

**COUNTY OF MONTGOMERY, NORTH CAROLINA
SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

With Comparative Totals For the Years Ended June 30, 2015 and June 30, 2014

FOREWORD

In today's busy world, we face a relentless influx of facts, figures, statistics, and other data. Sorting through this information, deciding what is important, and putting that information to good use can prove to be a difficult task. To provide you with easily accessible and clear financial information, we are pleased to present the County's Succinct Annual Financial Expression (SAFE) Report for the fiscal year July 1, 2015 through June 30, 2016.

Purpose - Simple

The purpose of the SAFE Report is to simplify the presentation of major information contained in the full-length, audited Annual Financial and Compliance Report (AFCR). For details and a more in-depth understanding, we encourage you to read the AFCR, which is comprised of detailed financial statements, notes, schedules, and other exhibits.

The purpose of the AFCR (aka 'audited financials') is to provide citizens, investors, grantors, and other readers with very detailed and reliable financial information. In the AFCR, the County's financial statements are prepared using the financial reporting model prescribed by the Governmental Accounting Standards Board (GASB) and are independently audited in accordance with auditing standards generally accepted in this country.

Purpose - Easy to Understand

The SAFE Report is presented to better inform the public about the County's financial condition, without detail and with limited use of technical accounting jargon. This report represents the commitment of County officials to keep County citizens informed about County finances and to be accountable for the receipt and expenditure of public funds.

Purpose - Supplement

This SAFE Report is intended to be a supplement to the AFCR, not a replacement. Since the SAFE Report is presented in a simple and easy-to-understand format, it does not conform to generally accepted accounting principles (GAAP) prescribed in this country. The SAFE Report is not audited and excludes many material disclosures, financial statements, schedules, other exhibits, and notes to the financial statements found in the County's AFCR.

Finance Office Mission

- (1) To provide the highest quality of financial services;
- (2) To deliver high quality public service; and
- (3) To improve the economic, educational, social, and physical quality of our community.

More Financial Information

<http://www.montgomerycountync.com/departments/finance/>

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EXPLANATIONS

Fund

A fund is a grouping of possessions (a.k.a. assets) and related obligations (a.k.a. liabilities) that are used to maintain control over resources that have been segregated for specific activities or objectives. The annual amount of resource inflows (a.k.a. revenues) less the annual amount of resource outflows (a.k.a. expenditures) equals the net change in the fund's equity (a.k.a. reserves). The short-term focus of funds means that long-term capital assets and loans are excluded.

Ending Reserves

The "Ending Reserves" is the excess amount of what the fund owns (a.k.a. assets) above what the fund owes (a.k.a. liabilities) at the end of the year. This amount assures significant cash flow, serves a critical role in financial planning and budgeting, provides a safety net for unforeseen expenses or emergencies, eliminates or reduces the need for short-term borrowing for operations, and demonstrates financial stability.

Dual Statement Presentation

Two statements are shown on each of the following pages. Note that both statements, one showing annual activity and one showing year-end balances, have the same result for the fund's "Ending Reserves". This concept is essential to accurately recording financial transactions to produce reliable financial statements.

Though the fundamental accounting equation is $Assets = Liabilities + Equity$, the equation can be re-arranged mathematically to suggest that $Assets - Liabilities = Equity$. This latest equation is used in the statements showing year-end balances, except we use the term "Reserves" in lieu of "Equity".

Revenues and Expenditures are considered temporary Equity accounts. However, balances of Assets, Liabilities, and Equity at the end of one year become the beginning balance at the start of the subsequent year. The statements showing annual activity reveal that the change in Equity (a.k.a. Reserves) for that year stem from Revenues less Expenditures.

General Fund

The General Fund is the County's primary operating fund and is used to record all resource inflows and outflows that are not associated with other funds. The major sources of revenues for this fund are property taxes, sales taxes, federal and state grants, and landfill franchise fees. Core services of the County include public safety, human services, education funding, and general government. Priorities are determined by the County Manager and the Board of County Commissioners through the annual budget process.

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With Comparative Totals For the Years Ended June 30, 2015 and June 30, 2014

GENERAL FUND

| <u>SUMMARIZED ANNUAL ACTIVITY</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|--|------------------------|------------------------|------------------------|
| REVENUES (BY CATEGORY) | | | |
| Property Taxes | 18,678,200 | 16,773,355 | 17,193,814 |
| Sales & Other Taxes | 4,042,105 | 3,992,984 | 3,712,836 |
| Intergovernmental | 6,050,526 | 5,960,896 | 5,595,347 |
| Licenses, Fees, and Permits | 3,483,530 | 3,230,894 | 2,987,667 |
| Sales and Services | 605,519 | 486,635 | 565,985 |
| Investment Income | 50,036 | 7,689 | 3,819 |
| Loan Proceeds | 0 | 0 | 254,930 |
| Transfers In | 197,972 | 0 | 199,926 |
| Miscellaneous | 81,232 | 87,302 | 135,847 |
| Total Revenues (1) | 33,189,120 | 30,539,755 | 30,650,171 |
| EXPENDITURES (BY FUNCTION) | | | |
| General Government | 3,836,693 | 5,699,175 | 5,780,925 |
| Transportation | 141,941 | 128,257 | 163,751 |
| Public Safety | 6,167,905 | 4,157,081 | 4,740,316 |
| Human Services | 7,398,275 | 7,162,423 | 7,090,759 |
| Environmental Protection | 540,765 | 164,749 | 164,318 |
| Education Funding | 5,911,884 | 5,943,374 | 5,886,365 |
| Economic and Physical Development | 555,943 | 270,809 | 365,741 |
| Cultural and Recreational | 433,755 | 335,092 | 358,570 |
| Loan Costs | 2,506,743 | 2,330,046 | 2,634,301 |
| Transfers Out | 7,070,938 | 3,564,853 | 537,952 |
| Total Expenditures (2) | 34,564,842 | 29,755,859 | 27,722,998 |
| NET CHANGE = (1) - (2) | (1,375,722) | 783,896 | 2,927,173 |
| BEGINNING RESERVES | 13,898,098 | 13,114,202 | 10,187,029 |
| ENDING RESERVES | 12,522,376 | 13,898,098 | 13,114,202 |

| <u>SUMMARIZED YEAR-END BALANCES</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|---|------------------------|------------------------|------------------------|
| A. CASH AND INVESTMENTS | 11,398,348 | 12,702,497 | 11,284,694 |
| B. OTHER ASSETS | 3,007,330 | 2,794,244 | 3,604,411 |
| C. UNPAID BILLS | 904,519 | 549,267 | 598,418 |
| D. OTHER LIABILITIES | 978,783 | 1,049,376 | 1,176,485 |
| E. ENDING RESERVES (A)+(B)-(C)-(D) | 12,522,376 | 13,898,098 | 13,114,202 |
| <i>Ending Reserves as a % of Expenditures</i> | <i>36.2%</i> | <i>46.7%</i> | <i>47.3%</i> |

Please see the previous page for a description of this fund.

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With Comparative Totals For the Years Ended June 30, 2015 and June 30, 2014

EDUCATION PROJECTS FUND

| <u>SUMMARIZED ANNUAL ACTIVITY</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|--|------------------------|------------------------|------------------------|
| REVENUES (BY CATEGORY) | | | |
| Intergovernmental | 0 | 0 | 122,384 |
| Investment Income | 4 | 29 | 1,605 |
| Transfers In | 6,820,789 | 310,445 | 36,446 |
| Total Revenues (1) | 6,820,793 | 310,474 | 160,435 |
| EXPENDITURES (BY PROJECT) | | | |
| Montgomery Central High School | 124,550 | 0 | 0 |
| MCS Existing Building Repairs | 34,375 | 0 | 0 |
| MCS Existing Building Repairs-QSCB | 81,832 | 494,348 | 993,767 |
| MCC Existing Building Repairs | 341,269 | 0 | 0 |
| Total Expenditures (2) | 582,026 | 494,348 | 993,767 |
| NET CHANGE = (1) - (2) | 6,238,767 | (183,874) | (833,332) |
| BEGINNING RESERVES | 902,394 | 1,086,268 | 1,919,600 |
| ENDING RESERVES | 7,141,161 | 902,394 | 1,086,268 |

| <u>SUMMARIZED YEAR-END BALANCES</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|---|------------------------|------------------------|------------------------|
| A. CASH AND INVESTMENTS | 7,049,133 | 781,369 | 991,072 |
| B. OTHER ASSETS | 112,028 | 121,025 | 114,996 |
| C. UNPAID BILLS | 20,000 | 0 | 19,800 |
| D. OTHER LIABILITIES | 0 | 0 | 0 |
| E. ENDING RESERVES (A)+(B)-(C)-(D) | 7,141,161 | 902,394 | 1,086,268 |
| <i>Ending Reserves as a % of Expenditures</i> | <i>1226.9%</i> | <i>182.5%</i> | <i>109.3%</i> |

Education Projects Fund

Both the Educational Facilities Fund and the Schools Projects Fund make up this activity. The Educational Facilities Fund accounts for financial activity for construction of a new high school to be named Montgomery Central High School with school colors of gold and black and the mascot of Timberwolves. The School Projects Fund comprises spending of a special quarter-cent sales tax for maintenance on existing educational facilities.

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PUBLIC UTILITIES FUND

| <u>SUMMARIZED ANNUAL ACTIVITY</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|--|------------------------|------------------------|------------------------|
| REVENUES (BY CATEGORY) | | | |
| Intergovernmental | 0 | 1,084,444 | 1,361,250 |
| Licenses, Fees, and Permits | 58,341 | 56,619 | 56,818 |
| Sales and Services | 4,426,554 | 3,700,429 | 3,788,922 |
| Investment Income | 1,989 | 1,215 | 1,035 |
| Loan Proceeds | (92,076) | 2,300,313 | 0 |
| Transfers In | 0 | 0 | 484,839 |
| Miscellaneous | 997 | 14,138 | 65,305 |
| Total Revenues (1) | 4,395,805 | 7,157,158 | 5,758,169 |
| EXPENDITURES (BY CATEGORY) | | | |
| Salaries and Employee Benefits | 798,631 | 748,155 | 926,709 |
| Various Professional Services | 28,348 | 600 | 0 |
| Supplies, Materials, Other Goods | 350,206 | 119,985 | 228,370 |
| Utilities | 304,553 | 260,039 | 256,248 |
| Repairs and Maintenance | 232,073 | 472,457 | 165,524 |
| Contracted Services | 152,559 | 192,612 | 186,526 |
| Sewer Processing Charges | 62,890 | 0 | 0 |
| Capital Outlays, Furniture, Tools, etc. | 495,594 | 2,241,557 | 3,028,712 |
| Loan Costs | 1,122,635 | 1,015,553 | 959,592 |
| Various Other Costs | 104,154 | 37,153 | 158,424 |
| Total Expenditures (2) | 3,651,643 | 5,088,111 | 5,910,105 |
| NET CHANGE = (1) - (2) | 744,162 | 2,069,047 | (151,936) |
| BEGINNING RESERVES | 3,809,208 | 1,740,161 | 1,892,097 |
| ENDING RESERVES | 4,553,370 | 3,809,208 | 1,740,161 |

| <u>SUMMARIZED YEAR-END BALANCES</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|---|------------------------|------------------------|------------------------|
| A. CASH AND INVESTMENTS | 4,267,118 | 3,890,734 | 1,344,605 |
| B. OTHER ASSETS | 758,324 | 724,900 | 1,206,998 |
| C. UNPAID BILLS | 189,728 | 546,572 | 575,868 |
| D. OTHER LIABILITIES | 282,344 | 259,854 | 235,574 |
| E. ENDING RESERVES (A)+(B)-(C)-(D) | 4,553,370 | 3,809,208 | 1,740,161 |
| <i>Ending Reserves as a % of Expenditures</i> | <i>124.7%</i> | <i>74.9%</i> | <i>29.4%</i> |

Public Utilities Fund

The Public Utilities Fund pertains to the operation, maintenance, and ongoing development of the County's water and sewer facilities.

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REMAINING FUNDS

| <u>SUMMARIZED ANNUAL ACTIVITY</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|--------------------|
| REVENUES (BY CATEGORY) | | | |
| Property Taxes | 608,548 | 644,617 | 577,374 |
| Sales & Other Taxes | 36,212 | 32,576 | 27,952 |
| Intergovernmental | 476,997 | 2,487,420 | 2,169,963 |
| Sales and Services | 0 | 18,255 | 0 |
| Investment Income | 246 | 8,167 | 1,213 |
| Loan Proceeds | 0 | 14,099,205 | 0 |
| Transfers In | 250,149 | 3,254,408 | 16,667 |
| Miscellaneous | 92,573 | 257,412 | 6,416 |
| Total Revenues (1) | 1,464,725 | 20,802,060 | 2,799,585 |
| EXPENDITURES (BY FUNCTION) | | | |
| Transportation | 216,280 | 74,942 | 59,320 |
| Public Safety | 723,845 | 996,450 | 1,135,241 |
| Human Services | 58,937 | 43,617 | 33,047 |
| Economic and Physical Development | 29,143 | 1,621,880 | 2,355,841 |
| Loan Costs | 10 | 18,707,750 | 0 |
| Transfers Out | 197,972 | 0 | 199,926 |
| Total Expenditures (2) | 1,226,187 | 21,444,639 | 3,783,375 |
| NET CHANGE = (1) - (2) | 238,538 | (642,579) | (983,790) |
| BEGINNING RESERVES | 1,420,665 | 2,063,244 | 3,047,034 |
| ENDING RESERVES | 1,659,203 | 1,420,665 | 2,063,244 |

| <u>SUMMARIZED YEAR-END BALANCES</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|--------------------|
| A. CASH AND INVESTMENTS | 1,265,282 | 958,184 | 2,316,561 |
| B. OTHER ASSETS | 604,997 | 503,849 | 419,839 |
| C. UNPAID BILLS | 6,354 | 8,065 | 647,451 |
| D. OTHER LIABILITIES | 204,722 | 33,303 | 25,705 |
| E. ENDING RESERVES (A)+(B)-(C)-(D) | 1,659,203 | 1,420,665 | 2,063,244 |
| <i>Ending Reserves as a % of Expenditures</i> | <i>135.3%</i> | <i>6.6%</i> | <i>54.5%</i> |

Remaining Funds

Remaining Funds include the separate accounting funds for the E-911 Emergency Telephone System, EMPG, Community Development, Badin Lake Fire District, Lake Tillery Fire District, Child Incentives, Golden LEAF-Aseptia, Tourism Development Authority, Airport Projects, and County Projects. Only fiduciary (pass-through) funds are excluded.

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"ALL FUNDS COMBINED PERSPECTIVE"

| <u>SUMMARIZED ANNUAL ACTIVITY</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|--|------------------------|------------------------|------------------------|
| REVENUES (BY CATEGORY) | | | |
| Property Taxes | 19,286,748 | 17,417,972 | 17,771,188 |
| Sales & Other Taxes | 4,078,317 | 4,025,560 | 3,740,788 |
| Intergovernmental | 6,527,523 | 9,532,760 | 9,248,944 |
| Licenses, Fees, and Permits | 3,541,871 | 3,287,513 | 3,044,485 |
| Sales and Services | 5,032,073 | 4,205,319 | 4,354,907 |
| Investment Income | 52,275 | 17,100 | 7,672 |
| Loan Proceeds | (92,076) | 16,399,518 | 254,930 |
| Transfers In | 7,268,910 | 3,564,853 | 737,878 |
| Miscellaneous | 174,802 | 358,852 | 207,568 |
| Total Revenues (1) | 45,870,443 | 58,809,447 | 39,368,360 |
| EXPENDITURES (BY FUNCTION) | | | |
| General Government | 3,836,693 | 5,699,175 | 5,780,925 |
| Transportation | 358,221 | 203,199 | 223,071 |
| Public Safety | 6,891,750 | 5,153,531 | 5,875,557 |
| Human Services | 7,457,212 | 7,206,040 | 7,123,806 |
| Environmental Protection | 3,069,773 | 4,237,307 | 5,114,831 |
| Education Funding | 6,493,910 | 6,437,722 | 6,880,132 |
| Economic and Physical Development | 585,086 | 1,892,689 | 2,721,582 |
| Cultural and Recreational | 433,755 | 335,092 | 358,570 |
| Loan Costs | 3,629,388 | 22,053,349 | 3,593,893 |
| Transfers Out | 7,268,910 | 3,564,853 | 737,878 |
| Total Expenditures (2) | 40,024,698 | 56,782,957 | 38,410,245 |
| NET CHANGE = (1) - (2) | 5,845,745 | 2,026,490 | 958,115 |
| BEGINNING RESERVES | 20,030,365 | 18,003,875 | 17,045,760 |
| ENDING RESERVES | 25,876,110 | 20,030,365 | 18,003,875 |

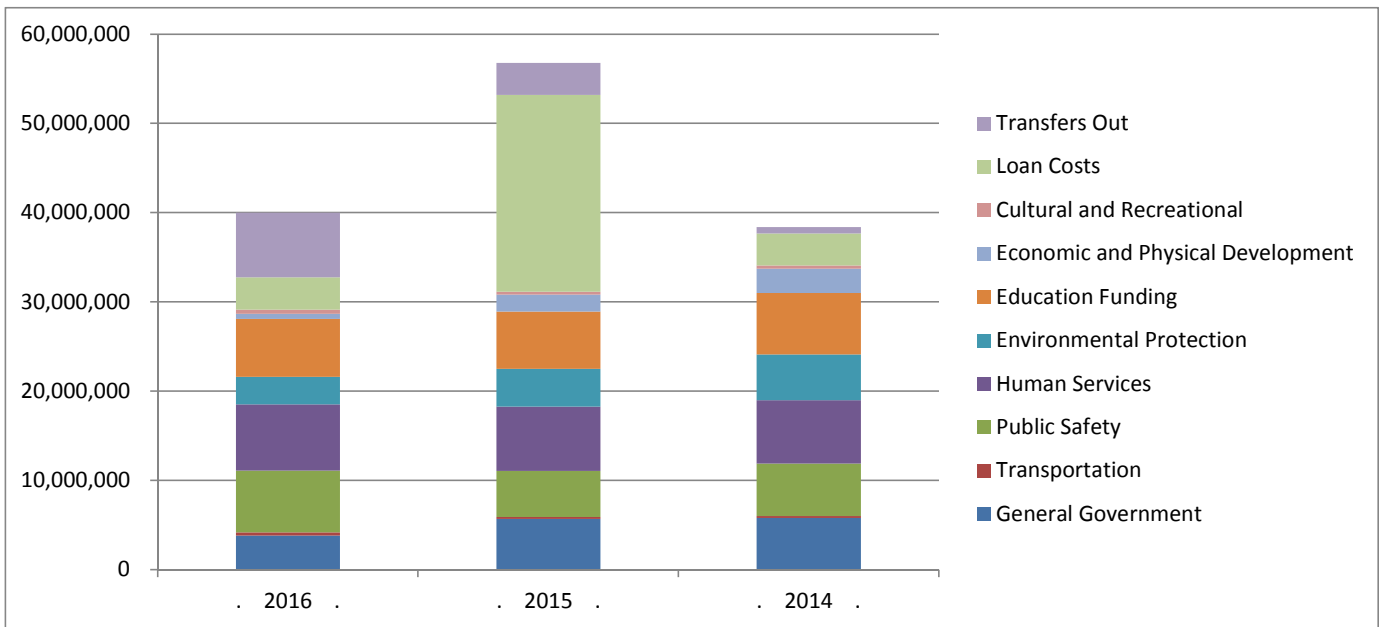
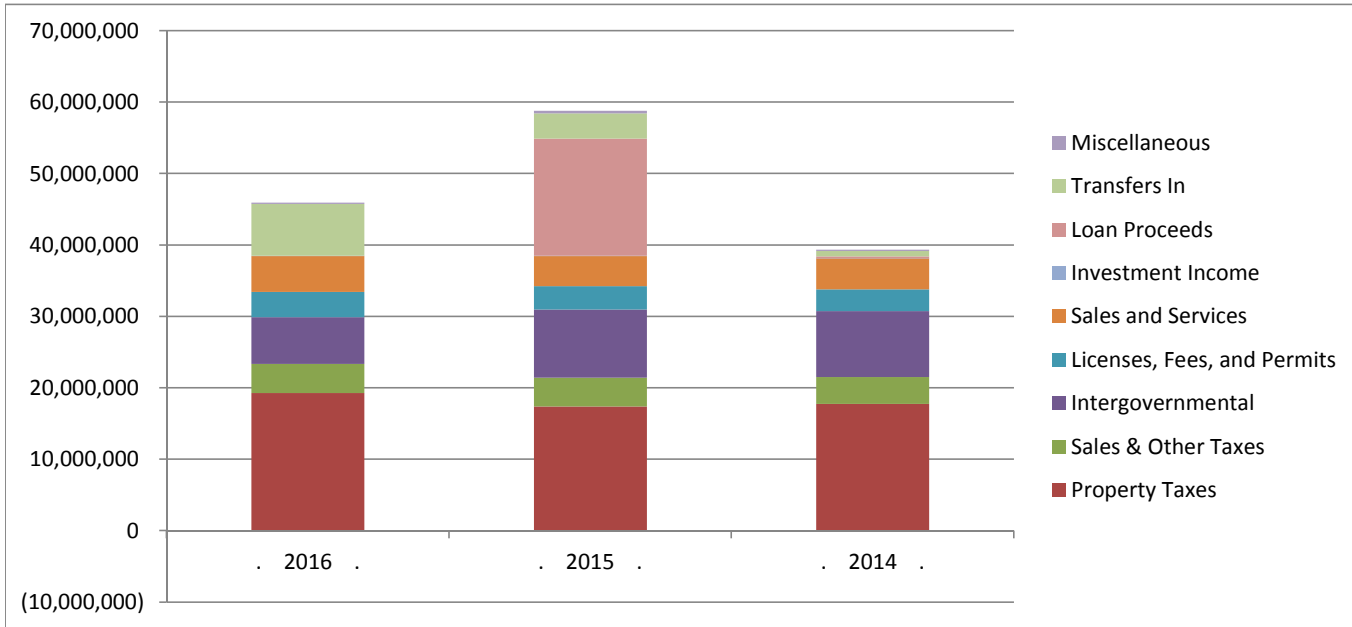
| <u>SUMMARIZED YEAR-END BALANCES</u> | <u>. 2016 .</u> | <u>. 2015 .</u> | <u>. 2014 .</u> |
|---|------------------------|------------------------|------------------------|
| A. CASH AND INVESTMENTS | 23,979,881 | 18,332,784 | 15,936,932 |
| B. OTHER ASSETS | 4,482,679 | 4,144,018 | 5,346,244 |
| C. UNPAID BILLS | 1,120,601 | 1,103,904 | 1,841,537 |
| D. OTHER LIABILITIES | 1,465,849 | 1,342,533 | 1,437,764 |
| E. ENDING RESERVES (A)+(B)-(C)-(D) | 25,876,110 | 20,030,365 | 18,003,875 |
| <i>Ending Reserves as a % of Expenditures</i> | <i>64.7%</i> | <i>35.3%</i> | <i>46.9%</i> |

Please see the following page for a description of this abstract fund.

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"ALL FUNDS COMBINED PERSPECTIVE" -- CHARTS



"All Funds Combined Perspective"

The "All Funds Combined Perspective" is the abstract (or imaginary) fund that combines all resource inflows and outflows from all funds. This perspective is shown to reveal the wholistic view of the County government's operations and related activities comparatively from year to year. Please see the previous page for the numbers from which the charts above are based.