016

The annual required contribution for the year ended 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 total 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%	$	73,504

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

Net Pension Obligation, as of June 30, 2015				$	154,930
annual required contribution (ARC)		$ 73,504			
adjustment/amortization to ARC	11.3797	(13,615)			
inflation on net pension obligation, *estimated*		7,747			
annual pension cost			$ 67,636		
contributions			(53,425)		
Change in net pension obligation					14,211
Net Pension Obligation, as of June 30, 2016				$	169,141

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INFORMATION PERTAINING TO THE UPCOMING FISCAL YEAR ENDING JUNE 30, 2017

The actuarial valuation for the fiscal year ending June 30, 2017 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2015. 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, 2015

	Number		Amount
1) active members - current annual compensation	33	$	1,188,937
2) retired members - current annual benefits	5		43,149
total annual payroll		$	1,232,086

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2015

Present and Prospective Assets		
present assets	$	-
present value of future normal cost:		382,146
actuarially accrued liability		726,617
total assets, as of December 31, 2015	$	1,108,763
Accrued Actuarial Liabilities = present value of benefits payable in respect of:		
present retired members and beneficiaries	$	212,465
present active members		896,298
total liabilities, as of December 31, 2015	$	1,108,763

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2017

The actuarially determined employer contribution (ADEC) for the year ending June 30, 2017 is calculated as of December 31, 2015. The ADEC 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	2.6841%	$	31,912
2) portion of value earned and not contributed in previous years	5.3327%		63,403
total annual required contribution	7.7361%	$	95,315

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDING JUNE 30, 2017

Net Pension Obligation, as of June 30, 2016					$	169,141
ADEC		$	95,315			
adjustment/amortization to ADEC, *est.*	11.1297		(15,197)			
inflation on net pension obligation, *estimated*			8,457			
annual pension cost, *estimated*			$	88,575		
contributions, *estimated*				(49,109)		
Change in net pension obligation, *estimated*						39,466
Net Pension Obligation, as of June 30, 2017, *estimated*					$	208,607

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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 actuarily 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, 2016
Valuation Date	Dec 31, 2014
Remaining Amortization Period	16 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.

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

	Identifier	Page No.
a. OPEB-RHC Schedule of Funding Progress	Exhibit II.D.2.a	83
b. OPEB-RHC Schedule of Employer Contributions	Exhibit II.D.2.b	83
c. Notes to OPEB-RHC Financial Schedules	Exhibit II.D.2.c	84

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, 2016

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						
2015	$ -	$ 2,919,412	$ 2,919,412	0.000%	$ 5,452,575	53.542%
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, 2016

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						
2016	$ 107,409	$ 283,091	37.942%	$ 269,069	39.919%	$ 1,060,180
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

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c. Notes to OPEB-RHC Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2016

The actuarial valuation for the fiscal year ended 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 below.

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		$	5,452,575

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	$	2,919,412
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	$	2,919,412

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2016

The annual required contribution for the year ended 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 total 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%	$	283,091

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	17.9837		(49,963)			
interest on net OPEB obligation			35,941			
annual OPEB cost			$	269,069		
contributions				(107,409)		
Change in net OPEB obligation						161,660
Net OPEB Obligation, as of June 30, 2016					$	1,060,180

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INFORMATION PERTAINING TO THE UPCOMING FISCAL YEAR ENDING JUNE 30, 2017

The actuarial valuation for the fiscal year ending June 30, 2017 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2015. 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, 2015

	Number		Amount
1) active members - current annual compensation	33	$	1,188,937
2) retired members - current annual benefits	5		43,149
total annual payroll		$	1,232,086

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2015

Present and Prospective Assets		
present assets	$	-
present value of future normal cost:		382,146
actuarially accrued liability		726,617
total assets, as of December 31, 2015	$	1,108,763
Accrued Actuarial Liabilities = present value of benefits payable in respect of:		
present retired members and beneficiaries	$	212,465
present active members		896,298
total liabilities, as of December 31, 2015	$	1,108,763

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2017

The actuarially determined employer contribution (ADEC) for the year ending June 30, 2017 is calculated as of December 31, 2015. The ADEC 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	2.6841%	$	31,912
2) portion of value earned and not contributed in previous years	5.3327%		63,403
total annual required contribution	7.7361%	$	95,315

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDING JUNE 30, 2017

Net Pension Obligation, as of June 30, 2016					$	169,141
ADEC		$	95,315			
adjustment/amortization to ADEC, *est.*	11.1297		(15,197)			
inflation on net pension obligation, *estimated*			8,457			
annual pension cost, *estimated*				$ 88,575		
contributions, *estimated*				(49,109)		
Change in net pension obligation, *estimated*						39,466
Net Pension Obligation, as of June 30, 2017, *estimated*					$	208,607

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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 actuarily 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, 2016
Valuation Date	Dec 31, 2014
Remaining Amortization Period	16 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.

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3. Financial Schedules for Pension-Related Deferrals

	Identifier	Page No.
a. LGERS Schedule of Proportionate Share of Net Pension Liability (Asset)	Exhibit II.D.3.a	88
b. LGERS Schedule of Employer Contributions	Exhibit II.D.3.b	88
c. RODSPF Schedule of Proportionate Share of Net Pension Liability (Asset)	Exhibit II.D.3.c	89
d. RODSPF Schedule of Employer Contributions	Exhibit II.D.3.d	89

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 Liability (Asset)

For the Year Ended June 30, 2016

Fiscal Year Ended June 30	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*						
2015	$ 448,793,979	98.090%	0.125%	$ 559,826	$ 7,061,199	7.928%
2014	(589,746,059)	102.640%	0.125%	(738,480)	7,086,642	-10.421%
2013	1,205,384,000	94.350%	0.127%	1,528,427	7,093,557	21.547%

* 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, 2016

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*						
2016	$ 491,297	$ 491,297	100.000%	$ -	$ 7,175,471	6.847%
2015	502,724	502,724	100.000%	-	7,061,199	7.120%
2014	503,084	503,084	100.000%	-	7,086,642	7.099%

County of Montgomery, North Carolina
c. RODSPF Schedule of Proportionate Share of Net Pension Liability (Asset)

For the Year Ended June 30, 2016

Fiscal Year Ended June 30	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						
2015	$ (23,174,000)	197.288%	0.249%	$ (57,682)	$ 58,328	-98.892%
2014	(22,666,000)	193.880%	0.245%	(55,498)	57,828	-95.971%
2013	(21,360,000)	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, 2016

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						
2016	$ 2,214	$ 2,214	100.000%	$ -	$ 58,916	3.758%
2015	1,992	1,992	100.000%	-	58,328	3.415%
2014	1,999	1,999	100.000%	-	57,828	3.457%

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4. Financial Statements for Major Governmental Funds

	Identifier	Page No.
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.4.a	91
b. County Projects Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (since project's inception)	Exhibit II.D.4.b	99

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
Ad Valorem Taxes				
Current year - General Fund	**$ 17,674,089**	**$ 17,564,204**	**$ (109,885)**	$ 15,744,114
Current year - County Fire Service	**-**	**582,305**	**582,305**	574,102
Prior years	**484,651**	**375,035**	**(109,616)**	321,826
Penalties, interest, and advertising, net	**-**	**156,656**	**156,656**	133,313
Subtotal Ad Valorem Taxes	**18,158,740**	**18,678,200**	**519,460**	16,773,355
Local Option Sales Taxes				
Article 39 & 44	**1,025,000**	**1,226,100**	**201,100**	1,134,834
Article 40	**1,283,975**	**1,439,456**	**155,481**	1,363,031
Article 42	**672,945**	**783,716**	**110,771**	754,418
Article 46	**339,000**	**-**	**(339,000)**	-
Medicaid hold harmless payment	**-**	**191,578**	**191,578**	361,899
Subtotal Local Option Sales Taxes	**3,320,920**	**3,640,850**	**319,930**	3,614,182
Other Taxes				
Beer and wine license tax	**-**	**1,468**	**1,468**	-
Rental vehicle gross receipts tax	**-**	**714**	**714**	658
Subtotal Other Taxes	**-**	**2,182**	**2,182**	658
Intergovernmental Revenues, unrestricted				
Beer and wine excise taxes	**-**	**88,036**	**88,036**	95,163
Payments in lieu of taxes	**95,000**	**113,153**	**18,153**	94,757
Disposal taxes, scrap tires	**35,000**	**43,512**	**8,512**	42,000
Property tax billing and collection fees	**21,965**	**22,114**	**149**	22,210
Federal and state forfeiture funds	**-**	**5,139**	**5,139**	21,361
Video program franchise distribution	**10,000**	**19,476**	**9,476**	20,536
Disposal taxes, solid waste	**15,000**	**15,987**	**987**	15,797
Sheriff & jail court fees	**54,000**	**70,057**	**16,057**	81,182
Profit distribution from local ABC boards	**1,000**	**11,061**	**10,061**	6,722
Subtotal Intergovernmental Revenues, unrestricted	**231,965**	**388,535**	**156,570**	399,728
Intergovernmental Revenues, restricted				
Federal and state grants	**5,392,179**	**5,198,270**	**(193,909)**	5,215,602
Lottery proceeds	**250,000**	**250,000**	**-**	250,000
Special loan interest subsidy	**107,082**	**106,524**	**(558)**	-
Court facilities fees	**49,015**	**65,988**	**16,973**	59,384
Library contribution fees	**24,800**	**24,800**	**-**	24,800
Municipal elections	**13,000**	**10,561**	**(2,439)**	-
Disposal taxes, white goods	**7,500**	**-**	**(7,500)**	4,734
ABC bottles tax distribution	**6,600**	**5,848**	**(752)**	6,648
Subtotal Intergovernmental Revenues, restricted	**5,850,176**	**5,661,991**	**(188,185)**	5,561,168
Subtotal Intergovernmental Revenues	**6,082,141**	**6,050,526**	**(31,615)**	5,960,896

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES (continued from previous page)				
Licenses, Fees, and Permits				
Landfill revenues	**2,462,428**	**2,605,585**	**143,157**	2,458,305
Inmate fees	**205,000**	**294,122**	**89,122**	249,300
Building permit and inspection fees	**102,000**	**241,195**	**139,195**	237,992
Register of Deeds fees and permits	**162,500**	**229,026**	**66,526**	199,650
Environmental Health permits	**33,000**	**39,379**	**6,379**	37,921
Civil, pistol, and concealed weapons permits	**67,000**	**56,259**	**(10,741)**	31,268
Library fines	**7,000**	**7,182**	**182**	6,362
Zoning permits and fees	**10,000**	**8,054**	**(1,946)**	5,930
Animal control fees	**500**	**1,578**	**1,078**	1,513
Emergency Management fees	**-**	**-**	**-**	1,300
Business registration fees	**-**	**-**	**-**	1,265
Elections fees	**20,000**	**1,150**	**(18,850)**	88
Subtotal Licenses, Fees, and Permits	**3,069,428**	**3,483,530**	**414,102**	3,230,894
Sales and Services				
Medicaid / Medicare service fees	**$ 413,822**	**$ 401,711**	**$ (12,111)**	$ 298,082
Contracted revenues	**90,036**	**48,130**	**(41,906)**	71,788
Health Department fees	**62,900**	**72,107**	**9,207**	59,181
Rents, concessions, and fees	**71,280**	**65,389**	**(5,891)**	42,443
Social Services Department fees	**-**	**18,182**	**18,182**	15,141
Subtotal Sales and Services	**638,038**	**605,519**	**(32,519)**	486,635
Investment Earnings	**4,000**	**50,036**	**46,036**	7,689
Miscellaneous				
Contributions / donations	**28,134**	**35,520**	**7,386**	25,270
Sale of used surplus equipment and vehicles	**-**	**8,999**	**8,999**	18,208
Vending & phone commissions	**17,000**	**29,088**	**12,088**	17,613
Miscellaneous State refunds to County	**-**	**-**	**-**	17,014
Miscellaneous others	**17,181**	**7,625**	**(9,556)**	9,197
Subtotal Miscellaneous	**62,315**	**81,232**	**18,917**	87,302
Total Revenues	**31,335,582**	**32,592,075**	**1,256,493**	30,161,611
EXPENDITURES				
General Government				
Commissioners (including pass-thru grants received and awarded)				
Salaries and benefits	**375,199**	**181,040**	**194,159**	292,083
Other operating expenditures	**832,738**	**477,186**	**355,552**	1,985,172
Capital outlay	**59,742**	**36,180**	**23,562**	84,896
Subtotal Commissioners	**1,267,679**	**694,406**	**573,273**	2,362,151
County Manager / Administration				
Salaries and benefits	**182,122**	**185,336**	**(3,214)**	178,020
Other operating expenditures	**53,050**	**15,037**	**38,013**	42,833
Subtotal County Manager / Administration	**235,172**	**200,373**	**34,799**	220,853

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
EXPENDITURES (continued from previous page)				
Finance				
Salaries and benefits	**250,000**	**251,837**	**(1,837)**	255,450
Other operating expenditures	**16,000**	**11,486**	**4,514**	8,886
Subtotal Finance	**266,000**	**263,323**	**2,677**	264,336
Information Technology				
Salaries and benefits	**119,911**	**120,234**	**(323)**	119,198
Other operating expenditures	**211,929**	**173,254**	**38,675**	223,854
Capital outlay	**222,200**	**91,254**	**130,946**	63,985
Subtotal Information Technology	**554,040**	**384,742**	**169,298**	407,037
Human Resources				
Salaries and benefits	**57,735**	**59,095**	**(1,360)**	127,779
Other operating expenditures	**10,500**	**2,682**	**7,818**	48,752
Subtotal Human Resources	**68,235**	**61,777**	**6,458**	176,531
Tax Administration (assessing, listing, and collection)				
Salaries and benefits	**361,091**	**364,099**	**(3,008)**	358,411
Other operating expenditures	**59,145**	**50,987**	**8,158**	48,132
Subtotal Tax Administration	**420,236**	**415,086**	**5,150**	406,543
Property Tax Revaluation				
Salaries and benefits	**7,282**	**6,946**	**336**	6,940
Other operating expenditures	**117,718**	**55,194**	**62,524**	46,762
Subtotal Property Tax Revaluation	**125,000**	**62,140**	**62,860**	53,702
Elections				
Salaries and benefits	**141,545**	**118,771**	**22,774**	112,413
Other operating expenditures	**94,123**	**79,268**	**14,855**	31,567
Subtotal Elections	**235,668**	**198,039**	**37,629**	143,980
Register of Deeds (including Automation)				
Salaries and benefits	**144,645**	**144,453**	**192**	155,732
Other operating expenditures	**34,500**	**33,746**	**754**	29,794
Subtotal Register of Deeds	**179,145**	**178,199**	**946**	185,526
Housekeeping				
Salaries and benefits	**139,394**	**140,548**	**(1,154)**	139,247
Other operating expenditures	**31,000**	**18,598**	**12,402**	17,365
Subtotal Housekeeping	**170,394**	**159,146**	**11,248**	156,612
Facilities Maintenance (Public Buildings)				
Salaries and benefits	**108,771**	**109,502**	**(731)**	106,658
Other operating expenditures	**996,060**	**921,639**	**74,421**	919,926
Capital outlay	**257,000**	**179,839**	**77,161**	289,594
Subtotal Facilities Maintenance	**1,361,831**	**1,210,980**	**150,851**	1,316,178
Court Facilities				
Other operating expenditures	**12,015**	**8,482**	**3,533**	5,726
Capital outlay	**5,000**	**-**	**5,000**	-
Subtotal Court Facilities	**17,015**	**8,482**	**8,533**	5,726
Total General Government	**4,900,415**	**3,836,693**	**1,063,722**	5,699,175

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
EXPENDITURES (continued from previous page)				
Transportation				
Airport Operations	**40,000**	**16,854**	**23,146**	4,436
Rural Operating Assistance Program	**125,087**	**125,087**	**-**	123,821
Total Transportation	**165,087**	**141,941**	**23,146**	128,257
Public Safety				
Sheriff (including Schools Resource Officers)				
Salaries and benefits	**1,727,204**	**1,579,457**	**147,747**	1,578,292
Other operating expenditures	**370,910**	**230,630**	**140,280**	260,867
Capital outlay	**100,164**	**100,157**	**7**	104,451
Subtotal Sheriff	**2,198,278**	**1,910,244**	**288,034**	1,943,610
Jail / Detention Center				
Salaries and benefits	**874,958**	**874,749**	**209**	805,757
Other operating expenditures	**380,000**	**361,344**	**18,656**	386,812
Subtotal Detention Centers	**1,254,958**	**1,236,093**	**18,865**	1,192,569
Animal/Rabies Control				
Salaries and benefits	**98,037**	**99,054**	**(1,017)**	87,649
Other operating expenditures	**27,500**	**17,080**	**10,420**	16,948
Subtotal Animal/Rabies Control	**125,537**	**116,134**	**9,403**	104,597
Volunteer Fire Departments				
Other operating expenditures	**190,055**	**47,511**	**142,544**	64,971
Capital outlay	**722,934**	**645,240**	**77,694**	89,700
Subtotal Volunteer Fire Departments	**912,989**	**692,751**	**220,238**	154,671
Inspections				
Salaries and benefits	**177,817**	**178,495**	**(678)**	177,109
Other operating expenditures	**25,000**	**21,685**	**3,315**	14,950
Subtotal Inspections	**202,817**	**200,180**	**2,637**	192,059
Coroner	**10,000**	**9,400**	**600**	-
Ambulance / Rescue Squads				
Salaries and benefits	**-**	**-**	**-**	4,950
Other operating expenditures	**1,402,909**	**1,390,346**	**12,563**	15,765
Capital outlay	**18,000**	**861**	**17,139**	-
Subtotal rescue squads	**1,420,909**	**1,391,207**	**29,702**	20,715
Emergency Management				
Salaries and benefits	**66,891**	**67,420**	**(529)**	64,859
Other operating expenditures	**15,604**	**12,007**	**3,597**	976
Subtotal Emergency Management	**82,495**	**79,427**	**3,068**	65,835
E911 Communications				
Salaries and benefits	**458,188**	**445,453**	**12,735**	379,316
Other operating expenditures	**26,000**	**14,629**	**11,371**	27,362
Subtotal E911 Communications	**484,188**	**460,082**	**24,106**	406,678
Randolph Juvenile Day Reporting Center (DRC)	**70,347**	**70,347**	**-**	70,347
Federal and State Forfeited Property	**6,565**	**2,040**	**4,525**	6,000
Total Public Safety	**6,769,083**	**6,167,905**	**601,178**	4,157,081

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
EXPENDITURES (continued from previous page)				
Human Services				
Social Services:				
Social Services				
Salaries and benefits	**2,688,584**	**2,599,793**	**88,791**	2,776,979
Other operating expenditures	**2,478,164**	**2,313,460**	**164,704**	2,195,952
Capital outlay	**49,000**	**2,673**	**46,327**	-
Subtotal Social Services	**5,215,748**	**4,915,926**	**299,822**	4,972,931
Total Social Services	**5,215,748**	**4,915,926**	**299,822**	4,972,931
Health services				
Health Administration				
Salaries and benefits	**219,071**	**215,366**	**3,705**	203,417
School nurses at MCS	**100,000**	**100,000**	**-**	100,000
Other operating expenditures	**263,874**	**82,152**	**181,722**	82,558
Subtotal Health Administration	**582,945**	**397,518**	**185,427**	385,975
Tuberculosis/Communicable Diseases				
Salaries and benefits	**93,154**	**89,750**	**3,404**	81,657
Other operating expenditures	**16,299**	**20,476**	**(4,177)**	13,934
Subtotal Tuberculosis/Communicable Diseases	**109,453**	**110,226**	**(773)**	95,591
Public Health/Emergency Planning				
Salaries and benefits	**2,487**	**2,495**	**(8)**	20,897
Other operating expenditures	**49,219**	**34,368**	**14,851**	12,220
Subtotal AIDS	**51,706**	**36,863**	**14,843**	33,117
Health Promotion				
Salaries and benefits	**41,036**	**37,426**	**3,610**	39,760
Other operating expenditures	**7,250**	**2,235**	**5,015**	14,339
Subtotal Health Promotions	**48,286**	**39,661**	**8,625**	54,099
Women - Infants - Children				
Salaries and benefits	**211,218**	**208,315**	**2,903**	201,521
Other operating expenditures	**10,612**	**8,172**	**2,440**	8,430
Subtotal Women - Infants - Children	**221,830**	**216,487**	**5,343**	209,951
Child Health				
Salaries and benefits	**225,330**	**228,476**	**(3,146)**	170,906
Other operating expenditures	**50,566**	**48,328**	**2,238**	26,515
Subtotal Child Health	**275,896**	**276,804**	**(908)**	197,421
Maternal Health				
Salaries and benefits	**189,654**	**189,508**	**146**	188,171
Other operating expenditures	**41,000**	**39,121**	**1,879**	36,541
Subtotal Maternal Health	**230,654**	**228,629**	**2,025**	224,712
Adult Health				
Salaries and benefits	**70,676**	**68,527**	**2,149**	59,930
Other operating expenditures	**22,600**	**28,503**	**(5,903)**	22,898
Subtotal Adult Health	**93,276**	**97,030**	**(3,754)**	82,828
Family Planning				
Salaries and benefits	**184,218**	**187,861**	**(3,643)**	174,405
Other operating expenditures	**61,217**	**63,494**	**(2,277)**	63,418
Subtotal Family Planning	**245,435**	**251,355**	**(5,920)**	237,823

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
EXPENDITURES (continued from previous page)				
Childcare Coordination				
Salaries and benefits	**65,243**	**55,063**	**10,180**	42,025
Other operating expenditures	**9,334**	**3,080**	**6,254**	3,114
Subtotal Child Health	**74,577**	**58,143**	**16,434**	45,139
Pregnancy Care Management				
Salaries and benefits	**85,842**	**82,620**	**3,222**	43,267
Other operating expenditures	**11,765**	**5,262**	**6,503**	2,100
Subtotal Smart Start	**97,607**	**87,882**	**9,725**	45,367
Other Public Health Grants				
Other operating expenditures	**57,116**	**54,647**	**2,469**	-
Capital outlay	**2,884**	**2,030**	**854**	-
Subtotal Other Public Health Grants	**60,000**	**56,677**	**3,323**	-
Total Health Services	**2,091,665**	**1,857,275**	**234,390**	1,612,023
Miscellaneous				
Environmental Health				
Salaries and benefits	**165,066**	**138,183**	**26,883**	124,782
Other operating expenditures	**10,016**	**13,143**	**(3,127)**	4,986
Subtotal Environmental Health	**175,082**	**151,326**	**23,756**	129,768
Home Community and Care Block Grant	**291,672**	**291,672**	**-**	268,359
Mental Health (Sandhills),allocations	**65,275**	**60,775**	**4,500**	60,775
Veteran Services				
Salaries and benefits	**-**	**-**	**-**	8,339
Other operating expenditures	**-**	**-**	**-**	43
Subtotal Veteran Services	**-**	**-**	**-**	8,382
Programs for the Aging, allocations	**95,000**	**95,000**	**-**	80,000
Youth Services				
Salaries and benefits	**7,994**	**7,994**	**-**	19,334
Other operating expenditures	**22,220**	**18,307**	**3,913**	10,851
Subtotal Youth Services	**30,214**	**26,301**	**3,913**	30,185
Total Human Services	**7,964,656**	**7,398,275**	**566,381**	7,162,423
Environmental Protection				
Landfill & Recycling, other expenditures	**376,503**	**375,637**	**866**	-
Forestry, other expenditures	**88,200**	**88,200**	**-**	88,200
Soil Conservation				
Salaries and benefits	**73,965**	**74,684**	**(719)**	74,372
Other operating expenditures	**4,800**	**2,244**	**2,556**	2,177
Subtotal Soil Conservation	**78,765**	**76,928**	**1,837**	76,549
Total Environmental Protection	**543,468**	**540,765**	**2,703**	164,749
Education (Intergovernmental)				
Public Schools				
Current expenses	**5,175,804**	**5,175,804**	**-**	5,046,769
Schools capital outlay	**-**	**-**	**-**	167,813
Subtotal Public Schools	**5,175,804**	**5,175,804**	**-**	5,214,582
Community College, current expenses	**736,080**	**736,080**	**-**	728,792
Total Education	**5,911,884**	**5,911,884**	**-**	5,943,374

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
EXPENDITURES (continued from previous page)				
Economic and Physical Development				
Planning and Zoning				
Salaries and benefits	**56,985**	**57,883**	**(898)**	55,282
Other operating expenditures	**9,000**	**1,588**	**7,412**	5,460
Subtotal Planning and Zoning	**65,985**	**59,471**	**6,514**	60,742
Economic Development				
Salaries and benefits	**78,336**	**77,629**	**707**	33,408
Company incentives	**50,000**	**-**	**50,000**	-
Other operating expenditures	**37,000**	**30,498**	**6,502**	29,720
Subtotal Economic Development	**165,336**	**108,127**	**57,209**	63,128
Cooperative (Agricultural) Extension				
Salaries and benefits	**182,700**	**168,212**	**14,488**	135,807
Other operating expenditures	**10,300**	**10,133**	**167**	11,132
Subtotal Cooperative/Agricultural Extension	**193,000**	**178,345**	**14,655**	146,939
Economic Development Grants, other expenditures	**210,000**	**210,000**	**-**	-
Total Economic and Physical Development	**634,321**	**555,943**	**78,378**	270,809
Cultural and Recreational				
Library System				
Salaries and benefits	**224,280**	**222,965**	**1,315**	215,003
Books and magazines	**26,000**	**26,402**	**(402)**	23,774
Other operating expenditures	**43,247**	**35,176**	**8,071**	42,649
Capital outlay	**753**	**752**	**(1)**	-
Subtotal Library System	**294,280**	**285,295**	**8,983**	281,426
Recreation				
Salaries and benefits	**32,295**	**25,092**	**7,203**	17,945
Contributions to area recreation groups	**95,625**	**91,850**	**3,775**	26,350
Other operating expenditures	**14,205**	**9,846**	**4,359**	7,217
Subtotal Recreation	**142,125**	**126,788**	**15,337**	51,512
Haltiwanger Retreat, other expenditures	**15,000**	**10,967**	**4,033**	-
County Gym Projects, allocations	**11,000**	**10,705**	**295**	2,154
Total Cultural and Recreational	**462,405**	**433,755**	**28,648**	335,092
Debt Service				
Principal reduction	**1,920,097**	**1,710,681**	**209,416**	1,699,831
Interest and fees	**575,740**	**451,396**	**124,344**	297,041
Bond issuance costs	**3,500**	**3,537**	**(37)**	1,250
Total Debt Service	**2,499,337**	**2,165,614**	**333,723**	1,998,122
Total Expenditures	**29,850,656**	**27,152,775**	**2,697,879**	25,859,082
Excess of Revenues Over (Under) Expenditures	**1,484,926**	**5,439,300**	**3,954,372**	4,302,529

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
EXPENDITURES (continued from previous page)				
Excess of Revenues Over (Under) Expenditures (repeated from prior page)	**1,484,926**	**5,439,300**	**3,954,372**	4,302,529
OTHER FINANCING SOURCES (USES)				
Transfers In:				
from Emergency Telephone fund	**55,000**	**55,507**	**507**	-
from EMPG fund	**34,742**	**34,742**	**-**	-
from Child Support Incentives fund	**-**	**107,723**	**107,723**	-
Transfers Out:				
to Emergency Telephone fund	**(4,714)**	**(8,482)**	**(3,768)**	-
to Child Support Incentives fund	**-**	**-**	**-**	(196,568)
to Schools Projects fund	**(322,950)**	**(599,868)**	**(276,918)**	(264,225)
to Educational Facilities fund	**(6,425,750)**	**(6,162,977)**	**262,773**	-
to Airport Projects fund	**(16,667)**	**(16,667)**	**-**	(16,667)
to Capital Projects fund	**(225,000)**	**(225,000)**	**-**	(3,041,173)
Capital Lease Financing Issued	**24,000**	**-**	**(24,000)**	-
Fund Balance (Contingency) Appropriated	**5,396,413**	**-**	**(5,396,413)**	-
Total Other Financing Sources (Uses)	**(1,484,926)**	**(6,815,022)**	**(5,330,096)**	(3,518,633)
Net Change in Fund Balance	**$ -**	**(1,375,722)**	**$ (1,375,724)**	783,896
FUND BALANCES				
Beginning fund balances (July 1)		**13,898,098**		13,114,202
Ending Fund Balances (June 30)		**$ 12,522,376**		$ 13,898,098

Note: This fund consolidates the following funds that were reported separately in annual financial statements prior to June 20, 2015: General Fund, Revaluation Fund, Drug Forfeiture Fund, and 2-Cent Fire Tax Restricted VFD Fund

(continued from previous page)

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

For the Year Ended June 30, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings (Green Ridge)	**$ 680,109**	$ 691,291	**$ -**	**$ 691,291**
Investment earnings (Jail / Detention)	**421,314**	421,726	**-**	**421,726**
Contributions / donations (Animal Shelter)	**90,000**	90,000	**-**	**90,000**
Total revenues	**1,191,423**	1,203,017	**-**	**1,203,017**
EXPENDITURES				
Public safety:				
Jail / Detention Center				
Administration	**42,359**	42,359	**-**	**42,359**
Construction	**9,642,269**	9,625,206	**-**	**9,625,206**
Engineering, legal, & other professional services	**221,405**	221,405	**-**	**221,405**
Animal Shelter				
Construction	**159,452**	154,282	**-**	**154,282**
Other expenses	**375**	375	**-**	**375**
Schools capital outlay:				
Green Ridge Elementary School				
Administration	**1,117,005**	308,609	**-**	**308,609**
Construction	**13,393,183**	13,393,183	**-**	**13,393,183**
Engineering, legal, & other professional services	**568,760**	416,457	**-**	**416,457**
Furniture, fixtures, & equipment	**1,467,632**	1,467,632	**-**	**1,467,632**
Other expenses	**23,292**	10,516	**-**	**10,516**
Debt service:				
Green Ridge Elementary School				
Debt interest	**284,000**	518,980	**5**	**518,985**
Debt closing costs	**60,000**	53,750	**-**	**53,750**
Jail / Detention Center				
Debt interest	**167,000**	138,815	**5**	**138,820**
Debt closing costs	**49,250**	44,250	**-**	**44,250**
Total expenditures	**27,195,982**	26,395,819	**10**	**26,395,829**
Excess of revenues over (under) expenditures	**(26,004,559)**	(25,192,802)	**(10)**	**(25,192,812)**

(continued on next page)

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

For the Year Ended June 30, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	**(26,004,559)**	(25,192,802)	**(10)**	**(25,192,812)**
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (Green Ridge)	**2,600,000**	2,598,750	**-**	**2,598,750**
from General fund (Jail / Detention)	**490,406**	730,547	**-**	**730,547**
from General fund (Animal Shelter)	**69,827**	69,827	**-**	**69,827**
from General fund (upcoming projects)	**-**	-	**225,000**	**225,000**
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)	**26,004,559**	25,273,398	**225,000**	**25,498,398**
Net change in fund balance	**$ -**	$ 80,596	**224,990**	**$ 305,586**
FUND BALANCES				
Beginning fund balances (July 1)			**80,596**	
Ending fund balances (June 30)			**$ 305,586**	

County of Montgomery, North Carolina

Annual Financial and Compliance Report
For the Year Ended June 30, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:

5. Financial Statements for Non-major Governmental Funds

	Identifier	Page No.
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.5.a	102
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.5.b	104
c. Emergency Telephone System Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.c	106
d. EMPG Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.d	107
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	108
f. Badin Lake Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.f	109
g. Lake Tillery Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.g	110
h. Child Support Incentives Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.5.h	111
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	112
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l. Airport Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.5.l	115

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 i 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 j through l 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, 2016
With Comparative Totals as of June 30, 2015

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
ASSETS					
Cash and cash equivalents	$ 211,660	$ 83,465	$ 10,616	$ 5,150	$ 3,260
Taxes receivable, net	-	-	-	14,246	5,285
Accounts receivable, net	-	-	-	-	-
Due from other governments	15,199	149	-	1,373	846
Prepaid items	21,059	7,125	-	-	-
Restricted cash	-	-	-	-	-
Total assets	$ 247,918	$ 90,739	$ 10,616	$ 20,769	$ 9,391
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ 2,147	$ -	$ -	$ 2,144	$ 1,467
Unearned revenues	-	-	-	-	-
Due to other governmental funds	-	-	-	3,020	1,783
Total liabilities	2,147	-	-	5,164	3,250
Deferred inflows:					
Property taxes receivable	-	-	-	14,246	5,285
Unearned tax revenues	-	-	-	-	-
Total deferred inflows	-	-	-	14,246	5,285
Fund balances:					
Non-spendable					
Prepaid Items	21,059	7,125	-	-	-
Restricted					
Stabilization of State Statute	15,199	149	-	1,359	846
Public Safety	209,513	83,465	-	-	-
Human Services	-	-	-	-	-
Schools Capital Outlay	-	-	-	-	-
Economic and Physical Development	-	-	10,616	-	-
Committed					
Public Safety	-	-	-	-	10
Education (intergovernmental)	-	-	-	-	-
Schools Capital Outlay	-	-	-	-	-
Assigned					
Transportation	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	245,771	90,739	10,616	1,359	856
Total liabilities, deferred inflows and fund balances	$ 247,918	$ 90,739	$ 10,616	$ 20,769	$ 9,391

(continued on next page)

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Non-major Governmental Funds							
Child Support Incentives	Golden LEAF - Aseptia	Schools Projects	Educational Facilities	Airport Projects	Totals 2016	Totals 2015
$ 205,939	$ 470,425	$ 990,706	$ 6,058,427	$ (112,426)	$ 7,927,222	$ 1,486,338
-	-	-	-	-	19,531	22,964
-	-	108,285	-	-	108,285	152,858
-	-	3,743	-	218,031	239,341	117,370
-	-	-	-	-	28,184	10,275
-	-	-	-	-	-	98,637
$ 205,939	$ 470,425	$ 1,102,734	$ 6,058,427	$ 105,605	$ 8,322,563	$ 1,888,442
$ 596	$ -	$ -	$ 20,000	$ -	$ 26,354	$ 8,065
-	180,388	-	-	-	180,388	5,525
-	-	-	-	-	4,803	4,804
596	180,388	-	20,000	-	211,545	18,394
-	-	-	-	-	19,531	22,964
-	-	-	-	-	-	10
-	-	-	-	-	19,531	22,974
-	-	-	-	-	28,184	10,275
-	-	112,028	-	105,605	235,186	619,691
-	-	-	-	-	292,978	306,143
205,343	-	-	-	-	205,343	308,737
-	-	-		-	-	98,637
-	290,037	-	-	-	300,653	131,472
-	-	-	-	-	10	-
-	-	990,706	-	-	990,706	-
-	-	-	6,038,427	-	6,038,427	340,304
-	-	-	-	-	-	34,499
-	-	-	-	-	-	(2,684)
205,343	290,037	1,102,734	6,038,427	105,605	8,091,487	1,847,074
$ 205,939	$ 470,425	$ 1,102,734	$ 6,058,427	$ 105,605	$ 8,322,563	$ 1,888,442

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
REVENUES					
Ad valorem taxes	$ -	$ -	$ -	$ 412,964	$ 195,584
Local option sales taxes	-	-	-	-	-
Intergovernmental revenues, restricted	169,390	35,556	-	-	-
Sales and services	-	-	-	-	-
Investment earnings	246	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	169,636	35,556	-	412,964	195,584
EXPENDITURES					
Transportation	-	-	-	-	-
Public safety	106,532	13,664	-	410,022	193,627
Human services	-	-	-	-	-
Education (intergovernmental)	-	-	-	-	-
Economic and physical development	-	-	-	-	-
Debt service, principal reduction	-	-	-	-	-
Debt service, interest and fees	-	-	-	-	-
Total expenditures	106,532	13,664	-	410,022	193,627
Excess of revenues over (under) expenditures	63,104	21,892	-	2,942	1,957
OTHER FINANCING SOURCES (USES)					
Transfers in	8,482	-	-	-	-
Transfers out	(55,507)	(34,742)	-	-	-
Total other financing sources (uses)	(47,025)	(34,742)	-	-	-
Net change in fund balance	16,079	(12,850)	-	2,942	1,957
FUND BALANCES					
Beginning fund balances (July 1)	229,692	103,589	10,616	(1,583)	(1,101)
Ending fund balances (June 30)	$ 245,771	$ 90,739	$ 10,616	$ 1,359	$ 856

(continued on next page)

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Non-major Governmental Funds						
Child Support Incentives	Golden LEAF - Aseptia	Schools Projects	Educational Facilities	Airport Projects	Totals 2016	Totals 2015
$ -	$ -	$ -	$ -	$ -	$ 608,548	$ 644,617
-	-	399,073	-	-	399,073	378,144
54,020	-	-	-	218,031	476,997	2,487,420
-	-	-	-	-	-	18,255
-	-	4	-	-	250	280
-	92,573	-	-	-	92,573	167,412
54,020	92,573	399,077	-	218,031	1,577,441	3,696,128
-	-	-	-	216,280	216,280	74,942
-	-	-	-	-	723,845	841,793
58,937	-	-	-	-	58,937	43,617
-	-	457,476	124,550	-	582,026	494,348
-	833	-	-	-	833	1,602,084
-	-	208,836	-	-	208,836	208,836
-	-	132,293	-	-	132,293	123,088
58,937	833	798,605	124,550	216,280	1,923,050	3,388,708
(4,917)	91,740	(399,528)	(124,550)	1,751	(345,609)	307,420
-	-	599,868	6,162,977	16,667	6,787,994	477,460
(107,723)	-	-	-	-	(197,972)	-
(107,723)	-	599,868	6,162,977	16,667	6,590,022	477,460
(112,640)	91,740	200,340	6,038,427	18,418	6,244,413	784,880
317,983	198,297	902,394	-	87,187	1,847,074	1,062,194
$ 205,343	$ 290,037	$ 1,102,734	$ 6,038,427	$ 105,605	$ 8,091,487	$ 1,847,074

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
System subscriber/surcharge fees	**$ 169,390**	**$ 169,390**	**$ -**	$ 166,332
Investment earnings	**-**	**246**	**246**	244
Total revenues	**169,390**	**169,636**	**246**	166,576
EXPENDITURES				
Public safety:				
Phone and furniture expenditures	**45,000**	**36,042**	**8,958**	38,336
Software maintenance expenditures	**54,000**	**20,873**	**33,127**	40,181
Hardware maintenance expenditures	**20,000**	**17,348**	**2,652**	10,811
Training expenditures	**7,000**	**3,463**	**3,537**	4,970
Other expenditures	**4,714**	**16**	**4,698**	209
Capital outlay, hardware	**63,500**	**28,790**	**34,710**	37,157
Total public safety expenditures	**194,214**	**106,532**	**87,682**	131,664
Excess of revenues over (under) expenditures	**(24,824)**	**63,104**	**87,928**	34,912
OTHER FINANCING SOURCES (USES)				
Implemental functions (transfer to General fund)	**(55,500)**	**(55,507)**	**(7)**	(55,061)
Transfers in:				
from General fund for prior year expenditures	**4,714**	**4,714**	**-**	-
from General fund for current year expenditures		**3,768**	**3,768**	-
Fund balance appropriated	**75,610**	**-**	**(75,610)**	-
Total other financing sources (uses)	**24,824**	**(47,025)**	**(71,849)**	(55,061)
Net change in fund balance	**$ -**	**16,079**	**$ 16,079**	(20,149)
FUND BALANCES				
Beginning fund balances (July 1)		**229,692**		249,841
Ending fund balances (June 30)		**$ 245,771**		$ 229,692

RECONCILIATION TO PSAP REVENUE-EXPENDITURES REPORT	*Revenue*	*Expenditures*
Totals (from above)	169,636	106,532
less Investment earnings	(246)	-
plus Implemental functions (transfer to General Fund)	-	55,507
less Transfers in from General fund for current year expenditures	-	(3,768)
Totals reported to NC 911 Board	169,390	158,271

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
Intergovernmental revenues, restricted	**$ 40,000**	**$ 35,556**	**$ (4,444)**	$ 35,288
Total revenues	**40,000**	**35,556**	**(4,444)**	35,288
EXPENDITURES				
Public safety:				
Salaries and benefits	**10,765**	**1,131**	**9,634**	5,396
Supplies	**1,235**	**1,244**	**(9)**	87
Response gaps	**28,000**	**11,289**	**16,711**	2,284
Total expenditures	**40,000**	**13,664**	**26,336**	7,767
Excess of revenues over (under) expenditures	**-**	**21,892**	**21,892**	27,521
OTHER FINANCING SOURCES (USES)				
Transfers out				
to General fund	**(34,742)**	**(34,742)**	**-**	-
Fund balance appropriated	**34,742**	**-**	**(34,742)**	-
Total other financing sources (uses)	**-**	**(34,742)**	**(34,742)**	-
Net change in fund balance	**$ -**	**(12,850)**	**$ (12,850)**	27,521
FUND BALANCES				
Beginning fund balances (July 1)		**103,589**		76,068
Ending fund balances (June 30)		**$ 90,739**		$ 103,589

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, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Project 11-C-2319	**400,000**	359,188	**-**	**359,188**
Miscellaneous (11-C-2319)	**20,000**	17,316	**-**	**17,316**
Total revenues	**420,000**	376,504	**-**	**376,504**
EXPENDITURES				
Economic and physical development:				
Community Development Block Grant-2011 Scattered Site Housing, 11-C-2319				
Administration	**60,000**	60,000	**-**	**60,000**
Housing rehabilitation	**360,000**	305,888	**-**	**305,888**
Total expenditures	**420,000**	365,888	**-**	**365,888**
Net change in fund balance	**$ -**	$ 10,616	**-**	**$ 10,616**
FUND BALANCES				
Beginning fund balances			**10,616**	
Ending fund balances			**$ 10,616**	

Note: This fund consolidates the following funds that were reported separately in annual financial statements prior to June 30, 2015:
CDBG Urgent Repair Fund
2011 CDBG Scattered Site Housing Fund

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
Ad valorem taxes	**$ 403,023**	**$ 396,237**	**$ (6,786)**	$ 450,415
Prior years	**16,121**	**16,727**	**606**	-
Total revenues	**419,144**	**412,964**	**(6,180)**	450,415
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	**419,144**	**410,022**	**9,122**	451,998
Net change in fund balance	**$ -**	**2,942**	**$ 2,942**	(1,583)
FUND BALANCES				
Beginning fund balances (July 1)		**(1,583)**		-
Ending fund balances (June 30)		**$ 1,359**		$ (1,583)

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
Ad valorem taxes	**$ 190,318**	**$ 185,773**	**$ (4,545)**	$ 194,202
Prior years	**7,613**	**9,811**	**2,198**	-
Total revenues	**197,931**	**195,584**	**(2,347)**	194,202
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	**197,931**	**193,627**	**4,304**	195,303
Net change in fund balance	**$ -**	**1,957**	**$ 1,957**	(1,101)
FUND BALANCES				
Beginning fund balances (July 1)		**(1,101)**		-
Ending fund balances (June 30)		**$ 856**		$ (1,101)

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
Intergovernmental revenues, restricted	**$ 30,077**	**$ 54,020**	**$ 23,943**	$ 64,749
Total revenues	**30,077**	**54,020**	**23,943**	64,749
EXPENDITURES				
Human services:				
IV-D child incentives	**164,549**	**44,522**	**120,027**	30,805
Grant expenditures	**12,815**	**12,815**	**-**	12,812
Other expenditures	**-**	**1,600**	**(1,600)**	-
Total expenditures	**177,364**	**58,937**	**118,427**	43,617
Excess of revenues over (under) expenditures	**(147,287)**	**(4,917)**	**142,370**	21,132
OTHER FINANCING SOURCES (USES)				
Transfers in				
from General fund	**-**	**-**	**-**	196,568
Transfers out				
to General fund	**(111,156)**	**(107,723)**	**3,433**	-
Fund balance appropriated	**258,443**	**-**	**(258,443)**	-
Total other financing sources (uses)	**147,287**	**(107,723)**	**(255,010)**	196,568
Net change in fund balance	**$ -**	**(112,640)**	**$ (112,640)**	217,700
FUND BALANCES				
Beginning fund balances (July 1)		**317,983**		100,283
Ending fund balances (June 30)		**$ 205,343**		$ 317,983

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, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, state restricted	$ 3,500,000	$ 3,499,099	$ -	$ 3,499,099
Miscellaneous	92,500	198,297	92,573	290,870
Total revenues	3,592,500	3,697,396	92,573	3,789,969
EXPENDITURES				
Economic and physical development:				
Administration	92,500	-	833	833
Equipment purchases	3,500,000	3,499,099	-	3,499,099
Total expenditures	3,592,500	3,499,099	833	3,499,932
Net change in fund balance	$ -	$ 198,297	91,740	$ 290,037
FUND BALANCES				
Beginning fund balances			198,297	
Ending fund balances			$ 290,037	

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, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Local option sales taxes (MCS building repairs)	**$ 794,571**	$ 1,078,410	**$ 319,258**	**$ 1,397,668**
Local option sales taxes (MCC building repairs)	**476,494**	75,629	**79,815**	**155,444**
Intergovernmental revenues, federal restricted				
Federal govt interest subsidy (QSCB)	**-**	122,384	**-**	**122,384**
Investment earnings (QSCB)	**-**	1,634	**4**	**1,638**
Total revenues	**1,271,065**	1,278,057	**399,077**	**1,677,134**
EXPENDITURES				
Schools capital outlay				
QSCB (Qualfied School Construction Bonds)				
Administration	**37,053**	35,866	**1,187**	**37,053**
Construction and renovation	**3,077,488**	2,998,481	**80,645**	**3,079,126**
MCS building repairs				
Construction and renovation	**175,000**	-	**34,375**	**34,375**
MCC building repairs				
Construction and renovation	**651,494**	65,419	**341,269**	**406,688**
Debt service:				
QSCB (Qualfied School Construction Bonds)				
Debt principal retirement	**646,670**	417,672	**208,836**	**626,508**
Debt interest and fees	**387,281**	254,988	**132,293**	**387,281**
Total expenditures	**4,974,986**	3,772,426	**798,605**	**4,571,031**
Excess of revenues over (under) expenditures	**(3,703,921)**	(2,494,369)	**(399,528)**	**(2,893,897)**
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (debt service)	**221,383**	114,225	**106,524**	**220,749**
from General fund (MCS building repairs)	**175,000**	75,000	**334,675**	**409,675**
from General fund (MCC building repairs)	**175,000**	75,000	**158,669**	**233,669**
Proceeds from debt issuance	**3,132,538**	3,132,538	**-**	**3,132,538**
Total other financing sources (uses)	**3,703,921**	3,396,763	**599,868**	**3,996,631**
Net change in fund balance	**$ -**	$ 902,394	**200,340**	**$ 1,102,734**
FUND BALANCES				
Beginning fund balances			**902,394**	
Ending fund balances			**$ 1,102,734**	

Note: This fund was reported as the 2013 QSCB School Rehab Fund in annual financial statements prior to June 30, 2015.

County of Montgomery, North Carolina
k. Educational Facilities Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)

For the Year Ended June 30, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES				
Education:				
Future project	6,425,750	-	124,550	124,550
Total expenditures	6,425,750	-	124,550	124,550
Excess of revenues over (under) expenditures	(6,425,750)	-	(124,550)	(124,550)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (future project)	6,425,750	-	6,162,977	6,162,977
Total other financing sources (uses)	6,425,750	-	6,162,977	6,162,977
Net change in fund balance	$ -	$ -	6,038,427	$ 6,038,427
FUND BALANCES				
Beginning fund balances			-	
Ending fund balances			$ 6,038,427	

Note: This fund is new for these annual financial statements as of June 30, 2016.

County of Montgomery, North Carolina
l. 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, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Airport Block Grant, Pavement Rehab	**$ 3,706,636**	$ 3,440,891	**$ -**	**$ 3,440,891**
Airport Block Grant, Land Acquisition	**351,000**	90,650	**218,031**	**308,681**
Lease revenue from hangars	**17,280**	22,120	**-**	**22,120**
Miscellaneous (36244.64.5.1)	**16,500**	16,500	**-**	**16,500**
Total revenues	**4,091,416**	3,570,161	**218,031**	**3,788,192**
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**	2,570	**-**	**2,570**
Airport Block Grant-Land Acquisition				
Administration	**2,100**	2,100	**-**	**2,100**
Construction	**24,925**	-	**-**	**-**
Engineering, legal, & other professional services	**87,779**	55,839	**403**	**56,242**
Land acquisition	**386,196**	34,765	**215,877**	**250,642**
Other expenses	**-**	45	**-**	**45**
Airport Block Grant-future project	**66,668**	-	**-**	**-**
Airport operating expenditures	**17,280**	13,215	**-**	**13,215**
Total expenditures	**4,556,563**	3,812,103	**216,280**	**4,028,383**
Excess of revenues over (under) expenditures	**(465,147)**	(241,942)	**1,751**	**(240,191)**
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)	**66,668**	50,001	**16,667**	**66,668**
Fund balance appropriated / contingency	**131,147**	-	**-**	**-**
Total other financing sources (uses)	**465,147**	329,129	**16,667**	**345,796**
Net change in fund balance	**$ -**	$ 87,187	**18,418**	**$ 105,605**
FUND BALANCES				
Beginning fund balances			**87,187**	
Ending fund balances			**$ 105,605**	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
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6. Financial Schedules for Major Enterprise Fund

	Identifier	Page No.
a. Water Operations Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.6.a	117
b. Water Projects Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.6.b	119

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
Operating revenues:				
Departmental fees-sales of services	**$ 3,827,000**	**$ 4,426,554**	**$ 599,554**	$ 3,700,429
Miscellaneous	**56,618**	**59,338**	**2,720**	70,757
Total operating revenues	**3,883,618**	**4,485,892**	**602,274**	3,771,186
Non-operating revenues:				
Intergovernmental revenues	**-**	**-**	**-**	10,000
Interest earned	**900**	**1,989**	**1,089**	1,215
Total non-operating revenues	**900**	**1,989**	**1,089**	11,215
Total revenues	**3,884,518**	**4,487,881**	**603,363**	3,782,401
EXPENDITURES				
Administration and operating expenditures:				
Salaries and employee benefits	**829,087**	**798,631**	**30,456**	748,155
Various professional services	**11,800**	**28,348**	**(16,548)**	-
Supplies and materials	**260,740**	**328,244**	**(67,504)**	83,430
Automotive fuels and supplies	**50,000**	**21,962**	**28,038**	36,555
Utilities	**300,000**	**304,553**	**(4,553)**	260,039
Repairs and maintenance	**211,067**	**232,073**	**(21,006)**	472,457
Rental/lease expenditures	**17,500**	**33,639**	**(16,139)**	-
Sludge removal	**-**	**27,935**	**(27,935)**	158,310
Contracted services	**235,977**	**152,559**	**83,418**	-
Water flouridation upgrade	**-**	**-**	**-**	13,868
Penalties and fines	**12,500**	**2,900**	**9,600**	12,500
Furniture, equipment, and tools	**955,097**	**(2,442)**	**957,539**	23,504
Sewer processing charges	**-**	**62,890**	**(62,890)**	-
Other	**113,018**	**39,680**	**73,338**	45,687
Total administration and operating expenditures	**2,996,786**	**2,030,972**	**965,814**	1,854,505
Debt service:				
Debt principal retirement	**826,414**	**826,413**	**1**	701,631
Debt interest paid	**296,222**	**296,222**	**-**	313,922
Capital outlay expenditures	**155,443**	**158,720**	**(3,277)**	90,206
Total expenditures	**4,274,865**	**3,312,327**	**962,538**	2,960,264
Excess of revenues over (under) expenditures	**(390,347)**	**1,175,554**	**1,565,901**	822,137
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	**390,347**	**-**	**(390,347)**	-
Total other financing sources (uses)	**390,347**	**-**	**(390,347)**	-
Net change in fund balance (modified accrual basis)	**$ -**	**$ 1,175,554**	**$ 1,175,554**	$ 822,137

(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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	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)	**$**	**1,175,554**		$ 822,137
Water and Sewer Projects Fund		**-**		1,074,444
Non-cash gain (loss) on disposals of capital assets		**-**		(3,333)
Capital outlay expenditures		**158,720**		86,631
Acquisition of capital assets through project activity		**(328,579)**		(72,820)
Depreciation expense		**(1,092,055)**		(934,545)
Pension expense		**13,684**		(3,305)
Contributions to pension plan		**37,162**		37,758
Retirement of debt principal		**826,413**		701,631
Transfer of funds to capital projects		**317,842**		-
Change in accrued retirement benefits		**(7,128)**		(15,302)
Change in compensated absences		**(2,783)**		(8,039)
Change in accrued debt interest payable		**3,145**		(5,014)
Change in net position (full accrual basis)	**$**	**1,101,975**		$ 1,680,243
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis				
Departmental fees (modified accrual basis)	**$**	**4,426,554**		$ 3,700,429
Bad debt expense (reduces revenue under MA basis)		**(47,215)**		124,608
Departmental fees (full accrual basis)	**$**	**4,379,339**		$ 3,825,037

(continued from previous page)

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, 2016
With Comparative Totals from Project Inception to June 30, 2015

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted				
US EPA STAG gramt (66.01)	**485,000**	485,000	**-**	**485,000**
NC Commerce IDF (66.02)	**553,920**	553,920	**-**	**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**	170,924	**-**	**170,924**
NC Rural center grant (66.01)	**500,000**	500,000	**-**	**500,000**
Golden leaf foundation grant (66.02)	**498,750**	498,750	**-**	**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**	2,685,564	**-**	**2,685,564**
EXPENDITURES				
Environmental protection:				
Poole's Mill Road, 65.02:				
Construction	**271,516**	266,510	**-**	**266,510**
Engineering, legal, & other professional services	**52,500**	46,500	**10,000**	**56,500**
Other expenses	**-**	3,868	**-**	**3,868**
High Service Pump, 66.01:				
Equipment	**449,960**	411,521	**-**	**411,521**
Construction	**1,334,865**	1,320,842	**-**	**1,320,842**
Engineering, legal, & other professional services	**85,000**	81,000	**-**	**81,000**
Other expenses	**-**	3,196	**-**	**3,196**
Raw Water Intake, 66.02:				
Construction	**1,102,670**	1,098,614	**-**	**1,098,614**
Engineering, legal, & other professional services	**117,100**	136,363	**737**	**137,100**
Other expenses	**-**	590	**-**	**590**
Alum Sludge Treatment, 65.03:				
Construction	**2,228,013**	1,783,137	**312,579**	**2,095,716**
Engineering, legal, & other professional services	**239,400**	218,000	**16,000**	**234,000**
Other expenses	**-**	46,630	**-**	**46,630**
Total expenditures	**5,881,024**	5,416,771	**339,316**	**5,756,087**
Excess of revenues over (under) expenditures	**(3,445,330)**	(2,731,207)	**(339,316)**	**(3,070,523)**
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	**(92,076)**	**2,208,237**
Total other financing sources (uses)	**3,445,330**	3,601,933	**(92,076)**	**3,509,857**
Net difference	**$ -**	$ 870,726	**(431,392)**	**$ 439,334**

FUND BALANCES	
Beginning fund balances (July 1)	**870,726**
Ending fund balances (June 30)	**$ 439,334**

County of Montgomery, North Carolina
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7. Financial Statement for Fiduciary Funds

	Identifier	Page No.
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.7.a	121

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, 2016

	Beginning Balance 2015	Additions	Deductions	Ending Balance 2016
SSA Representative Payee Conserved Trust Fund				
Assets				
Cash and cash equivalents	$ 16,312	$ 127,053	$ (112,737)	$ 30,628
Liabilities				
Accounts payable	$ 16,312	$ 127,183	$ (112,867)	$ 30,628
Property Tax Agency Fund				
Assets				
Cash and cash equivalents	$ 29,968	$ 2,006,073	$ (1,999,884)	$ 36,157
Taxes receivable	255,531	2,167,258	(2,141,507)	281,282
Total assets	$ 285,499	$ 4,173,331	$ (4,141,391)	$ 317,439
Liabilities				
Accounts payable	$ -	$ 2,149,199	$ (2,149,199)	$ -
Due to other taxing units	285,499	2,185,949	(2,154,009)	317,439
Total liabilities	$ 285,499	$ 4,335,148	$ (4,303,208)	$ 317,439
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable	$ -	$ 304,190	$ (304,190)	$ -
Liabilities				
Due to other taxing units	$ -	$ 304,190	$ (304,190)	$ -
Inmate Trust Fund				
Assets				
Cash and cash equivalents	$ 12,695	$ 162,061	$ (157,613)	$ 17,143
Liabilities				
Accounts payable	$ 12,695	$ 162,061	$ (157,613)	$ 17,143
Soil & Water Conservation Trust Fund				
Assets				
Cash and cash equivalents	$ 14,246	$ 25,186	$ (24,820)	$ 14,612
Liabilities				
Accounts payable	$ 14,246	$ 25,186	$ (24,820)	$ 14,612

(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, 2016

	Beginning Balance 2015	Additions	Deductions	Ending Balance 2016
(continued from previous page)				
Agricultural Advisory Board Trust Fund				
Assets				
Cash and cash equivalents	$ 4,982	$ 1,000	$ -	$ 5,982
Liabilities				
Accounts payable	$ 4,982	$ 1,000	$ -	$ 5,982
TOTALS, All Agency Funds				
Assets				
Cash and cash equivalents	$ 78,203	$ 2,321,373	$ (2,295,054)	$ 104,522
Taxes receivable	255,531	2,167,258	(2,141,507)	281,282
Intergovernmental receivable	-	304,190	(304,190)	-
Total assets	$ 333,734	$ 4,792,821	$ (4,740,751)	$ 385,804
Liabilities				
Accounts payable	$ 48,235	$ 2,464,629	$ (2,444,499)	$ 68,365
Due to other taxing units	285,499	2,490,139	(2,458,199)	317,439
Total liabilities	$ 333,734	$ 4,954,768	$ (4,902,698)	$ 385,804

(continued from previous page)

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:

8. Financial Statements for Component Unit

	Identifier	Page No.
a. Montgomery County Tourism Development Authority: Balance Sheet	Exhibit II.D.8.a	124
b. Montgomery County Tourism Development Authority: Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.D.8.b	125

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, 2016
With Comparative Totals as of June 30, 2015

	Totals	
	2016	2015
ASSETS		
Cash and cash equivalents	**$ 81,607**	$ 73,992
Taxes receivable, net	**3,927**	3,508
Prepaid items	**338**	470
Total assets	**$ 85,872**	$ 77,970
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
Fund balances:		
Non-spendable		
Prepaid items	**338**	470
Restricted		
Stabilization of State Statute	**3,927**	3,508
Tourism promotion	**81,607**	73,992
Total fund balances	**85,872**	77,970
Total liabilities, deferred inflows and fund balances	**$ 85,872**	$ 77,970

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, 2016
With Comparative Totals For the Year Ended June 30, 2015

	2016			2015
	Budget	**Actual**	**Variance - Positive (Negative)**	Actual
REVENUES				
Occupancy taxes on overnight lodging facilities	**$ 35,000**	**$ 36,212**	**$ 1,212**	$ 32,576
Total revenues	**35,000**	**36,212**	**1,212**	32,576
EXPENDITURES				
Economic development (tourism promotion)				
Tourism and event promotion	**27,500**	**23,055**	**4,445**	16,665
Operating expenditures	**42,500**	**5,255**	**37,245**	3,131
Total expenditures	**70,000**	**28,310**	**41,690**	19,796
Excess of revenues over (under) expenditures	**(35,000)**	**7,902**	**(40,478)**	12,780
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	**35,000**	**-**	**(35,000)**	-
Total other financing sources (uses)	**35,000**	**-**	**(35,000)**	-
Net change in fund balance	**$ -**	**7,902**	**$ (75,478)**	12,780
FUND BALANCES				
Beginning fund balances (July 1)		**77,970**		65,190
Ending fund balances (June 30)		**$ 85,872**		$ 77,970

County of Montgomery, North Carolina
Annual Financial and Compliance Report
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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
E. Other Supplementary Information

	Identifier	Page No.
1. Schedule of Cash and Investment Balances - Primary Government	Exhibit II.E.01	127
2. Schedule of Interfund Transfers	Exhibit II.E.02	128
3. Analysis of Current Tax Levy - County Government (11+14)	Exhibit II.E.03	129
4. Schedule of Ad Valorem Taxes Receivable - County Government (11+14)	Exhibit II.E.04	130
5. Principal Taxpayers	Exhibit II.E.05	131

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, 2016

	Fund Number	Cash Distribution by Funds: Amounts Presented on Statements *		Totals
Cash and cash equivalents				
Unrestricted cash and cash equivalents				
General Fund	10-17		$ 11,065,479	
Special Revenue Funds:			990,515	
Emergency Telephone System Fund	20	211,660		
EMPG Fund	23	83,465		
Community Development Fund	24	10,616		
Badin Lake Fire District Fund	26	5,150		
Lake Tillery Fire District Fund	29	3,260		
Child Incentives Fund	33	205,939		
Golden LEAF - Aseptia Fund	37	470,425		
Capital Projects Funds:			7,242,293	
School Projects	46	990,706		
Educational Facilities	47	6,058,427		
Airport Projects	48	(112,426)		
County Projects	49	305,586		
Enterprise Fund, unrestricted cash	60-61		3,648,046	
Total unrestricted cash and cash equivalents				$ 22,946,333
Restricted cash				
General Fund	10-17		332,869	
Enterprise Fund	60-61		619,072	
Total restricted cash				951,941
Total cash and cash equivalents of the Primary Government				$ 23,898,274
(see Exhibit II.C.1.a, Government-Wide Statement of Net Position)				
Other cash and cash equivalents				
Agency Funds	70-81		104,522	
Total cash and cash equivalents				$ 24,002,796

County of Montgomery, North Carolina
2. Schedule of Interfund Transfers

For the Year Ended June 30, 2016

	Transfers out from:				
	General Fund	Emergency Telephone Fund	EMPG Fund	Child Incentives Fund	Total
Transfers in to:					
General Fund	$ -	$ 55,507	$ 34,742	$ 107,723	$ 197,972
Emergency Telephone System Fund	8,482	-	-	-	8,482
Schools Projects Fund	599,868	-	-	-	599,868
Educational Facilities Fund	6,162,977	-	-	-	6,162,977
Airport Projects Fund	16,667	-	-	-	16,667
County Projects Fund	225,000	-	-	-	225,000
Total	$ 7,012,994	$ 55,507	$ 34,742	$ 107,723	$ 7,210,966

County of Montgomery, North Carolina
2. Schedule of Interfund Transfers

For the Year Ended June 30, 2015

	Transfers out from:				
	General Fund	Emergency Telephone Fund	EMPG Fund	Child Incentives Fund	Total
Transfers in to:					
General Fund	$ -	$ 55,061	$ -	$ -	$ 55,061
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	$ 55,061	$ -	$ -	$ 3,573,694

County of Montgomery, North Carolina
3. Analysis of Current Tax Levy - County Government (11+14)

For the Year Ended June 30, 2016

	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	$ 2,996,733,845	0.62000	$ 18,579,754	$ 17,236,239	$ 1,343,515
Property taxed at prior year's rate	-	0.57000	-	-	-
Penalties (late charges)			111,795	111,795	-
Subtotals	2,996,733,845		18,691,549	17,348,034	1,343,515
Discoveries, Late Listings, and Other Supplements (including Public Service Companies)					
Public Service Companies					
Property taxed at current year's rate	769,982	0.62000	4,774	4,774	-
Property taxed at prior year's rate	21,429,949	0.57000	122,151	122,151	-
Property taxed at prior year's rate	15,851,296	0.67000	106,204	106,204	-
Property taxed at prior year's rate	4,305,384	0.62000	26,693	26,693	-
Penalties (late charges)	-	0.57000	-	-	-
Deferred tax at current year's rate	-	0.62000	-	-	-
Subtotals	42,356,611		259,822	259,822	-
Abatements					
Property taxed at current year's rate	(4,618,182)	0.62000	(97,685)	(97,685)	-
Property taxed at prior year's rate	(13,635,521)	0.57000	(77,722)	(77,722)	-
Property taxed at prior year's rate	(11,726,519)	0.67000	(78,568)	(78,568)	-
Property taxed at prior year's rate	(4,305,384)	0.62000	(26,693)	(26,693)	-
Subtotals	(34,285,606)		(280,669)	(280,669)	-
Totals	$ 3,004,804,850		18,670,702	17,327,186	1,343,515
Net Levy			18,670,702	17,327,186	1,343,515
Less Uncollected Taxes, Current Year, at June 30			(435,318)	(435,318)	-
Current Year's Taxes Collected			$ 18,235,384	$ 16,891,868	$ 1,343,515
Current Levy Collection Percentage (current year's taxes collected / net levy)			97.668%	97.488%	100.000%

Secondary Market Disclosures:

Assessed Valuations:			
Assessment Ratio	100%		
Real Property	$ 2,439,636,580	0.62000	$ 15,125,747
Personal Property (current rate)	463,619,890	0.62000	2,809,520
Personal Property (prior rate)	11,919,205	0.57000	67,939
Public Service Companies	89,629,175	0.62000	555,701
Penalties			111,795
Totals	$ 3,004,804,850		$ 18,670,702

County of Montgomery, North Carolina
4. Schedule of Ad Valorem Taxes Receivable - County Government (11+14)

June 30, 2016

Fiscal Year Ended June 30	Uncollected Balance 2015	Additions: Original Levy	Additions: Supplements	Deductions: Collections	Deductions: Abatements and Other Credits	Uncollected Balance 2016
County Government (11+34)						
2016	$ -	$ 18,691,549	$ 259,822	$ (18,235,384)	$ (280,669)	$ 435,318
2015	469,518		42,546	(251,578)	(56,605)	203,881
2014	233,910		1,462	(56,911)	(1,568)	176,893
2013	178,046		1,770	(24,850)	(1,884)	153,082
2012	135,259		1,330	(17,451)	(1,378)	117,760
2011	103,667		-	(13,372)	-	90,295
2010	74,833		-	(6,146)	-	68,687
2009	63,260		-	(4,084)	-	59,176
2008	64,824		-	(2,730)	-	62,094
2007	44,798		-	(1,246)	-	43,552
2006	43,652		-	(155)	-	43,497
older	41,046		-	(103)		40,943
	1,452,813	$ 18,691,549	$ 306,930	$ (18,614,010)	$ (342,104)	1,495,178
	(643,320)	Less allowance for uncollectible ad valorem taxes receivable				(688,954)
	$ 809,493	**Ad valorem taxes receivable, net**				$ 806,224

Reconciliation with revenues:

Total reported ad valorem tax revenues (see Exhibit II.C.2.b)	$ 18,678,200
Penalties, interest, advertising fees, and other adjustments	(64,190)
Total collections of taxes (as above)	$ 18,614,010

Reconciliation with receivables:

Total reported taxes receivable, net (see Exhibit II.C.2.a)	$ 867,425
Property tax discovery receivable for subsequent year	61,201
Total ad valorem taxes receivable (as above)	$ 806,224

County of Montgomery, North Carolina
5. Principal Taxpayers

For the Year Ended June 30, 2016

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Alcoa Power Generating	Utilities	$ 97,194,630	3.235%	$ 601,860	1
2. Duke Energy Progress	Utilities	53,184,657	1.770%	329,745	2
3. Unilin N.A.	Manufacturing	47,743,979	1.589%	295,756	4
4. Jordan Lumber & Supply	Manufacturing	38,235,580	1.272%	237,061	3
5. Wright Foods	Manufacturing	16,902,409	0.563%	104,795	5
6. Mountaire Farms	Manufacturing	13,257,891	0.441%	82,199	7
7. Redus NC Land	Real Estate Development	12,963,100	0.431%	80,371	6
8. Troy Lumber Co	Manufacturing	12,618,925	0.420%	78,237	8
9. Randolph EMC	Utilities	10,029,984	0.334%	62,186	10
10. Tillery Tradition	Real Estate Development	9,841,365	0.328%	61,016	9
11. Old North State	Real Estate Development	8,428,100	0.280%	52,254	
12. Paperwork Industries	Manufacturing	8,382,381	0.279%	51,971	
Totals		$ 328,783,001	10.942%	$ 2,037,451	

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	Tax Levy	
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		$ 290,782,154	9.840%	$ -	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

	Identifier	Page No.
A. Reports from the Independent Auditor	Subsection III.A.	
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	133
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	135
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	137
B. Schedule of Findings, Responses, and Questioned Costs	Subsection III.B.	139
C. Corrective Action Plan	Subsection III.C.	143
D. Summary Schedule of Prior Year Findings	Subsection III.D.	144
E. Schedule of Expenditures of Federal and State Awards	Subsection III.E.	145
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit III.E.1 0	149

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.

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

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 Auditors' 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, 2016, 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 December 30, 2016. The financial statements of the 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 over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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 significant deficiencies, listed as 2016-001.

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

Montgomery County's responses to the findings identified in our audit are 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 31, 2017

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

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

To the Board of County Commissioners
Montgomery County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Montgomery County, compliance with the types of compliance requirements described in the OMB *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, 2016. 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.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 of Montgomery County's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2016.

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 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 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 the Uniform Guidance, 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 the Uniform Guidance. 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 31, 2017

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

Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditors' 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, 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' major state programs for the year ended June 30, 2016. 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.

Auditors' 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 Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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 the 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, 2016.

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 of compliance, we considered the 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 the Uniform Guidance, 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 Uniform Guidance. 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 31, 2017

B. Schedule of Findings and Questioned Costs

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	____ Yes	X No
Significant deficiency(s) identified?	X Yes	____ None Reported

Noncompliance material to financial statements noted? ____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	____ Yes	X No
Significant deficiency(s) identified?	____ 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 2 CFR 200.516(a)? ____ Yes X No

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
93.778	Medical Assistance Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish between Type A and Type B Programs $ 894,480

Auditee qualified as low-risk auditee? ____ Yes X No

B. Schedule of Findings and Questioned Costs

State Awards

Internal control over major State programs:

Material weaknesses identified? ____ Yes __X__ No

Significant Deficiency(s) identified? ____ Yes __X__ None 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 the State Single Audit Implementation Act? ____ Yes __X__ No

Identification of major State programs:

Program Name

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.

B. Schedule of Findings and Questioned Costs

Section II. Financial Statement Findings

2016 –001 Restatement of previously issued financial statements to reflect the correction of a misstatement.

Criteria: Within the governmental and business-type activities capital assets adjustments were made. Also, an error was discovered in relation to accounting for advanced refunding of defeased debt in the governmental activities.

Condition: Management elected to reclassify certain assets and management and the auditors applied complex accounting rules to advanced refunding of defeased debt incorrectly.

Effect: Net position was stated incorrectly prior years.

Cause: Condition was created due to various conditions and interpretation of how auditors and management selected to report those items.

Recommendation: The County will consider new methods of determining how complex accounting items are treated. Including opinions from outside experts other than auditors.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will address this issue.

B. Schedule of Findings and Questioned Costs

Section III. Federal Award Findings and Questioned Costs

None Reported.

Section IV. State Award Findings and Questioned Costs

None Reported.

Corrective Action Plan

Section II. Financial Statement Findings

2016 –001 Restatement of previously issued financial statements to reflect the correction of a misstatement.

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

Corrective Action:
Complex accounting transactions will be accurately reported.

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.

C. Summary Schedule of Prior Year Findings

Status: 2015-001 Corrected.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

E. 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	Passed-through to Subrecipients	County Expenditures
Federal Awards:						
U.S. Dept. of Agriculture						
Direct program:						
Secure Rural Schools-National Timber Receipts	10.665	-	$ 61,801	$ -	$ 61,801	$ -
Passed-Through N.C. Department of Health and Human Services:						
Division of Public Health:						
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	710,758	-	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children - administration	10.557	5403, -4, -5, -9	208,559	-	-	-
Total Division of Public Health			919,317	-	-	-
Passed-Through N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
Supplemental Nutrition Assistance Program Cluster:						
Supplemental Nutrition Asst. Program - State	10.561	404, 417	274,327	-	-	274,327
Food Stamps Incentive Retention	10.561	455	-	319	-	-
Supplemental Nutrition Assistance Program - Fraud	10.561	405	23,849	-	-	23,848
Total Supplemental Nutrition Assistance Program Cluster			298,176	319	-	298,175
Total U.S. Department of Agriculture			1,279,294	319	61,801	298,175
U.S. Department of Health and Human Services						
Passed-Through N.C. Department of Health and Human Services:						
Divisions of Aging (thru Piedmont Triad Regional Council) and Social Services						
Aging Cluster:						
Special Programs for the Aging - In Home Services	93.044	-	17,398	86,126	103,524	-
III-B Grants for Supportive Services	93.044	-	20,910	25,889	46,799	-
Congregate Nutrition	93.045	-	17,576	1,035	18,611	-
Home Delivered Nutrition	93.045	-	34,414	61,366	95,780	-
NSIP Supplement	93.053	-	18,309	-	18,309	-
Total Aging Cluster			108,607	174,416	283,023	-
Social Services Block Grant - In Home Services	93.667	022, 030	8,413	236	8,649	-
Total Division of Aging			117,020	174,652	291,672	-
Division of Child Development:						
Subsidized Child Care Cluster:						
Child Care Development Fund Sub-Cluster:						
Child Care and Development Fund -- Administration - via Division of Social Services	93.596	364	71,630	-	-	-
Child Care and Development Fund -- Discretionary	93.575	D*23, TB23	377,096	-	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	95,569	-	-	-
Child Care and Development Fund -- Match	93.596	V*23	104,754	36,221	-	-
Total Child Care Development Fund Sub-Cluster			649,049	36,221	-	-
Temporary Assistance for Needy Families Cluster:						
Temporary Assistance for Needy Families - Child Care	93.558	T223	82,815	-	-	-
Total Temporary Assistance for Needy Families Cluster			82,815	-	-	-
Foster Care Title IV-E	93.658	Q423, 460, 467	4,590	2,364	-	-
State and Local Appropriations	-	0023	-	24,831	-	-
TANF-MOE	-	T623	-	44,726	-	-
Total Subsidized Child Care Cluster			736,454	108,142	-	-
Centers for Medicare and Medicaid Services:						
Division of Medical Assistance:						
Health Choice Program - direct benefit payments	93.767	-	807,587	62,944	-	21

continued on next page

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

E. 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	Passed-through to Subrecipients	County Expenditures
Federal Awards: (continued from previous page)						
Centers for Medicare and Medicaid Services:						
Division of Medical Assistance:						
Medicaid Cluster:						
Medicaid Assistance Program - direct benefit payments	93.778	-	24,765,858	13,455,624	-	-
Division of Social Services:						
Adult Care Home Case Mgmt/Spec	93.778	211, 213, 396	2,539	1,270	-	1,270
Medical Assistance Administration	93.778	412, 422, 441	483,444	-	-	161,148
Medical Assistance Services (MAC)	93.778	477	3,367	-	-	3,367
Medical Transportation Administration	93.778	375	36,857	-	-	36,857
State-County Special Assistance	93.778	128, 131, 151	15,050	-	-	5,017
Total Medicaid Cluster			25,307,115	13,456,894	-	207,659
Division of Public Health:						
Public Health Emergency Preparedness	93.069	-	31,659	-	-	-
Public Health Emergency Preparedness	93.074	2680, 2784	19,990	-	-	-
Tuberculosis Control Programs	93.116	272A, 272E	37,176	-	-	-
Immunization Program/Aid to County Funding	93.268	623C, 625C, 631X	6,719	-	-	-
PPHF: Preventive Health Services	93.758	5503	30,291	-	-	-
HIV Prevention Activities	93.940	981C	2,000	-	-	-
STD Control Programs	93.977	462A, 462B	510	-	-	-
Maternal and Child Health Services Block Grant	93.994	5107,5318,5735,-40,-45	130,495	40,726	-	-
Total Division of Public Health			258,840	40,726	-	-
Division of Social Services:						
Foster Care and Adoption Assistance Cluster:						
IV-E Child Protective Services	93.658	072, 074	17,582	14,209	-	4,786
IV-E Foster Care Training	93.658	96, 97	97,766	-	-	97,766
IV-E Admin County Paid - direct benefit payments	93.658	-	8,890	4,445	-	4,445
IV-E Family Foster Max - direct benefit payments	93.658	-	295	-	-	150
IV-E Foster Care - direct benefit payments	93.658	-	31,604	11,254	-	11,254
IV-E Adoption Subsidy - direct benefit payments	93.659	-	32,968	8,423	-	8,423
IV-E Adoption Training	93.659	-	284	-	-	284
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	35,831	-	6,872
State Child Welfare/CPS/Caseload	-	-	-	77,332	-	-
State-County / Special Assistance Domiciliary Care Payments - direct benefit payments	-	-	-	326,992	-	326,992
State Foster Home and Families Maximization - direct benefit payments	-	-	-	7,038	-	7,038
Foster Care, Caseworker	-	109	15,622	-	-	31,376
Total Foster Care and Adoption Assistance Cluster			205,011	485,524	-	499,386
TANF Cluster:						
TANF Payments and Penalties - direct benefit payments	93.558	-	164,561	-	-	-
TANF Public Health Services	93.558	5151	5,452	-	-	-
Work First Administration	93.558	046, '048	36,782	-	-	59,595
Work First Services	93.558	047, '049	140,978	-	-	196,583
Total TANF Cluster			347,773	-	-	256,178
Family Preservation	93.556	-	9,020	-	-	-
Work First non-reimbursable	-	340, 343, 344	-	-	-	48,523
Subtotal			9,020	-	-	48,523
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(84)	(23)	-	(23)
IV-D Offset Fees Federal	93.563	-	93	-	-	48
IV-D Offset Fees ESC	93.563	-	1,273	-	-	656
IV-D Government Service Contract	93.563	423, 449	335,287	-	-	172,724
AFDC Incentives / Program Integrity	-	267	-	198	-	-
Refugee Assistance Administration	93.566	-	117	-	-	-

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2016
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

E. 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	Passed-through to Subrecipients	County Expenditures
Federal Awards: (continued from previous page)						
Crisis Intervention Planning Services	93.568	372	118,906	-	-	-
LIHEAP Administration	93.568	-	22,709	-	-	-
Low-Income Home Energy Assistance Program	93.568	372	132,910	-	-	-
Energy Assistance - private grants	-	-	-	3,037	-	-
Permanency Planning - Services and Administration	93.645	368, 464, 465	7,296	-	-	2,432
Social Services Block Grant	93.667	10, 394, 395, 607, 608	105,466	11,227	-	38,897
LINKS	93.674	290, 291	2,673	668	-	-
N. C. Health Choice	93.767	440, 441, 483, 10126	(8,696)	(754)	-	-
Office of Population Affairs:						
Family Planning	93.217	592C, 592D	25,703	-	-	-
Total U.S. Department of Health and Human Services			28,532,473	14,343,235	291,672	1,226,501
U.S. Department of Justice						
Direct Program:						
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0824	2,199	-	-	-
Total U.S. Department of Justice			2,199	-	-	-
U.S. Department of the Treasury						
Direct program:						
U.S. Immigration and Customs Enforcement	16.578	NC0230000	2,040	-	-	-
Total U.S. Department of the Treasury			2,040	-	-	-
U.S. Federal Emergency Management Agency						
Passed-Through N.C. Department of Public Safety:						
Emergency Management Program	83.552	-	-	35,556	-	-
Total U.S. Federal Emergency Management Agency			-	35,556	-	-
Total Federal Awards			29,816,006	14,379,110	353,473	1,524,676
State Awards:						
N.C. 911 Board						
State E911 Charges Distributed		-	-	162,039	-	-
N.C. Department of Administration						
Veteran Services		-	-	1,525	-	-
N.C. Department of Commerce						
Building Reuse Grant/Infrastructure Program		-	-	200,000	200,000	10,000
N.C. Department of Environmental Quality						
Recycling Grant		-	-	6,463	-	-
Funds for Soil and Water Conservation District		-	-	20,954	-	55,974
Scrap Tire Disposal		-	-	43,512	-	-
Solid Waste Disposal Tax Share		-	-	15,987	-	-
Total N.C. Department of Environment and Natural Resources			-	86,916	-	55,974

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III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

E. 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	Passed-through to Subrecipients	County Expenditures
State Awards: (continued from previous page)						
N.C. Department of Health and Human Services						
Division of Public Health:						
Food and Lodging Fees		1153-4752-SZ62	-	3,016	-	-
General Aid to Counties		1161-4110-0062	-	80,565	-	-
Communicable Disease Control		1175-4510-0062	-	11,139	-	-
Child Health		1271-5745-0062	-	1,763	-	-
Maternal Care		13A1-5107-0062	-	6,646	-	-
Family Planning (HMHC)		13A1-5735-0062	-	2,351	-	-
Maternal Health (HMHC)		13A1-5740-0062	-	22,663	-	-
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	-	641	-	-
School Nurse Funding Initiative		1332-5358-0062	-	100,000	-	-
Tuberculosis (TB)		1460-4551-0062	-	5,295	-	-
TB Medical Service		1460-4554-0062	-	1,034	-	-
Division of Social Services:						
Enterprise Program Integrity Control System		-	-	3,249	-	-
State Adult Protective Services		098, 099	-	-	-	-
State Appropriation		447	-	-	-	-
Special Assistance Administration		414	-	-	-	-
Total N. C. Department of Health and Human Services			-	253,307	-	-
N.C. Department of Public Instruction						
Public School Building Capital Fund - Lottery Proceeds		-	-	250,000	250,000	-
N.C. Department of Public Safety						
Juvenile Crime Prevention Council		-	-	95,374	70,347	1,273
N.C. Department of Transportation						
Rural Operating Assistance Program Cluster:						
Elderly and Disabled Transportation Assistance Program		-	-	51,190	51,190	-
Rural General Public Program		-	-	55,530	55,530	10,000
Employment Transportation Assistance Program		-	-	8,367	8,367	-
Total Rural Operating Assistance Program Cluster:			-	115,087	115,087	10,000
State/Federal Block Grant Program		-	-	50,795	-	-
State Aid to Airports		-	-	216,280	-	-
Total N.C. Department of Transportation			-	382,162	115,087	10,000
N.C. Office of State Controller						
Controlled Substances Tax		-	-	3,099	-	-
Total State Awards			-	1,434,422	635,434	77,247
Total Federal and State Awards			$ 29,816,006	$ 15,813,532	$ 988,907	$ 1,601,923

Note: The dollar threshold used to distinguish major federal programs was $894,480.

County of Montgomery, North Carolina

Annual Financial and Compliance Report
For the Year Ended June 30, 2016
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
E. 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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 the Title 2 US Code of Federal Regulations (CFR) 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. And, Montgomery County has elected to not use the 10% de minimis indirect cost rate as allowed under Title 2 US Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Further, where both applicable and available, pass-through entity identifying numbers are presented.

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. 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	-	$ 710,758	$ -	$ -
Medical Assistance	93.778	-	24,765,858	13,455,624	-
Health Choice Claim Expenditures	93.767	-	807,587	62,944	21
Participation in Budgeted County Expenditures					
IV-E Adoption Subsidy	93.659	-	32,968	8,423	8,423
IV-E Admin County Paid	93.658	-	8,890	4,445	4,445
IV-E Family Foster Max	93.658	-	295	-	150
IV-E Foster Care	93.658	-	31,604	11,254	11,254
AFDC Payments and Penalties	93.560	-	(84)	(23)	(23)
TANF Payments and Penalties	93.558	-	164,561	-	-
Child Welfare Services Adoption Subsidy	n/a	-	-	35,831	6,872
Special Assistance Domicillary Care	n/a	-	-	326,992	326,992
State Foster Home Families Maximization	n/a	-	-	4,423	4,423
State Foster Home	n/a	-	-	2,615	2,615
Total participation in budgeted county expenditures			238,234	393,960	365,151
Total direct benefit payments			$ 25,714,850	$ 13,849,584	$ 365,151