

COUNTY OF MONTGOMERY NORTH CAROLINA



MONTGOMERY COUNTY: A GOLDEN OPPORTUNITY

ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2017

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

COUNTY OF MONTGOMERY NORTH CAROLINA



ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2017

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. Thomas, Judy, & Tucker, CPAs,, P.A. printed this report.

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For the Year Ended June 30, 2017
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County Manager's Budget Message:

FY2017-2018

Compliance:

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.

Revenue Reductions:

This year's budget was not without its challenges. The opening of the Randolph County landfill in February 2017 resulted in the loss of approximately \$670,000 dollars in revenue for Montgomery County. This will be a recurring loss for the County as the waste product from Randolph and Guilford counties will, more than likely, not be returning in subsequent years to the Montgomery landfill.

In and of itself, this loss could have resulted in an increase of almost two and one-half cents on the tax base in order for the County to remain revenue neutral. Fortunately, sales tax receipts remain strong and the revenue received from the 2016 legislatively brokered sales tax profit-sharing distribution will help offset the loss of landfill revenue.

While the landfill revenue loss was not unexpected, being aware for the last two years of the permitting and construction of the Randolph facility, it is always of concern to see any revenue stream trend downward. Having only a limited number of revenue sources, and legislatively prohibited from creating new revenue sources, the reduction in one always causes apprehension.

Budgetary Practices:

Of the County's three main revenue sources, typically sales tax and landfill revenues are correlated with the overall health of the economy. Neither revenue source is desirable upon which to fund core services as they are more subject to short term fluctuation, as opposed to the third revenue source of ad valorem taxes. Budgetarily, it is always prudent to underestimate revenues from cyclical sources, to book gains toward non-recurring expenditures like infrastructure, and to be prepared for cycles where these revenues are decreased. This having been the budgetary practice over the last several years the County was not dependent on all of the collections and will be able to shift over to those resources.

Expenditure Reductions:

Coupled with aggressively budgeting sales tax revenue for the upcoming fiscal year, significant infrastructure cuts have been implemented for FY18 in order to balance the budget without a tax rate increase. Most notably is the reduction of about two hundred thousand dollars in the I.T. budget. On the positive side, over the last five years significant investments have been made in critical technology areas. With the goals of keeping technology secure, compliant with federal and state guidelines, and implemented toward better service features for both residents and employees, the improvements over the last several years have helped the County gain efficiency. While undesirable from a strategic standpoint, a short term curtailing of capital I.T. projects will not jeopardize governmental operations.

Commitment to Facilities and Economic Development:

Remaining in the budget for the FY18 year are the allocations for facility improvements and economic development funds. The combined \$950,000 is essential to repairing and renovating County owned facilities and for fostering economic development by preparing and controlling project ready sites. County facilities were neglected for many years after the local economic downturn (the demise of the textile industry in the 1990's and early 2000's) and the national recession of the late 2000's. Combined with funds allocated and held in reserve from the last couple of fiscal years, the County will proceed with much needed facility capital improvements and with strategic economic development plans and will not have to stunt these efforts because of the revenue loss from the landfill. Of paramount interest to the County is the desire to have the funds necessary to enlarge the natural gas line in the southwestern part of the County. As this remains the only natural gas supply for the County, and understanding the vital importance of natural gas to industrial manufacturers, this improvement is essential for job creation and growth.

Rainy Day Allocations:

Realizing that history will, to some extent, repeat itself and that the economy will falter at some point, in order not to be once again in a position to cut funding for facility needs, it is recommended that the County restrict a portion of its current fund balance to prepare for the eventuality of an economic downturn. The manager's recommendation is to restrict \$5 million of the projected FY17 year-end unrestricted fund balance of \$11 million toward County capital needs. The remaining fund balance would be in line with the Board's adopted goal of maintaining a 20% unrestricted balance, and the funds would allow scheduled repairs to continue for several years.

Another consideration for making the allocation to capital reserve now is that the County will be facing a heavy new debt load in the coming years. The debt service for the new central high school will be approximately \$3 million annually, starting in 2020, and there will not be significant debt reduction from the current outstanding loans until 2025 (mostly Greenridge Elementary). The Board of Commissioners passed a 5 cent tax increase for education in 2015 and contributed \$5 million from fund balance toward the eventual new debt service, but these allocations are considerably less than what will be needed to fund the project. The combination of those two debts may force the County to dip into the allocations it has been

making towards facility improvements in order to cover the additional debt. Having the funds restricted now for County capital needs will ensure that the progress that has been made over the last several years toward facility improvements will continue.

Education Funding:

On the positive side, the new high school consolidation will, according to figures compiled by Montgomery County Schools during the feasibility studies for the new central high school, afford a cost savings estimated into the millions of dollars. This savings must be utilized by the school system to meet the need for increased teacher salary stipends and other County funded educational obligations. The County will not be able to, with the new debt service in 2020, provide annual increases to their operational budget for several years henceforth. Starting in 2020 with the additional debt service, approximately 35% of the County's total budget will be allocated toward education.

Realizing the consolidation savings will not begin until after 2019, the County has appropriated additional funds for the school system for the FY18 fiscal year. An allocation of an additional \$100,000 was necessary to help offset the costs associated with the pending state mandate for smaller class sizes. Similarly, the annual allocation to the Community College was also increased for the upcoming year.

It is the County's hope that the construction of the single high school beside the College will also afford the College with an opportunity to realize economy of scale savings by partnering with the school system for facility maintenance and housekeeping services. The largest portion of the County's budget to the College is spent on maintenance and facility staff. Having comparable staff, and maintenance equipment, next door should lead to some resource sharing.

County Employees:

Two other notable increases are addressed in the budget for the upcoming fiscal year. County employees will receive, for the first time in a decade, an across the board cost of living increase. The COLA is a 2.5% base salary increase. For the past several years the County has realigned employee compensation in order to bring pay parity for employees performing comparable duties within County government. Having now reached that goal of equity amongst peers, the County is now working to keep all salary ranges market competitive.

Unfortunately, the State Health Plan is also considering implementing a monthly premium to all employees for the base medical plan starting in January 2018. This monthly cost may offset a good portion of employees' salary increases. The County will continue to monitor employee compensation and will consider an additional 1.5% COLA increase for the FY19 fiscal year, dependent upon out of pocket costs to employees, overall economic conditions, and increases to the ad valorem tax base through growth.

Services for the Aged:

Services for older adults will also receive a budget increase for FY18. The Board of Commissioners has prioritized senior services and will strive to offset federal block grant cuts for older adults by increasing the County's contributions. The budget for these programs is increased 58% over the current fiscal year. The County will also be providing professional support from the Department of Social Services and County Finance to aid in the performance of operations from the non-profit Council on Aging. The Council provides core senior services including in-home delivered meals, congregate meal site, transportation, in-home aid, family caregiver support, and facilitates food pantry operations in the County.

Public Utilities:

The public utility system will continue to operate as an enterprise fund for the next fiscal year and will not receive or contribute any funds to the County's general fund budget. There will be no increases in charges to County customers, either rural residential, rural commercial, or bulk buyers (e.g. the five towns in Montgomery County and the Town of Robbins in Moore County).

The water system has several critical infrastructure projects planned for the coming year. Grant applications have been submitted for all the planned projects. In lieu of being awarded grant funds, it may be necessary to seek state revolving fund loans or other 0% to low interest rate funds. Preliminary conversations have received approval from the Local Government Commission for any necessary debt issuance.

Another priority for the public utilities department is to work with the municipalities to better integrate water systems and to work collaboratively to ensure that adequate capacities are available in areas most suited for industrial development. Coupled with this effort is the County's desire to integrate municipal sewer systems so that east, west and center of Montgomery County has disposal capacity capable of handling large industrial users.

Summary:

County government strives to perform its three-prong mission: (1) provide core governmental services to residents in a professional, efficient, and serving manner; (2) to position the County for economic growth by utilizing existing assets and by developing the infrastructure components (labor force, water, sewer, gas, connectivity) necessary for growth; and (3) to partner with municipalities to develop and implement cohesive, supportive, and tactical strategies for enriching the lives of Montgomery County residents.

As County Manager, I am proud to work with very capable and dedicated leaders. These leaders are not limited to the Board of Commissioners, but also extend to the department, office, and unit supervisors within County government. Holistically, I feel County residents should be very proud of their elected leaders and the employees who serve them in County government.

Signed,
Matthew Montgomery Woodard
County Manager

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
I: PREFACE AND INTRODUCTION
B. List of Principal County Officials

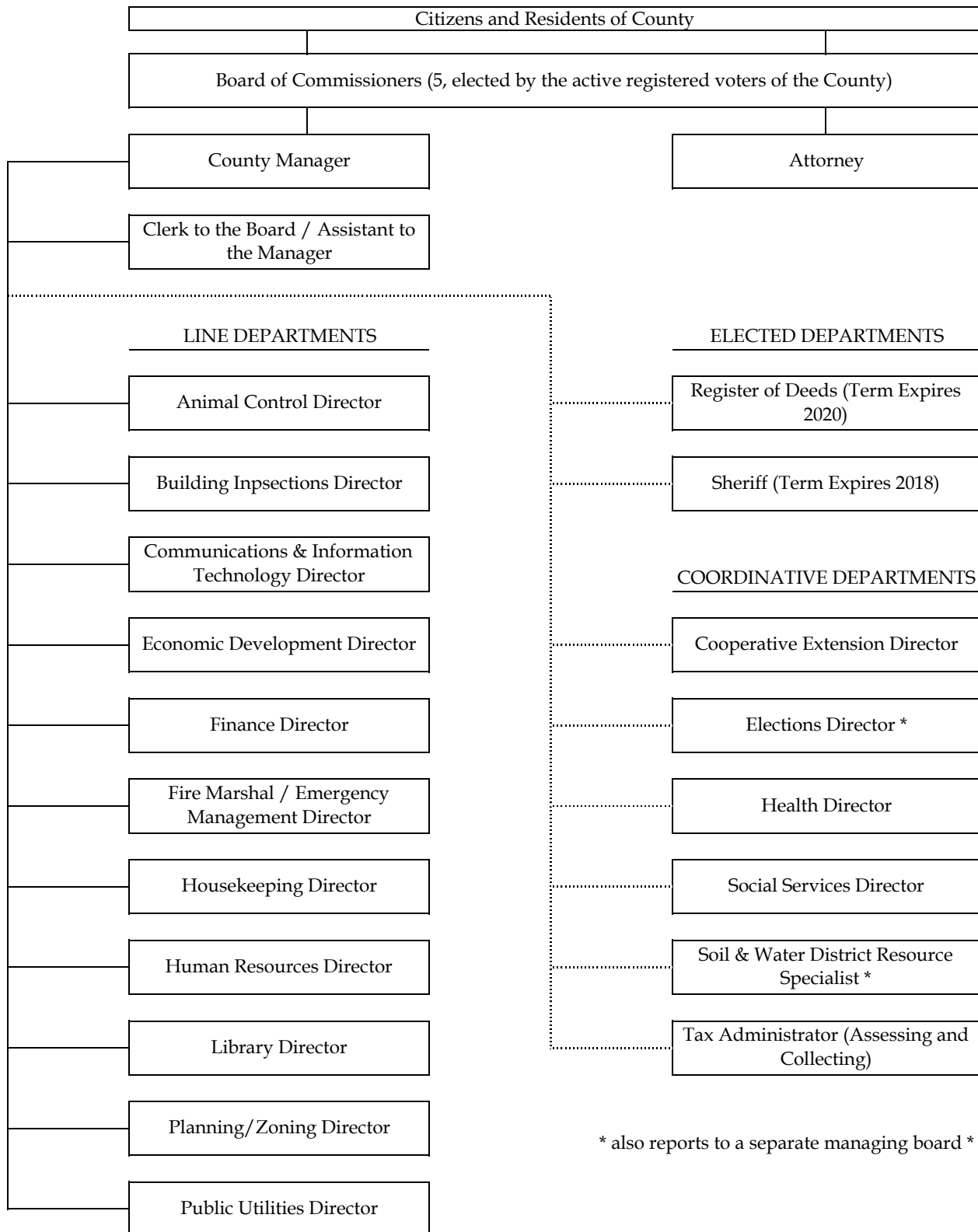
BOARD OF COUNTY COMMISSIONERS

	JACKIE MORRIS Commission Chair Term Expires 2018	
ANTHONY COPELAND Commission Vice-Chair Term Expires 2020		JIM MATHENY Commissioner Term Expires 2020
MIKE CRISCOE Commissioner Term Expires 2018		WAYNE WOOTEN Commissioner Term Expires 2020

COUNTY OFFICIALS

	MATTHEW M WOODARD County Manager	
TRENT BROOKS Clerk to the Board / Assistant to the Manager		RUSS HOLLERS III Attorney
LEON EVERETT Animal Control Director		<u>ELECTED DEPARTMENTS</u>
BRIAN NORRIS Building Inspections Director		MELISSA F PIPKIN Register of Deeds (Term Expires 2020)
BRIAN HELMS Communications & Information Technology Director		CHRIS WATKINS Sheriff (Term Expires 2018)
AMANDA WHITAKER + (VACANCY) Economic Development Director		<u>COORDINATIVE DEPARTMENTS</u>
C. D. CREPPS Finance Director		MOLLY ALEXI Cooperative Extension Director
ROBBIE SMITH Fire Marshal / Emergency Management Director		AMY ROBERTS + (RHONDA IACONA) Elections Director *
LARRY LEAKE Housekeeping Director		MARY PEREZ Health Director
RENEE JONES Human Resources Director		STEPHANIE SMITH Social Services Director
DAVID ATKINS Library Director		JOSEPH HUNTLEY Soil & Water District Resource Specialist *
ANDREW GAHAGAN Planning/Zoning Director		VICKIE MANESS Tax Administrator (Assessing and Collecting)
CHRIS HILDRETH Public Utilities Director	+ left employment after June 30, 2017; new person in parentheses + * also reports to a separate managing board *	

County of Montgomery, North Carolina
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I: PREFACE AND INTRODUCTION
C. Organizational Chart



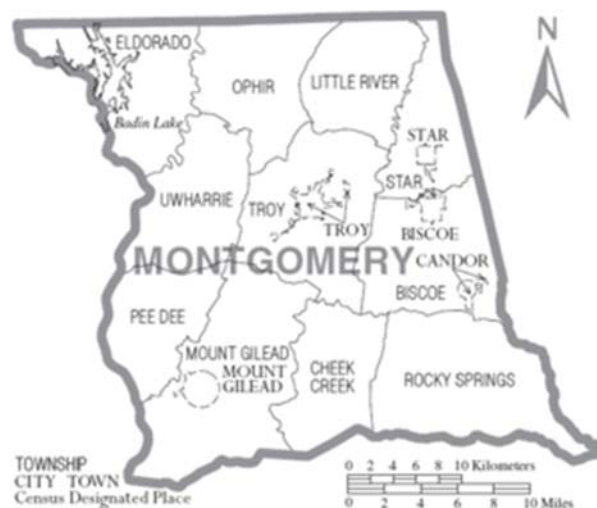
County of Montgomery, North Carolina
Annual and Financial Compliance Report
For the Year Ended June 30, 2017
I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

November 30, 2017

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

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable federal and state regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In May 2017, the County entered a contract with Thomas, Judy, & Tucker, CPAs to conduct the audit for the fiscal year ended June 30, 2017. The auditor was permitted access to all requested information and findings noted have been documented within the accompanying Schedule of Findings and Questioned Costs. Our responses to these findings have been documented with the Corrective Action Plan. 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 2017), the year previous to the year being audited (FY 2016), and the year subsequent to the year being audited (FY 2018). The amounts presented are the amounts included in the original budget ordinance each year. Budget amendments are not included.



DESCRIPTION	FY2018 BUDGET ORDINANCE	FY2017 BUDGET ORDINANCE	FY2016 BUDGET ORDINANCE
GENERAL FUND CLASSIFICATION			
Primary Government Services	\$ 31,598,767	\$ 31,534,003	\$ 30,322,634
Vehicle Purchases	166,000	167,000	90,000
Property Tax Revaluation	125,000	125,000	125,000
Federal Forfeitures and State Substance Tax	6,000	34,883	34,883
County Fire Service	602,624	589,952	590,055
Court Facilities	50,000	48,815	89,015
Summer Recreation	89,000	88,063	87,125
Haltiwanger Retreat	15,000	15,000	15,000
SUBTOTAL, INCLUDING TRANSFERS	32,652,391	32,602,716	31,353,712
SPECIAL REVENUE FUND CLASSIFICATION			
E911 Emergency Telephone System	295,000	445,000	245,000
Emergency Management Performance	40,000	40,000	40,000
Community Development	110,617	100,000	-
Badin Lake Fire District	427,000	430,000	419,144
Lake Tillery Fire District	207,000	206,000	197,931
Child Support Incentives	290,000	287,183	279,365
SUBTOTAL, INCLUDING TRANSFERS	1,369,617	1,508,183	1,181,440
CAPITAL PROJECT FUND CLASSIFICATION			
Schools Projects	1,545,900	449,054	339,000
Educational Facilities	1,205,247	1,160,258	1,425,750
Airport Projects	120,000	379,667	379,667
County Projects	819,735	569,735	-
SUBTOTAL, INCLUDING TRANSFERS	3,690,882	2,558,714	2,144,417
ENTERPRISE FUND CLASSIFICATION			
Water System	3,867,000	3,983,463	4,184,518
Water Projects	6,374,000	2,467,413	2,467,413
SUBTOTAL, INCLUDING TRANSFERS	10,241,000	6,450,876	6,651,931
TOTAL, INCLUDING TRANSFERS	\$ 47,953,890	\$ 43,120,489	\$ 41,331,500

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

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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
County of Montgomery, 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 County of Montgomery, North Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Montgomery, North Carolina'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 financial statements are free from material misstatement.

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 auditor considers 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 opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Montgomery, North Carolina as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, and the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 County of Montgomery, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are 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. In our opinion, based on our audit and 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 section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express any opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of County of Montgomery, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Montgomery, North Carolina's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Thomas, Judy & Duck, P.A." The signature is written in a cursive, flowing style.

November 30, 2017

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
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, 2017* 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 \$63,935,148 (a.k.a. total net position).
- On a government-wide basis, total net position increased by \$7,996,696 from last year. Fiscal year activity of \$8,183,609 led to this increase as the County prepares for future projects.
- The ending fund balances of all governmental funds combined equals \$26,067,797, an increase of \$5,148,348 (or 24.61%) 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, which are management's purposeful efforts to finance future projects.
- At the end of the fiscal year, the General Fund's total fund balance amounted to \$17,287,268, while fund balance available for appropriation was \$14,947,746, which represents 86.47% of the fund's total fund balance and 50.52% of total fund expenditures for the fiscal year.
- The County added \$707,596 (or 1.17%) to total capital assets, creating an ending balance of \$61,273,819.
- Total long-term liabilities increased by \$354,901 (or 1.13%) to \$31,719,588.

DESCRIPTION OF SECTION II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

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

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

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

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

- 1. Financial Schedules for Pension-Related Deferrals,
- 2. Financial Schedules for Other Post-Employment Benefits-Retirees' Healthcare Coverage,
- 3. Financial Statements for Major Governmental Funds,
- 4. Financial Statements for Non-major Governmental Funds,
- 5. Financial Schedules for Major Enterprise Fund,
- 6. Financial Statement for Fiduciary Funds, and
- 7. Financial Statements for Component Unit.

The figure 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). After the figure, these subsections and parts are described in more detail.

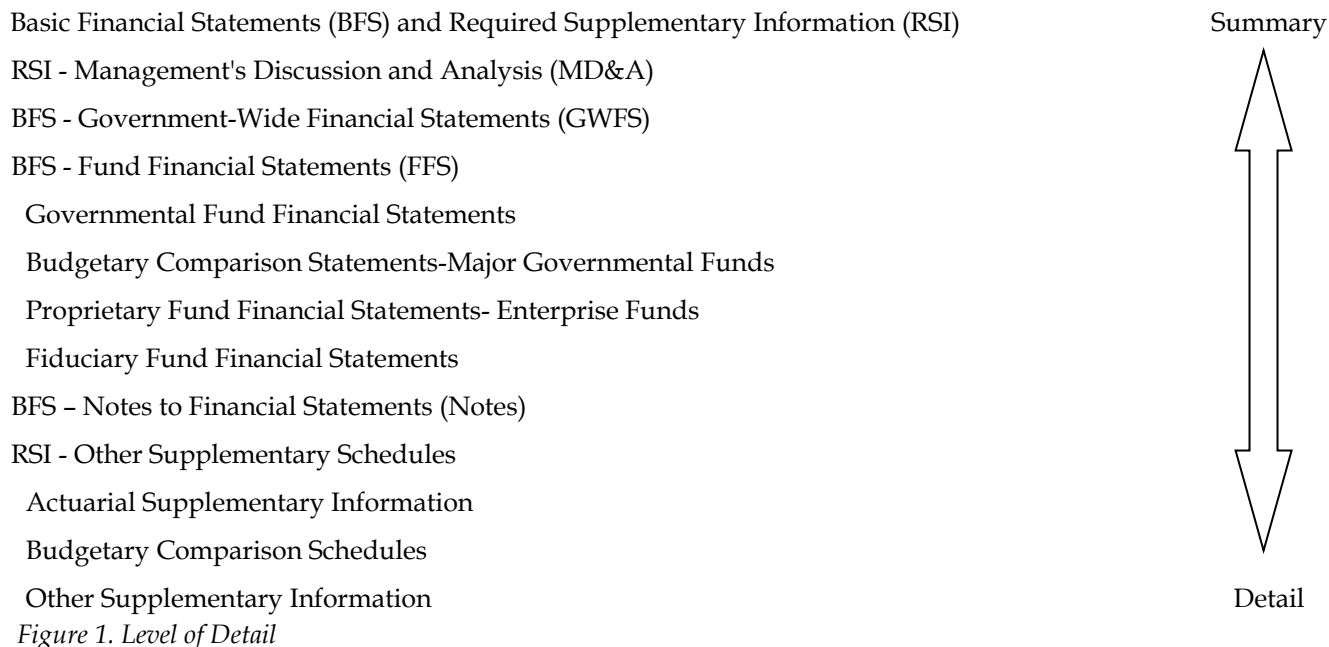


Figure 1. Level of Detail

Basic Financial Statements

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

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 local 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, all of which are classified as trust 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. Finally, 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, 2017, net position increased by \$7,996,696 to \$63,935,148. Planned fiscal year activity caused much of this increase as the County prepares for future projects, due primarily to conservatively budgeting revenues as well as limiting spending on many expenditure items while the County strategizes to save money for future capital projects and other important needs.

In fiscal year 2018, the County will begin site work and construction of a new high school in the County. This new high school, to be named Montgomery Central (with Timberwolves as the mascot), will enable the closing of two aging high schools that opened over 55 years ago. The new high school will be built within a short walk of Montgomery Community College that also houses the campus of the early college high school program. Our tradition of excellence will shine brighter under a centralized educational environment for the entire County.

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.

Table 1. Condensed Statement of Net Position

Category	Governmental Activities			Business-type Activities		
	2017	2016	2015	2017	2016	2015
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 29,321	\$ 23,087	\$ 36,146	\$ 5,972	\$ 5,029	\$ 4,634
Capital assets	35,510	34,070	32,462	25,763	26,496	30,249
Total assets	64,831	57,157	68,608	31,735	31,525	34,883
Total deferred outflows	2,094	863	1,560	164	36	38
Current and other liabilities	2,637	4,003	2,930	313	1,382	1,677
Long-term liabilities	20,604	16,987	18,894	11,115	10,910	11,820
Total liabilities	23,241	20,990	21,824	11,428	12,292	13,497
Total deferred inflows	209	338	1,799	10	23	135
Net investment in capital assets	19,661	16,648	13,217	14,968	15,210	19,054
Stabilization by State Statute	2,336	2,166	2,401	-	-	-
Restricted for other reasons	1,620	1,300	1,271	-	-	-
Unrestricted net position	19,857	16,578	29,656	5,493	4,036	2,235
Total net position	\$ 43,474	\$ 36,692	\$ 46,545	\$ 20,461	\$ 19,246	\$ 21,289

Table 2. Condensed Statement of Activities

Category	Governmental Activities			Business-type Activities		
	2017	2016	2015	2017	2016	2015
	(amounts depicted in thousands of dollars)					
Revenues:						
Program revenues						
Charges for services	\$ 4,381	\$ 5,492	\$ 4,728	\$ 4,525	\$ 4,379	\$ 3,825
Program grants & contributions	6,925	7,101	27,126	68	59	1,155
General revenues						
Property taxes	19,021	18,733	16,739	-	-	-
Other taxes	4,883	3,641	3,615	-	-	-
Other	54	52	8	14	2	1
Total revenues	35,264	35,019	52,216	4,607	4,440	4,981
Program expenses:						
General government	3,683	4,914	6,855	-	-	-
Transportation	234	214	512	-	-	-
Public safety	7,297	6,809	5,313	-	-	-
Human services	7,635	7,250	7,106	-	-	-
Environmental protection	953	543	170	3,392	3,338	3,301
Education, intergovernmental	6,539	6,494	6,436	-	-	-
Economic and phys. development	767	787	657	-	-	-
Cultural and recreational	332	532	555	-	-	-
Interest on long-term liabilities	856	1,275	1,217	-	-	-
Total expenses	28,296	28,818	28,821	3,392	3,338	3,301
Change in net position	6,968	6,201	23,395	1,215	1,102	1,680
Net position, beginning, July 1	36,693	46,545	24,048	19,246	21,289	19,685
Adjustments/Restatements	(187)	(16,054)	(898)	-	(3,145)	(76)
Net position, beginning, restated	36,506	30,491	23,150	19,246	18,144	19,609
Net position, ending, June 30	\$ 43,474	\$ 36,692	\$ 46,545	\$ 20,461	\$ 19,246	\$ 21,289

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 debt and the outstanding principal on debt 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 significant loss (except when the asset has fully depreciated).

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 amount restricted for other purposes stems from third-party restrictions on resource spending. The remaining balance of net position is unrestricted and may be used to meet the government’s ongoing obligations to citizens, merchants, and creditors.

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities			Business-type Activities		
	2017	2016	2015	2017	2016	2015
Revenues:						
Program revenues						
Charges for services	12.42%	15.68%	9.05%	98.22%	98.62%	76.84%
Program grants & contributions	19.64%	20.28%	51.95%	1.48%	1.33%	23.14%
General revenues						
Property taxes	53.94%	53.49%	3.06%	0.00%	0.00%	0.00%
Other taxes	13.85%	10.40%	6.92%	0.00%	0.00%	0.00%
Other	0.15%	0.15%	0.02%	0.30%	0.05%	0.02%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	13.02%	17.05%	22.78%	0.00%	0.00%	0.00%
Transportation	0.82%	0.75%	1.78%	0.00%	0.00%	0.00%
Public safety	25.79%	23.63%	18.43%	0.00%	0.00%	0.00%
Human services	26.98%	25.16%	24.66%	0.00%	0.00%	0.00%
Environmental protection	3.37%	1.88%	0.59%	100.00%	100.00%	100.00%
Education, intergovernmental	23.11%	22.53%	22.33%	0.00%	0.00%	0.00%
Economic and phys. development	2.71%	2.73%	2.28%	0.00%	0.00%	0.00%
Cultural and recreational	1.17%	1.85%	1.93%	0.00%	0.00%	0.00%
Interest on long-term liabilities	3.03%	4.42%	4.22%	0.00%	0.00%	0.00%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Of total revenues from both governmental and business-type activities for the year ended June 30, 2017, 59.46% stems from property and other taxes, 22.16% from charges for services, and 17.94% from program grants and contributions. For the year ended June 30, 2016, 56.70% stems from property and other taxes, 25.02% from charges for services, and 18.14% 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, 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. Numbers are largely consistent from year to year,

Of total expenses from both governmental activities and business-type activities for the year ended June 30, 2017, about 24.09% is spent toward human service programs, 23.03% on public safety programs, about 20.64% is spent toward education programs, and 13.71% on environmental protection 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 transportation or economic and physical development, may see more volatile changes from year to year.

To summarize, the County's total revenues are \$39.9 million and total expenses are \$31.7 for the year ended June 30, 2017, adding about \$8.2 million to the total net position of the County. The County's total revenues were \$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, 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	2017	2016	2015	2014	2013	2012	2011
total margin ratio	1.262	1.227	1.240	1.215	1.139	1.139	1.122
percentage change in net position	14.7%	15.0%	18.0%	18.3%	12.5%	13.4%	13.6%
debt service ratio	0.104	0.104	0.117	0.108	0.098	0.115	0.109
quick ratio	10.335	11.969	9.300	5.920	11.560	6.932	7.169
net position ratio	0.731	0.619	0.903	0.259	0.291	0.261	(0.166)
debt-to-assets ratio	0.328	0.354	0.392	0.444	0.485	0.495	0.538
capital assets condition ratio	0.609	0.629	0.656	0.656	0.678	0.686	0.710

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

- total resource inflow = \$39,975,136, which is total general revenues and transfers (\$24,077,177) plus program revenues (8,905,131 + \$6,817,154 + \$175,674) of the County (from Exhibit II.C.1.b)
- total resource outflow = \$31,687,882, which is total expenses of the County (from Exhibit II.C.1.b)
- total margin ratio = \$39,975,136 / \$31,687,882 = 1.262

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

- change in net position = \$8,183,609 (from Exhibit II.C.1.b)
- beginning net position, restated = \$55,751,539 (from Exhibit II.C.1.b)
- percentage (%) change in net position = \$8,183,609 / \$55,751,539 = 14.7%

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

- principal payments = \$1,983,401 + \$827,003 = \$2,810,404 (from Exhibits II.C.2.b and II.D.5.a)
- interest and fees payments = \$487,233 + \$278,230 = \$765,463 (from Exhibits II.C.2.b and II.D.5.a)
- debt service ratio = (\$2,810,404 + \$765,463) / (\$31,687,882 + \$2,810,404) = 0.104

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

- cash and cash equivalents = \$30,488,402 (from Exhibit II.C.1.a)
- current liabilities = \$1,580,380 + \$1,093,457 + \$0 + \$237,904 + \$38,144 = \$2,949,885 (from Exhibit II.C.1.a)
- quick ratio = \$30,488,402 / \$2,949,885 = 10.335

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

- unrestricted net position = \$25,349,971 (from Exhibit II.C.1.a)
- total liabilities = \$34,669,473 (from Exhibit II.C.1.a)
- net position ratio = $\$25,349,971 / \$34,669,473 = 0.731$

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

- outstanding long-term liabilities = \$31,719,588 (from Exhibit II.C.1.a)
- total assets = \$96,566,069 (from Exhibit II.C.1.a)
- debt-to-assets ratio = $\$31,719,588 / \$96,566,069 = 0.328$

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

- accumulated depreciation = $\$16,319,379 + \$20,397,104 = \$36,716,483$ (from Note on Capital Assets)
- capital assets being depreciated = $\$48,271,263 + \$45,714,734 = \$93,985,997$ (from Note on Capital Assets)
- capital assets condition ratio = $1.000 - (\$36,716,483 / \$93,985,997) = 0.609$

Governmental Activities

Governmental activities increased the County's net position by \$6,968,268, thereby responsible for 85.1% of the overall increase in total government-wide net position. During the previous fiscal year, 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. These increases in net position are primarily caused by limiting spending in many expenditure items and unbudgeted increases in major revenue items while the County strategizes to save money for future capital projects and other important needs. In the fiscal year ending June 30, 2018, one very significant capital project (construction of a new high school) will begin.

Business-Type Activities

Business-type activities increased the County's net position by another \$1,215,341, accounting for the remaining 14.9% of the overall increase in total government-wide net position. During the previous fiscal year, 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. In the fiscal year ending June 30, 2018, plans are being made to begin a few large projects.

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, 2017*.

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 \$23.5 million, and was \$18.5 million a year earlier and \$13.2 million two years earlier.

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, for the year ended June 30, 2017, fund balance available for appropriation amounts to 70.2% of total expenditures and total fund balance amounts to 78.0% of total expenditures. One year earlier, for all governmental funds, for the year ended June 30, 2016, fund balance available for appropriation amounted to 50.6% and total fund balance amounted to 57.2% of total expenditures. Two years earlier, for all governmental funds, for the year ended June 30, 2015, fund balance available for appropriation amounted to 39.2% and total fund balance amounted to 47.0% of total expenditures. More financial indicators are shown in Table 5 below, followed by a description of each indicator.

Further, except for the amount of fund balance classified as "Restricted for Stabilization by 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, 2017, the County reports \$26,067,797 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of \$5,148,348 may be primarily attributed to conservative estimates of major revenue items, such as property taxes and sales taxes, while limiting spending below budgeted amounts. One year earlier, on June 30, 2016, the County reported \$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. Two years earlier, 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.

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

Indicator Name / Result	2017	2016	2015	2014	2013	2012	2011
operations ratio	1.062	0.947	1.104	1.052	1.151	1.105	1.095
% change in fund balance	23.1%	32.2%	(0.3)%	9.8%	37.7%	36.0%	48.5%
debt service ratio	0.074	0.069	0.089	0.085	0.086	0.087	0.103
quick ratio	10.508	16.421	20.682	9.682	15.886	4.733	4.095
available fund balance-to-expenditures	0.702	0.510	0.392	0.426	0.484	0.313	0.239
debt-to-assessed value ratio	0.0050	0.0058	0.0065	0.0079	0.0087	0.0101	0.0106
intergovernmental ratio	0.185	0.190	0.227	0.243	0.235	0.242	0.216

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

- total revenues plus transfers in = \$37,834,292, which is total revenues (\$35,498,395) plus transfers in (\$2,335,897) of the County's governmental funds (from Exhibit II.C.2.b)
- transfers-in to capital project-type funds = \$2,335,897, which is total transfers-in to capital projects funds (from Exhibit II.E.02)
- total expenditures plus transfers out = \$33,412,742, which is total expenditures (\$31,076,845) plus transfers out (\$2,335,897) of the County's governmental funds (from Exhibit II.C.2.b)
- transfers-out from capital projects-type funds = \$0, which is total transfers-out from capital projects funds (from Exhibit II.E.02)
- operations ratio = (\$37,834,292 - \$2,335,897) / (\$33,412,742 - \$0) = 1.062

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

- change in fund balance = \$4,830,929 (from Exhibit II.C.2.b)
- beginning fund balance = \$20,919,449 (from Exhibit II.C.2.b)
- percentage change in fund balance = \$4,830,929 / \$20,919,449 = 23.1%

- 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 = \$1,983,401 (from Exhibit II.C.2.b)
 - interest payments = \$487,233 (from Exhibit II.C.2.b)
 - debt service ratio = $(\$1,983,401 + \$487,233) / (\$33,412,742 - \$0) = 0.074$
- 4) quick ratio = (cash and investments) divided by (current liabilities--not including deferred revenues)
- cash and cash equivalents = \$25,513,056 (from Exhibit II.C.2.a)
 - current liabilities--not including deferred revenues = \$2,428,014 (from Exhibit II.C.2.a)
 - quick ratio = $\$25,513,056 / \$2,428,014 = 10.508$
- 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 = \$23,469,630 (from Exhibit II.C.2.a)
 - available fund balance-to-expenditures ratio = $\$23,469,642 / (\$33,412,742 - \$0) = 0.702$
- 6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)
- long-term debt = \$15,439,619 (from detail notes in Exhibit II.C.3.b.B.7.e)
 - total assessed value used for property tax purposes = \$3,073,647,941 (from Exhibit II.E.03)
 - debt-to-assessed value ratio = $\$15,439,619 / \$3,073,647,941 = 0.0050$
- 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 = \$6,561,796 (from Exhibit II.C.2.b)
 - intergovernmental ratio = $\$6,561,796 / (\$37,834,292 - \$2,335,897) = 0.185$

General Fund: The General Fund is the chief operating fund of the County and a major fund. At the end of the currently reported fiscal year, fund balance available for appropriation of the General Fund was \$14,947,746, while total fund balance reached \$17,287,268. The total increase in the fund balance of the General Fund of \$4,764,892 can be attributed to anticipated increases in both property taxes revenues and sales taxes revenues and to continued savings in various expenditures. Fund balance available for appropriation represents 50.5% of total General Fund expenditures, while total fund balance represents 58.4% of that same amount. This relatively large fund balance of the General Fund may be slowly reduced over the next few years as the County replaces and improves certain educational facilities and addresses other pressing needs.

One year earlier, at June 30, 2016, 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 anticipated 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.

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 was 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.

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. The hiring of a capable County Manager during the first half of the fiscal year that ended June 30, 2011 has led to enormous financial improvements.

GENERAL FUND ONLY	2017	2016	2015	2014	2013	2012	2011
available fund balance-to-expenditures	50.5%	30.1%	40.5%	39.1%	30.0%	24.6%	14.7%

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 at or above the suggested level.

Educational Facilities Fund: Due to the start of a large project, the Educational Facilities Fund is being presented as a major fund for the year ended June 30, 2017 and expects to be a major fund for the next three fiscal years.

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 \$5,492,814 and total net position of the fund is \$20,461,168. 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 both governmental and business-type activities as of June 30, 2017 totals \$61,273,819 (net of accumulated depreciation), which represents an increase of \$707,596 from prior year, whereas total capital assets as of June 30, 2016 were \$60,566,223 (net of accumulated depreciation), which represented a decrease of \$2,144,191 from prior year, when 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 its prior year.

These capital 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 for values associated with each category. 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 (\$2,593,355 increase to reported capital assets).
- Purchase and other additions of vehicles and other equipment (\$1,082,444 increase).
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$978,077 and on capital assets other than equipment and vehicles of \$1,885,830 (total \$2,863,907 decrease).
- Retirement of older vehicles, net of related depreciation, of \$104,296 decrease.

Table 6. Capital Assets, net of Accumulated Depreciation

Category	Governmental Activities			Business-type Activities		
	2017	2016	2015	2017	2016	2015
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 1,127	\$ 1,093	\$ 853	\$ 95	\$ 95	\$ 88
Construction in progress	2,431	241	162	350	61	2,086
Buildings and improvements	23,138	23,491	26,424	1,056	1,170	27,896
Infrastructure	2,427	2,497	-	21,013	21,885	-
Equipment (including vehicles)	6,387	6,298	5,023	3,249	3,285	179
Total capital assets, net	\$ 35,510	\$ 34,070	\$ 32,462	\$ 25,763	\$ 26,496	\$ 30,249

The County's investments in capital assets increased under 0.5% from the previous year. At June 30, 2016, the County's investments in capital assets had 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 a.E.7. (which refers to a place in the Notes to the Financial Statements, found under divisions entitled as follows: a. 'Summary of Significant Accounting Policies', E. 'Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity', 7. 'Capital Assets') and Note b.A.5. (which refers to a place in the Notes to the Financial Statements, found under divisions entitled b. 'Detail Notes on Important Items', A. 'Assets', 5. 'Capital Assets'.)

Long-term Liabilities. As of June 30, 2017, the County had total long-term liabilities outstanding of \$31,719,588, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to \$26,644,084. During the year ended June 30, 2017, the change in total long-term liabilities was \$354,901 (or 1.1%) and the change in outstanding indebtedness was - (\$2,401,013) (or - (8.3%)). During the year, the County met all normal debt service requirements (both principal and interest payments) of \$3,575,867.

As of June 30, 2016, the County had total long-term liabilities outstanding of \$31,364,687 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, 2017, the change in total long-term liabilities was - (\$2,190,451) (or - (6.5%)) 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 \$3,629,388.

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, 2016, 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 fiscal year 2018, the County expects to borrow between \$65,000,000 and \$70,000,000 to begin site work and construction of a new high school. Initially, a temporary construction loan will be sought. Once construction is complete, USDA financing will replace the temporary construction loan. Expected annual payments to USDA are nearly \$2,900,000. With the increase in property taxes by 5 cents on July 1, 2015 and with refunding its two largest outstanding loans during the fiscal year that ended June 30, 2015, the County has put itself in favorable condition to withstand the annual debt service payments of this magnitude for the 40-year term of the loan.

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 \$222,614,397. Additional information regarding the County's long-term obligations can be found in the Notes to Financial Statements, see Note b.B.7.f. (which refers to a place in the Notes to the Financial Statements, found under divisions entitled as follows: b. 'Detail Notes on Important Items', B. 'Liabilities', 7. 'Long-Term Obligations', f. 'Other Information')

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 \$859,271 and appropriations of fund balance by \$103,000 for a total budgetary increase of \$962,271 and a final budget of \$32,535,789. The primary reasons for these increases were: (1) to accept new and expanded grants and other resources for the purchase of various supplies, equipment, and services to advance specific programs, (2) to budget donated contributions for expenditure, (3) to budget additional amounts for current property taxes above the amount included in the original budget, and (4) to budget for new grants in recruiting new and expanding businesses to County

Educational Facilities Fund. Although it is a major fund, the Educational Facilities 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 budget \$399,000 for the County-funded portion of new projects.

Non-major Funds. Total amendments to non-major funds of \$480,785 include budget for a new 60-month capital lease to modernize communication equipment via use of a portion of fund balance and to budget additional amount for occupancy taxes above the amount included in the original budget.

Table 7. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 31,573,518	\$ 962,271	\$ 32,535,789
Water & Sewer Fund	3,983,463	399,000	4,382,463
Non-major Funds	1,478,183	480,785	1,958,968
Totals	<u>\$ 37,035,164</u>	<u>\$ 1,842,056</u>	<u>\$ 38,877,220</u>

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 improvement.

Plus, the collection rate of property taxes remains consistent when compared to prior years. 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. At present, expectations are that the total assessed valuation for property tax purposes will increase very little.

Sales tax revenues continue to exceed conservatively budgeted estimates. During 2016, the State agreed to changes to how sales tax revenues are distributed, a change that has improved 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. In fiscal year 2018, the County will begin site work and construction of a new high school in the County. This new high school, to be named Montgomery Central (with Timberwolves as the mascot), will enable the closing of two aging high schools that opened over 55 years ago.

Governmental Activities: An increase in assessed property values typically leads 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 2018 should see similar amounts of departmental fees collected when compared to prior year. In addition, to set aside cash for future obligations related to enhancement and replacement of water and sewer infrastructure, 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 minor projects should be completed.

All Funds: Total County beginning budget for fiscal year 2018 increases estimated revenues and appropriations by \$4,833,401 (or 11.21%) from the prior year's beginning budget figure. The increase in the beginning budget for various capital projects, including water projects, is \$5,038,755. All other funds had a net decrease of \$205,354.

Total County beginning budget for fiscal year 2017 increased 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.

For a look at the County's adopted budget for fiscal years 2018, 2017, and 2016, please review Subsection I.D, Introduction from the County Finance Director, found at the end of Section I.

Governmental Funds: The fiscal year 2018 beginning budget for the General Fund increases estimated revenues and appropriations by \$49,675, or 0.15%. The fiscal year 2018 beginning budget for all governmental capital projects funds increases by \$1,132,168 compared to the previous year. For all other governmental funds, the fiscal year 2018 beginning budget decreased by \$138,566.

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 increased by \$171,305.

Enterprise Funds: The fiscal year 2018 beginning budget for the Water and Sewer Operations Fund decreases estimated revenues and appropriations by - (\$116,463), or - (2.92%). 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. The beginning budget of the Water Projects Fund increases by \$3,906,587.

The fiscal year 2017 beginning budget for the Water and Sewer Fund decreased 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), 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, 2017

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Financial Statements	Part II.C.1	30
2. Fund Financial Statements	Part II.C.2	35
3. Notes to Financial Statements	Part II.C.3	45

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, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
1. Government-Wide Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. Government-Wide Statement of Net Position	Exhibit II.C.1.a	31
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	32

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, 2017

With Comparative Totals as of June 30, 2016

	Primary Government				Component Unit		
	Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority		
			2017	2016	2017	2016	
ASSETS							
Cash and cash equivalents	\$ 25,513,056	\$ 4,975,346	\$ 30,488,402	\$ 22,946,333	\$ 112,482	\$ 81,607	
Taxes receivable, net	704,555	-	704,555	886,956	-	3,927	
Accounts receivable, net	2,050,245	691,948	2,742,193	2,278,980	-	-	
Due from other governments	285,730	24,534	310,264	489,274	2,913	-	
Due from other taxing units	-	661	661	-	-	-	
Inventories	61,198	216,327	277,525	255,925	-	-	
Prepaid items	200,994	62,947	263,941	248,765	2,706	338	
Restricted cash	458,264	-	458,264	951,941	-	-	
Net pension asset-RODSPF	46,445	-	46,445	57,682	-	-	
Capital assets					-	-	
Land and construction in progress	3,558,508	445,797	4,004,305	1,489,779	-	-	
Other capital assets, net of accumulated depreciation	31,951,884	25,317,630	57,269,514	59,076,444	-	-	
Total capital assets	35,510,392	25,763,427	61,273,819	60,566,223	-	-	
Total Assets	\$ 64,830,879	\$ 31,735,190	\$ 96,566,069	\$ 88,682,079	\$ 118,101	\$ 85,872	
DEFERRED OUTFLOWS OF RESOURCES:							
Pension-related deferrals	\$ 2,093,925	\$ 163,697	\$ 2,257,622	\$ 496,654	\$ -	\$ -	
Deferred charges from advance refunding	-	-	-	402,607	-	-	
Total Deferred Outflows	\$ 2,093,925	\$ 163,697	\$ 2,257,622	\$ 899,261	\$ -	\$ -	
LIABILITIES							
Accounts payable and accrued expenses	\$ 1,330,698	\$ 249,682	\$ 1,580,380	\$ 1,068,935	\$ 3,525	\$ -	
Unearned revenues	1,093,457	-	1,093,457	239,573	-	-	
Accrued interest payable	209,008	28,896	237,904	274,639	-	-	
Payable from restricted assets	-	-	-	282,344	-	-	
Due to other taxing units	3,859	34,285	38,144	51,666	-	-	
Long-term liabilities							
Net pension liability-LGERS	2,418,061	193,048	2,611,109	559,826	-	-	
Total pension liability-LEOSSA	714,648	-	714,648	-	-	-	
Current portion of long-term liabilities	2,125,972	850,578	2,976,550	2,907,898	-	-	
Non-current portion of long-term liabilities	15,345,750	10,071,531	25,417,281	27,896,963	-	-	
Total Long-term liabilities	20,604,431	11,115,157	31,719,588	31,364,687	-	-	
Total Liabilities	\$ 23,241,453	\$ 11,428,020	\$ 34,669,473	\$ 33,281,844	\$ 3,525	\$ -	
DEFERRED INFLOWS OF RESOURCES:							
Unearned revenues	\$ 73,676	\$ -	\$ 73,676	\$ 52,173	\$ -	\$ -	
Pension-related deferrals	135,695	9,699	145,394	308,871	-	-	
Total Deferred Inflows	\$ 209,371	\$ 9,699	\$ 219,070	\$ 361,044	\$ -	\$ -	
NET POSITION							
Net investment in capital assets	\$ 19,661,394	\$ 14,968,354	\$ 34,629,748	\$ 31,857,854	\$ -	\$ -	
Restricted net position:							
Stabilization by State Statute	2,335,963	-	2,335,963	2,166,035	2,913	3,927	
Register of deeds	59,825	-	59,825	-	-	-	
General government	409,248	-	409,248	286,312	-	-	
Public Safety	395,364	-	395,364	394,721	-	-	
Human services	254,253	-	254,253	208,260	-	-	
Economic and physical development	396,467	-	396,467	300,653	111,663	81,945	
Cultural and recreational	164,134	-	164,134	110,693	-	-	
Total restricted net position	4,015,254	-	4,015,254	3,466,674	114,576	85,872	
Unrestricted net position	19,797,332	5,492,814	25,290,146	20,613,924	-	-	
Total Net Position	\$ 43,473,980	\$ 20,461,168	\$ 63,935,148	\$ 55,938,452	\$ 114,576	\$ 85,872	

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net Program Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES, PROGRAM REVENUES, AND NET RESULTS					
Governmental activities:					
General government	\$ (3,682,678)	\$ 462,678	\$ 346,621	\$ -	\$ (2,873,379)
Transportation	(233,808)	-	-	78,450	(155,358)
Public safety	(7,297,271)	1,203,840	586,840	-	(5,506,591)
Human services	(7,635,423)	463,781	4,997,799	-	(2,173,843)
Environmental protection	(953,310)	2,235,538	53,927	-	1,336,155
Education (intergovernmental)	(6,538,795)	-	599,700	41,897	(5,897,198)
Economic and physical development	(766,720)	11,315	50,000	46,214	(659,191)
Cultural and recreational	(331,592)	3,352	24,800	-	(303,440)
Interest on long-term liabilities	(856,220)	-	98,330	-	(757,890)
Subtotal governmental activities	(28,295,817)	4,380,504	6,758,017	166,561	(16,990,735)
Business-type activities					
Water distribution system	(3,392,065)	4,524,627	59,137	9,113	1,200,812
Total primary government	\$ (31,687,882)	\$ 8,905,131	\$ 6,817,154	\$ 175,674	\$ (15,789,923)
Component unit:					
Tourism development authority	\$ (9,925)	\$ -	\$ -	\$ -	\$ (9,925)

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

Special item-loss from sale of capital assets

Total general revenues and transfers**CHANGE IN NET POSITION**

Net position, beginning (July 1)

Adjustment to prior period

Restatement (GASB 73)

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)

(continued from previous page)

Primary Government				Component Unit	
Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority	
		2017	2016	2017	2016
\$ (2,873,379)	\$ -	\$ (2,873,379)	\$ (3,543,053)	\$ -	\$ -
(155,358)	-	(155,358)	4,262	-	-
(5,506,591)	-	(5,506,591)	(5,247,914)	-	-
(2,173,843)	-	(2,173,843)	(1,442,702)	-	-
1,336,155	-	1,336,155	2,122,443	-	-
(5,897,198)	-	(5,897,198)	(5,844,833)	-	-
(659,191)	-	(659,191)	(686,714)	-	-
(303,440)	-	(303,440)	(417,468)	-	-
(757,890)	-	(757,890)	(1,168,415)	-	-
(16,990,735)	-	(16,990,735)	(16,224,394)	-	-
-	1,200,812	1,200,812	1,099,986	-	-
(16,990,735)	1,200,812	(15,789,923)	(15,124,408)	-	-
-	-	-	-	(9,925)	(28,310)
19,021,242	-	19,021,242	18,732,699	-	-
4,881,370	-	4,881,370	3,640,850	-	-
-	-	-	-	38,629	36,212
2,049	-	2,049	2,182	-	-
157,987	14,529	172,516	52,025	-	-
24,062,648	14,529	24,077,177	22,427,756	38,629	36,212
(103,645)	-	(103,645)	-	-	-
23,959,003	14,529	23,973,532	22,427,756	38,629	36,212
6,968,268	1,215,341	8,183,609	7,303,348	28,704	7,902
36,692,625	19,245,827	55,938,452	67,834,172	85,872	77,970
317,419	-	317,419	(19,199,068)	-	-
(504,332)	-	(504,332)	-	-	-
36,505,712	19,245,827	55,751,539	48,635,104	85,872	77,970
\$ 43,473,980	\$ 20,461,168	\$ 63,935,148	\$ 55,938,452	\$ 114,576	\$ 85,872

(continued from previous page)

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
2. Fund Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	36
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Position'	Exhibit II.C.2.a.i	37
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	38
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	39
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	40
d. Enterprise Fund: Public Utilities: Statement of Fund Net Position	Exhibit II.C.2.d	41
e. Enterprise Fund: Public Utilities: Statement of Revenues, Expenses, and Changes in Fund Net Position	Exhibit II.C.2.e	42
f. Enterprise Fund: Public Utilities: Statement of Cash Flows	Exhibit II.C.2.f	43
g. Fiduciary Funds: Statement of Fiduciary Net Position	Exhibit II.C.2.g	44

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, 2017

With Comparative Totals as of June 30, 2016

	Governmental Funds					
	Major:		Major:		Non-major:	
	General	Educational Facilities	All Others	Totals		
				2017	2016	
ASSETS						
Cash and cash equivalents	\$ 15,876,200	\$ 5,457,265	\$ 4,179,591	\$ 25,513,056	\$ 19,298,287	
Taxes receivable, net	689,828	-	14,727	704,555	886,956	
Accounts receivable, net	1,912,677	-	137,568	2,050,245	1,804,550	
Due from other governments	196,645	-	89,085	285,730	473,925	
Inventories	61,198	-	-	61,198	31,034	
Prepaid items	169,002	-	31,992	200,994	206,206	
Restricted cash	458,264	-	-	458,264	332,869	
Total assets	\$ 19,363,814	\$ 5,457,265	\$ 4,452,963	\$ 29,274,042	\$ 23,033,827	
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 946,316	\$ 152,952	\$ 231,430	\$ 1,330,698	\$ 930,873	
Unearned revenues	366,065	-	727,392	1,093,457	239,573	
Due to other taxing units	661	-	3,198	3,859	4,803	
Total liabilities	1,313,042	152,952	962,020	2,428,014	1,175,249	
Deferred inflows of resources						
Property taxes receivable, net	689,828	-	14,727	704,555	886,956	
Unearned tax revenues	73,676	-	-	73,676	52,173	
Total deferred inflows	763,504	-	14,727	778,231	939,129	
Fund balances						
Non-spendable						
Inventories	61,198	-	-	61,198	31,034	
Prepaid items	169,002	-	31,992	200,994	206,206	
Restricted						
Stabilization by State Statute	2,109,323	-	226,640	2,335,963	2,166,035	
General Government	409,248	-	-	409,248	286,312	
Public Safety	96,047	-	299,317	395,364	394,721	
Human Services	6,342	-	247,911	254,253	208,260	
Economic and Physical Development	-	-	396,467	396,467	300,653	
Cultural and Recreational	164,134	-	-	164,134	110,693	
Committed						
Transportation	-	-	43,821	43,821	-	
Public Safety	1,006,731	-	10	1,006,741	619,645	
Education (intergovernmental)	-	-	1,037,318	1,037,318	990,706	
Schools Capital Outlay	-	5,304,313	-	5,304,313	6,038,427	
Economic and Physical Development	350,000	-	-	350,000	-	
Cultural and Recreational	56,392	-	-	56,392	46,873	
Assigned						
Incomplete projects	-	-	1,192,740	1,192,740	305,586	
Public Safety	67,012	-	-	67,012	62,647	
Unassigned	12,791,839	-	-	12,791,839	9,151,651	
Total fund balances	17,287,268	5,304,313	3,476,216	26,067,797	20,919,449	
Total liabilities, deferred inflows, and fund balances	\$ 19,363,814	\$ 5,457,265	\$ 4,452,963	\$ 29,274,042	\$ 23,033,827	

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, 2017

With Comparative Totals as of June 30, 2016

	2017	2016
Total fund balances of governmental funds	\$ 26,067,797	\$ 20,919,449
The amount reported as total net position of governmental activities in the Government-Wide Statement of Net Position (Exhibit II.C.1.a) differs from the amount reported as total fund balances of governmental funds on the Governmental Funds: Balance Sheet (Exhibit II.C.2.a) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:		
1. Governmental funds report expenditures for items that are treated as additions to capital and other long-term assets on the Statement of Net Position. Total capital and other long-term assets, before depreciation or amortization, is:	51,829,771	49,638,410
2. Instead, the cost of capital assets is allocated to depreciation expense over the estimated useful life of the items and reported on the Statement of Activities. Total accumulated depreciation is:	(16,319,379)	(15,567,719)
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:	704,555	886,956
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:	(209,008)	(242,628)
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.	(17,471,722)	(18,655,938)
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.	(1,128,034)	(285,905)
Total net position of governmental activities	\$ 43,473,980	\$ 36,692,625

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	Governmental Funds				
	Major:	Major:	Non-major:	Totals	
	General	Educational Facilities	All Others	2017	2016
REVENUES					
Ad valorem property taxes	\$ 19,151,907	\$ -	\$ 618,465	\$ 19,770,372	\$ 19,286,748
Local option sales taxes	4,881,370	-	-	4,881,370	4,039,923
Other taxes	2,049	-	-	2,049	2,182
Unrestricted intergovernmental revenues	387,660	-	-	387,660	388,535
Restricted intergovernmental revenues	5,734,277	-	439,859	6,174,136	6,138,988
Licenses, fees, and permits	3,221,877	-	-	3,221,877	3,483,530
Sales and services	540,162	-	-	540,162	605,519
Investment earnings	157,987	-	1,207	159,194	50,286
Miscellaneous	273,464	41,897	46,214	361,575	173,805
Total revenues	34,350,753	41,897	1,105,745	35,498,395	34,169,516
EXPENDITURES					
General government	3,705,043	-	-	3,705,043	3,836,693
Transportation	162,385	-	78,451	240,836	358,221
Public safety	5,781,307	-	1,266,547	7,047,854	6,891,750
Human services	7,425,222	-	10,232	7,435,454	7,457,212
Environmental protection	948,794	-	-	948,794	540,765
Education (intergovernmental)	5,912,115	144,944	481,737	6,538,796	6,493,910
Schools capital outlay	-	1,844,570	-	1,844,570	-
Economic and physical development	505,327	-	400	505,727	556,776
Cultural and recreational	339,137	-	-	339,137	433,755
Debt service, principal reduction	1,983,401	-	-	1,983,401	1,919,517
Debt service, interest and fees	487,233	-	-	487,233	587,236
Total expenditures	27,249,964	1,989,514	1,837,367	31,076,845	29,075,835
Excess (deficiency) of revenues over expenditures	7,100,789	(1,947,617)	(731,622)	4,421,550	5,093,681
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,213,503	1,122,394	2,335,897	7,210,966
Transfers out	(2,335,897)	-	-	(2,335,897)	(7,210,966)
Capital lease financing issued	-	-	409,379	409,379	-
Total other financing sources (uses)	(2,335,897)	1,213,503	1,531,773	409,379	-
Net change in fund balances	4,764,892	(734,114)	800,151	4,830,929	5,093,681
FUND BALANCES					
Beginning fund balances (July 1)	12,522,376	6,038,427	2,358,646	20,919,449	15,825,768
Adjustment to prior period	-	-	317,419	317,419	-
Beginning fund balances-restated	12,522,376	6,038,427	2,676,065	21,236,868	15,825,768
Ending fund balances (June 30)	\$ 17,287,268	\$ 5,304,313	\$ 3,476,216	\$ 26,067,797	\$ 20,919,449

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'**

For the Year Ended June 30, 2017

(continued from previous page)

With Comparative Totals For the Year Ended June 30, 2016

	2017	2016
Net change in fund balances of governmental funds	\$ 4,830,929	\$ 5,093,681
<p>The amount reported as change in net position of governmental activities in the Government-Wide Statement of Activities (Exhibit II.C.1.b) differs from the amount reported as net change in fund balances of governmental funds on the Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit II.C.2.b) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:</p>		
1. Whereas all cash proceeds from the disposal of capital assets are recognized as revenues in governmental funds, both cash and non-cash gains and losses from the disposal of a capital asset are recorded on the Statement of Net Position. Net gains (losses) are:	(103,645)	-
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:	3,239,137	1,324,895
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:	(1,695,791)	(1,529,518)
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:	(324,997)	26,002
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.	(182,400)	54,499
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:	1,983,401	1,919,517
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:	(368,987)	(687,703)
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:	(409,379)	-
Total net change in net position of governmental activities	\$ 6,968,268	\$ 6,201,373

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, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES				
Ad valorem property taxes	\$ 18,257,728	\$ 18,288,288	\$ 19,151,907	\$ 863,619
Local option sales taxes	3,925,000	4,255,000	4,881,370	626,370
Other taxes	-	-	2,049	2,049
Unrestricted intergovernmental revenues	235,000	235,000	387,660	152,660
Restricted intergovernmental revenues	4,607,556	5,618,088	5,734,277	116,189
Licenses, fees, and permits	3,086,500	2,786,500	3,221,877	435,377
Sales and services	513,761	513,761	540,162	26,401
Investment earnings	27,000	27,000	157,987	130,987
Miscellaneous	115,694	297,452	273,464	(23,988)
Total revenues	30,768,239	32,021,089	34,350,753	2,329,664
EXPENDITURES				
General government	4,777,041	4,596,049	3,705,043	891,006
Transportation	153,821	168,361	162,385	5,976
Public safety	6,309,825	6,448,835	5,781,307	667,528
Human services	7,540,174	8,136,319	7,425,222	711,097
Environmental protection	917,147	959,121	948,794	10,327
Education (intergovernmental)	5,943,800	5,943,800	5,912,115	31,685
Economic and physical development	809,017	1,077,443	505,327	572,116
Cultural and recreational	407,704	413,432	339,137	74,295
Debt service, principal reduction	1,974,808	1,974,820	1,983,401	(8,581)
Debt service, interest and fees	503,782	508,770	487,233	21,537
Total expenditures	29,337,119	30,226,950	27,249,964	2,976,986
Excess of revenues over (under) expenditures	1,431,120	1,794,139	7,100,789	5,306,650
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,195,714)	(2,258,714)	(2,335,897)	(77,183)
Capital lease financing issued	12,000	12,000	-	(12,000)
Fund balance appropriated (contingency)	752,594	452,575	-	(452,575)
Total other financing sources (uses)	(1,431,120)	(1,794,139)	(2,335,897)	(541,758)
Net change in fund balance	\$ -	\$ -	4,764,892	\$ 4,764,892
FUND BALANCES				
Beginning fund balances (July 1)			12,522,376	
Ending fund balances (June 30)			<u>\$ 17,287,268</u>	

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

County of Montgomery, North Carolina

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

June 30, 2017

With Comparative Totals as of June 30, 2016

Enterprise Fund: Public Utilities			
Totals			
	2017		2016
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,975,346	\$	3,648,046
Accounts receivable, net	691,948		474,430
Due from other governments	24,534		20,152
Due from other taxing units	661		-
Inventories	216,327		224,891
Prepaid items	62,947		42,559
Total current assets:	5,971,763		4,410,078
Non-current assets:			
Restricted cash	-		619,072
Capital assets			
Land, land improvements, and construction in progress	445,797		155,980
Other capital assets, net of accumulated depreciation	25,317,630		26,339,552
Total capital assets	25,763,427		26,495,532
Total non-current assets	25,763,427		27,114,604
Total assets	\$ 31,735,190	\$	31,524,682
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferrals	\$ 163,697	\$	35,951
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 236,595	\$	138,062
Contract retainages	13,087		-
Due to other taxing units	34,285		51,666
Accrued interest payable	28,896		32,011
Payable from restricted assets	-		282,344
Compensated absences	7,413		9,328
Loans and other debt, amount due next year	843,165		827,003
Total current liabilities	1,163,441		1,340,414
Non-current liabilities:			
Compensated absences	48,797		37,312
Net OPEB obligation for retirees' healthcare coverage	70,826		77,600
Net pension liability	193,048		41,476
Loans and other debt, amount due after next year	9,951,908		10,795,073
Total non-current liabilities	10,264,579		10,951,461
Total liabilities	\$ 11,428,020	\$	12,291,875
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferrals	\$ 9,699	\$	22,931
NET POSITION			
Net investment in capital assets	\$ 14,968,354	\$	15,210,184
Unrestricted net position	5,492,814		4,035,643
Total net position	\$ 20,461,168	\$	19,245,827

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	Enterprise Fund: Public Utilities	
	Totals	
	2017	2016
OPERATING REVENUES		
Departmental fees	\$ 4,524,627	\$ 4,379,339
Other operating revenue	59,788	59,338
Total operating revenues	4,584,415	4,438,677
OPERATING EXPENSES		
Salaries and employee benefits	706,866	771,380
Various professional services	132,025	28,348
Supplies and materials	182,105	328,244
Automotive fuels and supplies	23,925	21,962
Penalties and fines	20,164	2,900
Postage, shipping, delivery costs	41,777	-
Utilities	264,470	304,553
Repairs and maintenance	174,379	232,073
Rental/lease expenditures	12,629	33,639
Contracted services	116,426	152,559
Sludge removal	-	27,935
Furniture, equipment, and tools	18,353	(2,442)
Sewer processing charges	51,566	62,890
Depreciation	1,168,117	1,092,055
Pension expense	51,461	(13,684)
Bad debt expense	83,185	(47,215)
Other operating expenses	42,146	39,680
Total operating expenses	3,089,594	3,034,877
Operating income (loss)	1,494,821	1,403,800
NONOPERATING REVENUES AND EXPENSES		
Investment earnings	14,529	1,989
Project-related expenses	(27,354)	(10,737)
Debt service, interest and fees	(275,117)	(293,077)
Gain (loss) on disposal of capital assets	(651)	-
Other miscellaneous revenues	9,113	-
Total nonoperating revenues and expenses	(279,480)	(301,825)
Change in net position	1,215,341	1,101,975
Beginning net position (July 1)	19,245,827	21,288,934
Adjustment to prior period	-	(3,145,082)
Beginning net position-restated	19,245,827	18,143,852
Net position, ending (June 30)	\$ 20,461,168	\$ 19,245,827

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

Enterprise Fund: Public Utilities		
	Totals	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,218,881	\$ 4,319,250
Cash received from other operations	68,901	59,338
Cash paid to employees for services	(744,186)	(798,631)
Cash paid for goods and services	(1,289,758)	(1,446,667)
Net cash flows from operating activities	2,253,838	2,133,290
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Due from other funds and projects	9,110	(60,162)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt service, principal reduction	(827,003)	(826,413)
Debt service, interest and fees	(278,230)	(296,222)
Purchase and construction of capital assets	(436,662)	(484,022)
Project related expenses	(27,354)	
Proceeds from borrowings	-	(92,076)
Net cash flows from capital and related financing activities	(1,569,249)	(1,698,733)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	14,529	1,989
Net cash flows from investing activities	14,529	1,989
NET INCREASE IN CASH AND CASH EQUIVALENTS	708,228	376,384
Beginning cash, cash equivalents, and restricted cash (July 1)	4,267,118	3,890,734
Ending cash, cash equivalents, and restricted cash (June 30)	\$ 4,975,346	\$ 4,267,118
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,494,821	\$ 1,403,800
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	(305,746)	(107,304)
2. Decrease (increase) in prepayments and inventories	(11,824)	33,440
3. Increase (decrease) in accounts payable and contract retainages	94,239	(356,844)
4. Increase (decrease) in customer deposits	(282,344)	22,490
5. Increase (decrease) in accrued compensatory leave and retirement benefits	2,796	9,912
6. Increase (decrease) in net pension liability (asset)	151,572	96,640
7. Bad debt expense (not a cash expenditure, no effect on cash flow)	83,185	(47,215)
8. Pension deferrals (not a cash expenditure, no effect on cash flow)	(140,978)	(13,684)
9. Depreciation expense (not a cash expenditure, no effect on cash flow)	1,168,117	1,092,055
Net cash flows from operating activities	\$ 2,253,838	\$ 2,133,290

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, 2017

With Comparative Totals as of June 30, 2016

	Agency Funds	
	Totals	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 91,194	\$ 104,522
Taxes receivable, net	310,216	281,282
Total assets	\$ 401,410	\$ 385,804
LIABILITIES		
Accounts payable and accrued expenses	\$ 91,194	\$ 104,522
Due to other taxing units	310,216	281,282
Total liabilities	\$ 401,410	\$ 385,804

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

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

3. Notes to Financial Statements

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

County of Montgomery, North Carolina
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For the Fiscal Year Ended June 30, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements
3. Notes to Financial Statements

Note a: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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's net position (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.

County of Montgomery, North Carolina
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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.

Educational Facilities Fund. This fund accounts for financial activity for major school building and renovation projects of County government property.

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

Public Utilities 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, the County Projects Fund, and the Airport Projects Fund are reported as non-major capital projects funds. Combining and individual fund statements may be found on the pages following these Notes to Financial Statements.

County of Montgomery, North Carolina
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In addition, the County reports the following fiduciary fund types:

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

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

C. Measurement Focus, Basis of Accounting

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

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

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

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

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

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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 inflow, 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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.

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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 Government Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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.

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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 and vehicles are 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.

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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: 1) non-spendable, 2) restricted, 3) committed, 4) assigned, and 5) unassigned (or uncommitted or available).

After removing non-spendable portions, 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).

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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 from 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.

Assigned for incomplete projects – portion of fund balance that is assigned by management for proceeds to be used for future capital projects of the County.

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.

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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 three 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") and one single-employer, self-administered, defined benefit pension plan, the Law Enforcement Officers' Special Separation Allowance (LEOSSA). 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 ALL FUNDS

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

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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.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

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, 2017, the County's deposits had a carrying amount of \$5,086,106 and a bank balance of \$5,537,509. Of the bank balance, \$387,518 was covered by federal depository insurance and the remaining \$5,149,991 in interest bearing deposits was covered by collateral held under the pooling method. In addition, escrow agents were holding \$0 in unspent loan proceeds. Also at June 30, 2017, 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, 2017, the TDA's deposits had a carrying amount of \$112,482 and a bank balance of \$112,482. The entire bank balance was covered by federal depository insurance. At June 30, 2017, 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, 2017	June 30, 2016
Governmental activities:			
Property tax revaluation	General Fund	\$ 294,231	\$ 200,924
Federal and state forfeitures	General Fund	48,739	41,553
Court facilities fees	General Fund	115,294	90,392
Total governmental activities		458,264	332,869
Business-type activities:			
Customer deposits	Water System Fund	-	282,344
Unexpended loan proceeds	Water Projects Fund	-	336,728
Total business-type activities		-	619,072
Total restricted cash		\$ 458,264	\$ 951,941

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, 2017, these resources amounted to \$679,115. 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.

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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 Government 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. Duke Energy Premier Notes are unrated debt obligations of Duke Energy and have a weighted average maturity of less than 90 days. 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, 2017, the County's investment balances and maturities were as follows:

Investment Type	Valuation	Fair Market	
	Measurement Method	Value	0 to 3 months
NCCMT Government Portfolio	Amortized Cost	\$ 2,570,555	n/a
NCCMT Term Portfolio	Fair Value – Level 1	23,176,486	23,176,486
Duke Energy Premier Notes	Fair Value – Level 2	203,172	203,076
Total Investments		\$ 25,950,213	\$ 23,379,562

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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, 2017, the County's investments in the North Carolina Capital Management Trust (NCCMT) Government 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. For this year, the County has no investment of 5% or greater of the total portfolio with any single issuer.

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.

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

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

Property taxes are normally billed on a calendar year basis, not fiscal year basis. The value is set on January 1, billed in July, due September 1, and late as of the following January 6. If a property loses eligibility for present-use value taxation between January 1 and June 30, the current year taxes will become due when billed in July. The year under "Tax Year Levied" in the chart below refers to the calendar year. The amount of lost revenue from assessing certain properties at the present use-value is not recorded in the financial statements. The following chart displays the amount of property taxes that would become due if all qualified properties in the County had lost eligibility for present-use value taxation on June 30, 2017. These amounts have not been recorded in the financial statements:

Tax Year Levied	Additional Tax	Interest	Total
2016	\$ 695,388	\$ 39,986	\$ 735,374
2015	685,903	101,171	787,074
2014	589,683	140,050	729,733
2013	568,711	186,254	754,965
Total	\$ 2,539,685	\$ 467,461	\$ 3,007,146

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2017 are reported net of an allowance for uncollectible accounts as follows:

	Taxes & Other Assessments	Accounts	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 1,426,902	\$ 2,022,225	\$ 196,645	\$ 3,645,772
Nonmajor governmental funds	25,928	137,568	89,085	252,581
Total receivables	1,452,830	2,159,793	285,730	3,898,353
General Fund	(737,074)	(109,548)	-	(846,622)
Nonmajor governmental funds	(11,201)	-	-	(11,201)
Total allowances for uncollectible accounts	(748,275)	(109,548)	-	(857,823)
Total governmental activities	\$ 704,555	\$ 2,050,245	\$ 285,730	\$ 3,040,530
Business-type activities:				
Water System Fund, receivables	\$ -	\$ 1,122,535	\$ 24,534	\$ 1,147,069
Water System Fund, allowances	-	(430,587)	-	(430,587)
Total business-type activities	\$ -	\$ 691,948	\$ 24,534	\$ 716,482

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5. Capital Assets

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

Capital Asset Category	Useful Life
Computer equipment and software	7 years
Electronic items, utility trailers, and vehicles	7 to 15 years
Firearms, furniture, and other equipment	15 years
Infrastructure and depreciable improvements	25 to 39 years
Buildings	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. Transfers are reclassifications among capital asset categories. 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, 2017 was as follows for Governmental Activities:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
General Government	\$ 20,771,875	\$ 380,049	\$ (208,248)	\$ 116,629	\$21,060,306
Transportation	3,847,736	78,451	-	(48,094)	3,878,093
Public Safety	19,373,187	803,022	(771,401)	41,368	19,446,176
Human Services	1,207,895	56,275	(68,128)	(71,924)	1,124,118
Environmental Protection	115,228	19,599	-	2,200	137,027
Schools Capital Outlay	-	1,844,570	-	-	1,844,570
Economic and Physical Dev.	3,661,678	53,148	-	(19,711)	3,695,115
Cultural and Recreational	660,811	4,023	-	(20,468)	644,366
	49,638,410	3,239,137	(1,047,777)	-	51,829,771
Less Accumulated Depreciation:					
General Government	(6,189,959)	(516,230)	193,319	18,499	(6,494,371)
Transportation	(424,895)	(71,425)	-	(35,792)	(532,112)
Public Safety	(7,097,781)	(809,987)	685,309	(19,099)	(7,241,558)
Human Services	(814,051)	(31,372)	65,503	38,312	(741,608)
Environmental Protection	(71,628)	(230)	-	-	(71,858)
Economic and Physical Dev.	(529,786)	(257,216)	-	(5,302)	(792,304)
Cultural and Recreational	(439,619)	(9,331)	-	3,382	(445,568)
Total Accumulated Deprec.	(15,567,719)	(1,695,791)	944,131	-	(16,319,379)
Total Capital Assets, Net	\$ 34,070,691	\$ 1,543,346	\$ (103,646)	\$ -	\$ 35,510,392

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Capital asset activity, by asset class, for the year ended June 30, 2017 was as follows for Governmental Activities.

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 1,092,821	\$ 34,759	\$ -	\$ -	\$ 1,127,580
Construction in Progress	240,978	2,189,950	-	-	2,430,928
Subtotal	1,333,799	2,224,709	-	-	3,558,508
Capital Assets Being Depreciated:					
Buildings and Improvements	33,344,260	-	-	-	33,344,260
Airport Infrastructure	2,875,769	-	-	-	2,875,769
Vehicles and Motorized Equipment	7,115,805	395,676	(562,079)	-	6,949,402
Other Equipment	4,968,777	618,752	(485,697)	-	5,101,832
Subtotal	48,304,611	1,014,428	(1,047,776)	-	48,271,263
Total Capital Assets	49,638,410	3,239,137	(1,047,776)	-	51,829,771
Less Accumulated Depreciation:					
Buildings and Improvements	(9,402,558)	(804,045)	-	-	(10,206,603)
Airport Infrastructure	(378,824)	(70,096)	-	-	(448,920)
Vehicles and Motorized Equipment	(4,328,144)	(530,027)	537,838	-	(4,320,333)
Other Equipment	(1,458,193)	(291,623)	406,293	-	(1,343,523)
Total Accumulated Deprec.	(15,567,719)	(1,695,791)	944,131	-	(16,319,379)
Total Capital Assets, Net	\$ 34,070,691	\$ 1,543,346	\$ (103,645)	\$ -	\$ 35,510,392

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, 2017 was as follows for Business-Type Activities.

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 95,256	\$ -	\$ -	\$ -	\$ 95,256
Construction in Progress	60,724	368,646	-	(78,829)	350,541
Subtotal	155,980	368,646	-	(78,829)	445,797
Capital Assets Being Depreciated:					
Buildings and Improvements Lines and Related Infrastructure	5,533,650	-	-	23,545	5,557,195
Vehicles and Motorized Equipment	35,511,283	-	-	2,000	35,513,283
Other Equipment	420,857	61,243	-	-	482,100
Subtotal	4,156,340	6,773	(54,241)	53,284	4,162,156
Total Capital Assets	45,622,130	68,016	(54,241)	78,829	45,714,734
Total Capital Assets	45,778,110	436,662	(54,241)	-	46,160,531
Less Accumulated Depreciation:					
Buildings and Improvements Lines and Related Infrastructure	(4,363,772)	(137,532)	-	-	(4,501,304)
Vehicles and Motorized Equipment	(13,626,477)	(874,157)	-	-	(14,500,634)
Other Equipment	(271,318)	(43,585)	-	-	(314,903)
Subtotal	(1,021,011)	(112,842)	53,590	-	(1,080,263)
Total Accumulated Deprec.	(19,282,578)	(1,168,116)	53,590	-	(20,397,104)
Total Capital Assets, Net	\$ 26,495,532	\$ (731,454)	\$ (651)	\$ -	\$ 25,763,427

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6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2017. This table reveals the County's commitments with the primary contractor on each of these projects:

Project Name	Spent-To-Date	Remaining Commitments
Correll Road Hydraulic Improvements	\$ 190,359	\$ 13,519
Biscoe Meter Vault	99,498	8,063
Improvements to Parking Areas	155,426	142,774
Total	\$ 445,283	\$ 164,356

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2017 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Total
Governmental Activities:				
General Fund	\$ 627,926	\$ 318,390	\$ -	\$ 946,316
Educational Facilities Fund	152,952	-	-	152,952
Nonmajor Governmental Funds	231,430	-	-	231,430
Total Governmental Activities	\$ 1,012,308	\$ 318,390	\$ -	\$ 1,330,698
Business-Type Activities:				
Water System Fund	\$ 225,641	\$ 24,041	\$ -	\$ 249,682
Fiduciary Activities:				
Agency Funds	\$ -	\$ -	\$ 91,194	\$ 91,194

2. Unearned revenues

Included in the Golden Leaf special revenue fund is unearned revenue of \$727,392 as of June 30, 2017. This represents a grant from Golden Leaf that is contingent upon a local company creating 500 jobs within the County by December 31, 2017. The company has a lease agreement with the County to repay the amount that was originally loaned to the company for equipment. The likelihood is impossible that 500 jobs will be created by December 31, 2017 and therefore, the amount is not recognized as revenue. Other amounts recorded in unearned revenues include \$366,065 for monies received relating to health services for which the related purpose has not been met.

3. 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 899 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.

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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 at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

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 \$542,605 for the year ended June 30, 2017. For the years ended June 30, 2016, 2015, and 2014, the County's contributions to LGERS were \$491,297, \$502,724, and \$503,084, 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, 2017, was 8.00% of compensation for LEOs and 7.25% 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 years ending June 30, 2016 and 2015 were set at 7.57% and 7.15%, respectively, of compensation for LEOs and 7.07% and 6.67%, respectively, for general employees. Also, County employees are required to contribute 6% of their compensation. Total employee contributions to LGERS were \$432,500 for the year ended June 30, 2017.

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, prior to January 1, 2015, refunds to members with at least five years of service shall include 4% interest. Effective January 1, 2015, refunds to members include interest (currently 4%) regardless of the number of years of retirement service credit or of the reason for separation from service. 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

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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, 2017, the County reports a liability of \$2,611,109 for its proportionate share of the LGERS net pension liability. The LGERS net pension liability was measured as of June 30, 2016. 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, 2015. The LGERS total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was 0.12303%, which was a slight decrease from its 0.12474% proportion measured as of June 30, 2015. This presentation at June 30, 2017 is the third presentation of this information in the County's annual financial statements.

For the year ended June 30, 2017, the County recognized pension expense of \$696,795. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for both governmental and business-type activities:

Items not reported in the funds:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2016	\$ -	\$ 542,605
Net difference between projected and actual costs	91,496	49,058
Difference between projected and actual earnings	-	1,443,615
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	39,692	178,838
Total items	\$ 131,188	\$ 2,214,116

The \$542,605 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and 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
2018	\$ 227,945
2019	228,164
2020	675,891
2021	408,323
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included projected salary increases of 3.50% 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

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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 mortality rates applied to the health status of 'healthy' also contain a provision to reflect a projection of future improvements in mortality (via expectation of longer lives).

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
Total	100%	

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

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

Sensitivity of the 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

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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)	\$ 6,197,379	\$ 2,611,109	\$ (384,111)
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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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, 2016, 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	20
Non-Vested	9
Total Members	35

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. The County has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement No. 73.

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the entry age actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included projected salary increases of 3.50% to 7.35% 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 a discount rate of 3.86% per year, which is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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The plan currently uses mortality tables that are based on the RP-2000 mortality tables with adjustments for improvements to mortality (via expectation of longer lives) based on Scale AA.

Contributions. Article 12D of NCGS 143 requires the County to provide these retirement benefits. The County funds the LEOSA 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. Members made no contributions. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County's contribution to LEOSA for the year ended June 30, 2017 is \$55,773. The County's contribution to LEOSA 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*.

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

At June 30, 2017, the County reported a total pension liability of \$714,648. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. This presentation at June 30, 2017 is the first presentation of this information in the County's annual financial statements.

For the year ended June 30, 2017, the County recognized pension expense of \$54,256. At June 30, 2017, 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 December 31, 2016	\$ -	\$ 28,997
Difference between projected and actual experience	-	-
Changes of assumptions and other inputs	13,080	-
Total items	\$ 13,080	\$ 28,997

The \$28,997 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense
2018	\$ (2,648)
2019	(2,648)
2020	(2,648)
2021	(2,648)
2022	(2,488)
Thereafter	-

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

	Lower Discount Rate of 2.86%	Current Discount Rate of 3.86%	Higher Discount Rate of 4.86%
LEOSA total pension liability	\$ 770,740	\$ 714,648	\$ 663,635

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

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers (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, 2017 were \$104,049, which consisted of \$48,486 from the County and \$55,553 from the law enforcement officers. Contributions to SRIP for the years ended June 30, 2016 and 2015 were \$102,742 and \$74,763, respectively, which consisted of \$49,372 and \$51,568, respectively, from the County and \$53,370 and \$23,195, respectively, 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, 2017 were \$309,440, which consisted of \$117,193 from the County and \$192,247 from employees. Contributions to the 401(k) plan for the years ended June 30, 2016 and 2015 were \$294,579 and \$213,031, respectively, which consisted of \$102,182 and \$99,929, respectively, from the County and \$192,397 and \$113,102, respectively, 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 years ended June 30, 2017, 2016, and 2015 were \$1,440, \$2,350, and \$4,061, respectively from employees.

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

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. 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 statutory limits, 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 \$1,922 for the year ended June 30, 2017. Contributions to the RODSPF pension plan from the County were \$2,214 and \$1,992 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2017, the County reports an asset of \$46,445 for its proportionate share of the RODSPF net pension asset. The RODSPF net pension asset was measured as of June 30, 2016. 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, 2015. The RODSPF total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2017, the County's proportion was 0.2484%, which was a slight change from its 0.2489% proportion measured as of June 30, 2016. This presentation at June 30, 2017 is the third presentation of this information in the County's financial statements.

For the year ended June 30, 2017, the County recognized pension expense of \$2,477. At June 30, 2017, 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, 2016	\$ -	\$ 1,922
Difference between projected and actual costs	598	51
Difference between projected and actual earnings	-	79
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	529	12,458
Total items	\$ 1,127	\$ 14,510

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The \$1,922 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. 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
2018	\$ 4,543
2019	5,252
2020	2,187
2021	(520)
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included projected salary increases of 3.50% 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 3.75% 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 mortality rates applied to the health status of 'healthy' also contain a provision to reflect a projection of future improvements in mortality (via expectation of longer lives).

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

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, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including 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 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. 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.

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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 3.75 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 2.75 percent) or one percentage point higher (which is a rate of 4.75 percent) than the current rate:

	Lower Discount Rate of 2.75%	Current Discount Rate of 3.75%	Higher Discount Rate of 4.75%
County's proportionate share of RODSPF NPL (NPA)	\$ (37,449)	\$ (46,445)	\$ (54,002)
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.

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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, 2017, the County made payments to the OPEB-RHC plan of \$207,667. 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, 2017 are \$266,546 and \$1,119,059, 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 No. 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.

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Net OPEB Obligation, as of June 30, 2016			\$ 1,060,180
Annual required contribution	\$ 283,091		
Adjustment to annual required contribution	(58,952)		
Interest on Net OPEB Obligation	42,407		
	<hr/>		
Annual OPEB cost		\$ 266,546	
Contributions		(207,667)	
		<hr/>	
Change in Net OPEB Obligation		\$ 58,879	
Net OPEB Obligation, as of June 30, 2017			<u><u>\$ 1,119,059</u></u>

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

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

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

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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	\$ 73,676	\$ -
Items not reported in the funds:		
Pension-related activities:		
Contributions to pension plan after measurement date:		
Local Government Employees Retirement System (LGERS)	-	502,488
Register of Deeds Supplemental Pension Fund (RODSPF)	-	1,922
Law Enforcement Officers' Spec. Separation Allowance (LEOSSA)	-	28,997
Difference between projected and actual costs:		
Local Government Employees Retirement System (LGERS)	84,730	45,431
Register of Deeds Supplemental Pension Fund (RODSPF)	598	51
Difference between projected and actual earnings:		
Local Government Employees Retirement System (LGERS)	-	1,336,884
Register of Deeds Supplemental Pension Fund (RODSPF)	-	79
Changes of assumptions and other inputs		
Law Enforcement Officers' Spec. Separation Allowance (LEOSSA)	13,080	-
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:		
Local Government Employees Retirement System (LGERS)	36,758	165,615
Register of Deeds Supplemental Pension Fund (RODSPF)	529	12,458
Total governmental activities	\$ 209,371	\$ 2,093,925
Reporting Fund / Revenue Item	Deferred Inflows of Resources	Deferred Outflows of Resources
Water System Fund:		
Pension-related activities, LGERS:		
Contributions to pension plan after June 30, 2016	\$ -	\$ 40,117
Difference between projected and actual costs	6,764	3,627
Difference between projected and actual earnings	-	106,731
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:	2,935	13,222
Total business-type activities	\$ 9,699	\$ 163,697

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

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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. In addition, the Sheriff and Register of Deeds, both elected positions, are individually bonded. 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, 2017, 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. Operating Leases

The County leases equipment and land for operational purposes, as well as a water use agreement. Terms vary from monthly payments of \$529 - \$13,648 and maturity dates from June 2018 to July 2030. Future minimum lease payments under the operating lease agreements are as follows:

<u>Year Ending June 30</u>		
2018	\$	87,450
2019		83,574
2020		6,984
2021		4,984
2022		4,984
Thereafter		33,785
Total	\$	<u>221,762</u>

Additionally, the County has a license agreement with AT&T whereby AT&T leases space for equipment on the County's tower which represents rental revenue to the County. The tower is on private property and the County pays a portion of the rental income to the individual owners of the property. The agreement began in November 2010 and matures in

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November 2025. Monthly rental income from AT&T ranges from \$2,300 to \$3,498 which approximately 50% of that owed to the private property owners from the County.

b. Capital Leases

The County entered into a lease agreement for equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The lease agreement was entered into in March 2017 for E-911 equipment and requires annual payments of \$94,556 through March 2022.

As of June 30, 2017, the leased equipment was valued at the following:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 409,379	\$ 14,621	\$ 394,758

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Year Ending June 30</u>	
2018	\$ 94,556
2019	94,556
2020	94,556
2021	94,556
2022	94,556
Total minimum lease payments	472,780
Less: amount representing interest	63,401
Total	\$ 409,379

c. 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.

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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*.

d. 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 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 \$254,930 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*.

e. 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*.

f. 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, 2017.

	Outstanding at June 30, 2017	Outstanding at June 30, 2016
General Fund: Certificates of Participation (COPS)		
\$15,790,000 - Public Facilities Project, Series 2007A COPS; due in annual installments of \$705,000 to \$805,000 through February 1, 2017; lump sum payment of \$10,445,000 due at end; interest at 5.00%	\$ -	\$ 805,000
\$10,000,000 - Public Facilities Project, Series 2007B COPS;	-	455,000

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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%		
\$8,353,601 - Facilities Advanced Refunding, Series 2014 COPS;	7,827,742	8,024,145
due in annual installments of \$191,669 to \$1,006,254 through February 1, 2025; interest at 2.47%		
\$5,745,604 - Facilities Advanced Refunding, Series 2015 COPS;	5,162,270	5,363,595
due in annual installments of \$196,473 to \$661,298 through February 1, 2025; interest at 2.47%		
Subtotal COPS	12,990,012	14,647,740
General Fund: Installment Purchase Loans (IPL)		
\$3,132,548 - Qualified School Construction Bonds, 2012 loan;	2,297,182	2,506,030
due in annual installments of \$208,836 through September 27, 2027; interest at 4.21%		
\$100,000 - Vehicle Purchases, 2013 loan for 59 months;	12,077	40,990
due in annual payments of \$21,015 through February 28, 2018; interest at 1.65%		
\$180,000 - Building Purchase, 2013 loan for 59 months;	35,829	72,775
due in annual installments of \$38,163 through May 27, 2018; interest at 1.65%		
\$254,930 - Vehicle Purchases, 2013 loan for 59 months;	104,519	155,486
due in annual installments of \$53,575 through August 20, 2018; interest at 1.65%		
Subtotal IPL	2,449,607	2,775,281
Total outstanding loans serviced by governmental activities	\$ 15,439,619	\$ 17,423,021
	Outstanding at	Outstanding at
	June 30, 2017	June 30, 2016
Water System Fund: Drinking Water State Revolving Loans (DWSRL)		
\$4,345,162 - Drinking Water State Revolving Loan Fund, Series 2011;	\$ 2,811,575	\$ 3,067,173
due in annual installments of \$255,598 through May 1, 2028; interest at 2.265% (Ref. # H-LRX-F-05-0998)		
\$1,231,192 - Drinking Water State Revolving Loan Fund, Series 2013;	869,077	941,500
due in annual installments of \$72,423 through May 1, 2029; interest at 2.455% (Ref. # H-LRX-F-09-0998B)		
\$2,208,237 - Drinking Water State Revolving Loan Fund, Series 2014;	1,987,413	2,093,221
due in annual installments of \$115,016 through May 1, 2035; interest at 0.00% (Ref. # H-LRX-F-10-1697)		
Subtotal DWSRL	5,668,065	6,101,894
Water System Fund: Installment Purchase Loans (IPL)		
\$800,000 - High Service Pump, 2013 loan;	165,526	328,107
due in annual installments of \$168,060 through December 17, 2017; interest at 1.67%		
\$5,831,300 - USDA Restructuring and Refinancing, 2013 loan;	4,961,482	5,192,075
due in annual payments of \$405,865 to \$411,648 through June 1, 2033; interest at 3.47%		
Subtotal IPL	5,127,008	5,520,182
Total outstanding loans serviced by business-type activities	\$ 10,795,073	\$ 11,622,076
Total outstanding loans serviced	\$ 26,234,692	\$ 29,045,097

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

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,976,121	\$ 470,189	\$ 843,165	\$ 259,715	\$ 2,819,286	\$ 729,904
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	1,828,056	268,553	710,774	192,016	2,538,830	460,569
2023-2027	5,818,360	410,983	3,700,460	698,182	9,518,820	1,109,165
2028-2032	208,824	8,792	2,735,421	268,748	2,944,245	277,540
2033-2036	-	-	723,489	13,611	723,489	13,611
Total	\$ 15,439,619	\$ 2,113,405	\$ 10,795,073	\$ 2,107,456	\$ 26,234,692	\$ 4,220,861

Debt Related to Capital Activities - Of the total principal shown for Governmental Activities, all \$15,439,619 relates to assets to which the County holds title. Unspent restricted cash related to this debt for Governmental Activities amounts to \$0.

g. Advance Refundings

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. The refunded debt was repaid in February 2017.

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. The refunded debt was repaid in February 2017.

h. Other Information

The County has intentionally not used short-term borrowings or interest rate swaps. At June 30, 2017, the County had an amount of bonds authorized but un-issued of \$-0- and a legal debt margin of \$222,614,397. The following is the computation of the legal debt margin for this year.

Description	Balance June 30, 2017
Real property	\$ 2,459,210,842
Personal property	516,464,352
Real and personal property	2,975,675,194
Percentage factor	8.00%
Legal debt limit	238,054,016
Total long-term non-utility borrowings	15,439,619
Legal debt margin	222,614,397

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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, 2017:

	Balance			Balance	Due by
	June 30, 2016			June 30, 2017	June 30, 2018
Governmental activities:	(As Restated)	Additions	Deductions		
Capital lease obligation	\$ -	\$ 409,379	\$ -	\$ 409,379	\$ 74,087
Certificates of participation	14,647,740	-	(1,657,728)	12,990,012	1,667,560
Installment purchases loans	2,775,281	-	(325,674)	2,449,607	308,561
Compensated absences	483,803	551,008	(460,321)	574,490	75,764
Net pension liability-LGERS	518,350	1,899,711	-	2,418,061	n/a
Total pension liability-LEOSSA	673,473	41,175	-	714,648	n/a
Retiree healthcare coverage	982,580	65,654	-	1,048,234	n/a
Total governmental activities	\$ 20,081,227	\$ 2,966,927	\$ (2,443,723)	\$ 20,604,431	\$ 2,125,972

	Balance			Balance	Due by
	June 30, 2016			June 30, 2017	June 30, 2018
Business-type activities:		Additions	Deductions		
Drinking water state loans	\$ 6,101,894	\$ -	\$ (433,829)	\$ 5,668,065	\$ 438,433
Installment purchases loans	5,520,182	-	(393,174)	5,127,008	404,732
Compensated absences	46,640	62,585	(53,015)	56,210	7,413
Net pension liability-LGERS	41,476	151,572	-	193,048	n/a
Retiree healthcare coverage	77,600	-	(6,774)	70,826	n/a
Total business-type activities	\$ 11,787,792	\$ 214,157	\$ (886,792)	\$ 11,115,157	\$ 850,578
Total government-wide	\$ 31,869,019	\$ 3,181,084	\$ (3,330,515)	\$ 31,719,588	\$ 2,976,550

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, 2017, 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.

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C. Interfund Activity and Balances

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, 2017 consists of the following:

Activity description	June 30, 2017	June 30, 2016
From General Fund to Emergency Telephone Fund to meet requirements of NC 911 Board	\$ -	\$ 8,482
From General Fund to Schools Projects Fund for current and future capital maintenance projects activity	535,992	599,868
From General Fund to Educational Facilities Fund for accumulating resources for future capital projects	1,213,503	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	569,735	225,000
Subtotal from General Fund	<u>2,335,897</u>	<u>7,012,994</u>
From Emergency Telephone Fund to General Fund for portion of costs of personnel involved in supporting fund activities	-	55,507
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
From Water System Fund to Water Projects Fund to accumulate resources for projects in supporting fund activities	357,940	-
Total interfund activity	<u><u>\$ 2,693,837</u></u>	<u><u>\$ 7,210,966</u></u>

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, 2017 consisted of the following:

Reporting Fund	Due From General Fund	Due to Other Funds
Governmental Funds		
General Fund	\$	\$ 661
Water System Fund	661	
Total interfund balances	<u><u>\$ 661</u></u>	<u><u>\$ 661</u></u>

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

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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	Educational Facilities Fund	Other Non-Major Funds
Fund balance available for appropriation			
Cash and investments	\$ 16,334,464	\$ 5,457,265	\$ 4,179,591
Liabilities and deferred inflows	(2,076,546)	(152,952)	(976,747)
Unavailable revenues not arising from cash receipts	689,828	-	14,727
Fund balance available for appropriation	14,947,746	5,304,313	3,217,571
Restricted for Stabilization of State Statute			
Total fund balance	17,287,268	5,304,313	3,476,216
Fund balance available for appropriation	(14,947,746)	(5,304,313)	(3,217,571)
Fund balance not available for appropriation	2,339,522	-	258,645
Nonspendable fund balance	(230,199)	-	(31,992)
Unreportable amounts *	-	-	(13)
Restricted for Stabilization of State Statute	\$ 2,109,323	\$ -	\$ 226,640

* On occasion, 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 Educational Facilities Fund), there are no unreportable amounts. In the table above, the unreportable amounts total \$13 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, 2017, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance
Capital assets	\$ 49,638,410	\$ 2,191,361	\$ 51,829,771
Adjustments for depreciation and related debt			
Depreciation on capital assets	(15,567,719)	(751,660)	(16,319,379)
Long-term debt issued for capital purposes	(17,423,021)	1,574,023	(15,848,998)
Subtotal adjustments	(32,990,740)	822,363	(32,168,377)
Net investment in capital assets	\$ 16,647,670	\$ 3,013,724	\$ 19,661,394

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Business-type activities:

Capital assets	\$ 45,778,110	\$ 382,421	\$ 46,160,531
Adjustments for depreciation and related debt			
Depreciation on capital assets	(19,282,578)	(1,114,526)	(20,397,104)
Unspent debt proceeds for capital purposes	336,728	(336,728)	-
Long-term debt issued for capital purposes	(11,622,076)	827,003	(10,795,073)
Subtotal adjustments	(30,567,926)	(624,251)	(31,192,177)
Net investment in capital assets	\$ 15,210,184	\$ (241,830)	\$ 14,968,354

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 Market Montgomery, 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, 2017, the County contributed \$750,800 for operating purposes and reimbursements of \$53,725 for facility maintenance costs at MCC. The County paid an additional \$739 to MCC for training courses and course materials for clients, \$175 for an employee to participate in a leadership course, and another \$500 to support a summer pottery camp. 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. That year, the County paid an additional \$76 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 ended June 30, 2016, the County made debt service payments of \$56,658 on installment purchase debt from Fidelity Bank issued for community college capital facilities. After this payment, -\$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.

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B. Market Montgomery (and its predecessor Montgomery Economic Development Corporation)

The County, along with the participating incorporated towns in the County, appoints four members of the fifteen directors of the Market Montgomery (formerly Montgomery Economic Development Corporation or “EDC”). The remaining members are appointed by business owners (with 8 appointees), by members of “Utilities and Transportation” businesses (with two appointees), or by the Montgomery County Tourism Development Authority (or “TDA”) (with one appointee). Market Montgomery essentially replaces both the EDC and the local Chamber of Commerce and, inasmuch, gets much of their support from membership dues. The County and the TDA provide annual appropriations to Market Montgomery; however, Market Montgomery is not accountable to the County for its fiscal matters beyond this allocation. The County does not significantly influence the operations of Market Montgomery and has no authority to designate its management. For the years ended June 30, 2017, 2016, and 2015, the combined appropriation (of the County and the TDA) to the organization (and its predecessor) was \$15,000, \$0, and \$23,600, respectively. The County does not have any equity interest in Market Montgomery; therefore, no equity interest has been reflected in the County’s financial statements. Complete financial statements for Market Montgomery 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, 2017 and 2016, 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, \$60,775, and \$60,775 for the years ended June 30, 2017, 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 \$8,597, \$8,586, and \$8,874 to PTRC during the fiscal years ended June 30, 2017, 2016, and 2015, respectively. The County was a sub-recipient of the grants listed below.

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The following is a list of grants that passed through PTRC during the fiscal year ended June 30, 2017:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass- Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
U.S. Department of Health and Human Services				
<u>Passed-Through the N.C. Department of Health and Human Services:</u>				
<u>Divisions of Aging (thru Piedmont Triad Regional Council) and Social Services</u>				
III-B Grants for Supportive Services	93.044	-	\$ 24,240	\$ 21,358
Congregate Nutrition	93.045	-	21,353	1,257
Home Delivered Nutrition	93.045	-	64,411	27,369
NSIP Supplement	93.053	-	18,089	-
Social Services Block Grant -- In-Home Services	93.667	022, 030	11,728	106,420
Total pass-thru grants awards from IPDC			<u>\$ 139,821</u>	<u>\$ 156,404</u>

Note e: BENEFIT PAYMENTS ISSUED BY THE STATE

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
Special Supplemental Nutrition Program for Women, Infants, Children	10.557	-	\$ 667,830	\$ -
Medical Assistance	93.778	-	25,772,513	13,878,863
Health Choice Claim Expenditures	93.767	-	681,627	3,923
Participation in Budgeted County Expenditures				
IV-E Adoption Subsidy	93.659	-	49,397	12,301
IV-E Admin County Paid	93.658	-	11,059	5,530
IV-E Family Foster Max	93.658	-	1,062	-
IV-E Foster Care	93.658	-	54,329	13,569
AFDC Payments and Penalties	93.560	-	(23)	(6)
TANF Payments and Penalties	93.558	-	140,800	-
Child Welfare Services Adoption Subsidy	n/a	-	-	31,175
Special Assistance Domiciliary Care	n/a	-	-	301,629
State Foster Home Families Maximization	n/a	-	-	13,437
Total participation in budgeted county expenditures			<u>256,624</u>	<u>377,635</u>
Total direct benefit payments			<u>\$ 27,378,594</u>	<u>\$ 14,260,421</u>

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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.

Note g: PRIOR PERIOD ADJUSTMENTS AND OTHER RESTATEMENTS

A. Prior Period Adjustments

For the fiscal year ended June 30, 2017, management determined that assets and fund balance were understated by \$317,419 within the county projects fund as of June 30, 2016 and as such, a prior period adjustment has been recorded to adjust for the error. Cash and fund balance within the county projects fund increased by \$317,419 as of June 30, 2016.

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.

B. Change in Accounting Principles/Restatement

In the fiscal year ending June 30, 2017, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The implementation of the statement required the County to record beginning total pension liability of \$726,617 in lieu of beginning net pension obligation of \$169,141 and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased by \$504,332.

The County also implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* for the Healthcare Benefits Plan during the year ended June 30, 2017. The implementation of this statement had no effect on net position.

C. Significant Effects of Subsequent Events

The County has received a commitment from the USDA to loan the County \$67,678,000 for a new high school project. Site work began in October 2017 and bids for the high school building were received before the end of November 2017. The County is planning to issue a short-term construction loan (in the form of bond anticipation notes) in February 2018 to finance the project. When the project is complete, the bond anticipation notes will be repaid with a 40-year USDA loan.

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:

	<u>Identifier</u>	<u>Page No.</u>
1. Financial Schedules for Pension-Related Deferrals	Part II.D.1	86
2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage	Part II.D.2	91
3. Financial Statements for Major Governmental Funds	Part II.D.3	95
4. Financial Statements for Non-major Governmental Funds	Part II.D.4	105
5. Financial Schedules for Major Enterprise Fund	Part II.D.5	121
6. Financial Statement for Fiduciary Funds	Part II.D.6	125
7. Financial Statements for Component Unit	Part II.D.7	128

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

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Financial Schedules for Pension-Related Deferrals

	<u>Identifier</u>	<u>Page No.</u>
a. LGERS Schedule of Proportionate Share of Net Pension Liability (Asset)	Exhibit II.D.1.a	87
b. LGERS Schedule of Employer Contributions	Exhibit II.D.1.b	87
c. RODSPF Schedule of Proportionate Share of Net Pension Liability (Asset)	Exhibit II.D.1.c	88
d. RODSPF Schedule of Employer Contributions	Exhibit II.D.1.d	88
e. LEOSSA Schedule of Changes in Total Pension Liability	Exhibit II.D.1.e	89
f. LEOSSA Schedule of Total Pension Liability as a Percentage of Covered Payroll	Exhibit II.D.1.f	90

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statement Number 68 and 73.

County of Montgomery, North Carolina

a. LGERS Schedule of Proportionate Share of Net Pension Liability (Asset)

For the Year Ended June 30, 2017

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						
2017	\$ 2,122,335,002	91.470%	0.123%	\$ 2,611,109	\$ 7,175,471	36.389%
2016	448,793,979	98.090%	0.125%	559,826	7,061,199	7.928%
2015	(589,746,059)	102.640%	0.125%	(738,480)	7,086,642	-10.421%
2014	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, 2017

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						
2017	\$ 542,605	\$ 542,605	100.000%	\$ -	\$ 7,206,387	7.530%
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, 2017

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						
2017	\$ (18,696,000)	160.170%	0.248%	\$ (46,445)	\$ 58,916	-78.833%
2016	(23,174,000)	197.288%	0.249%	(57,682)	58,328	-98.892%
2015	(22,666,000)	193.880%	0.245%	(55,498)	57,828	-95.971%
2014	(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, 2017

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						
2017	\$ 1,922	\$ 1,922	100.000%	\$ -	\$ 51,500	3.732%
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%

County of Montgomery, North Carolina

e. LEOSSA Schedule of Changes in Total Pension Liability

	2017
Beginning balance	\$ 726,617
Service Cost	31,912
Interest on the total pension liability	24,992
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions and other inputs	(15,728)
Benefits payments	(53,145)
Other changes	-
Ending balance of the total pension liability	\$ 714,648

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

County of Montgomery, North Carolina

f. LEOSA Schedule of Total Pension Liability as a Percentage of
Covered Payroll

For the year ended June 30, 2017

	2017
Total pension liability	\$ 714,648
Covered payroll	1,188,937
Total pension liability as a percentage of covered payroll	60.11%

Notes to the schedules:

The County of Montgomery, North Carolina has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

County of Montgomery, North Carolina

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

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

	<u>Identifier</u>	<u>Page No.</u>
a. OPEB-RHC Schedule of Funding Progress	Exhibit II.D.2.a	92
b. OPEB-RHC Schedule of Employer Contributions	Exhibit II.D.2.b	92
c. Notes to OPEB-RHC Financial Schedules	Exhibit II.D.2.c	93

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, 2017

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						
2016	\$ -	\$ 2,919,412	\$ 2,919,412	0.000%	\$ 5,452,575	53.542%
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, 2017

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						
2017	\$ 207,667	\$ 283,091	73.357%	\$ 266,546	77.910%	\$ 1,119,059
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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D. Required Supplementary Information:
2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage
c. Notes to OPEB-RHC Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2017

The actuarial valuation for the fiscal year ended June 30, 2017 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		<u>\$ 5,452,575</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2014

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	2,919,412
total assets, as of December 31, 2014	<u>\$ 2,919,412</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
present retired members and beneficiaries	\$ 1,142,541
present active members	1,776,871
total liabilities, as of December 31, 2014	<u>\$ 2,919,412</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2017

The annual required contribution for the year ended June 30, 2017 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%	<u>\$ 283,091</u>

NET OPEB OBLIGATION (& ANNUAL OPEB COST) FOR THE YEAR ENDED JUNE 30, 2017

Net OPEB Obligation, as of June 30, 2016		\$ 1,060,180
annual required contribution (ARC)	\$ 283,091	
adjustment/amortization to ARC	17.9837 (58,952)	
interest on net OPEB obligation	42,407	
annual OPEB cost	<u>\$ 266,546</u>	
contributions	(207,667)	
Change in net OPEB obligation		58,879
Net OPEB Obligation, as of June 30, 2017		<u>\$ 1,119,059</u>

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County of Montgomery, North Carolina

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II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

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

c. Notes to OPEB-RHC Financial Schedules

ADDITIONAL INFORMATION USED BY THE ACTUARY

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

Amortization Method of Unfunded Liability (for years shown)	level dollar of pay, open basis
Actuarial Cost Method (for years shown) **	projected unit credit **
Asset Valuation Method (for years shown)	market value
For the Year Ended	June 30, 2017
Valuation Date	Dec 31, 2014
Remaining Amortization Period	30 years
Amortization Factor	17.9837
Actuarial Assumptions (projected rates):	
Projected Rate of Increases to Medical Costs	5.0% to 7.75%
* Year of Ultimate Trend Rate	2019
Projected Rate of Return on Investments *	4.00%
* Includes Projected Rate of Inflation	3.00%

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

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D. Required Supplementary Information:
3. Financial Statements for Major Governmental Funds

	<u>Identifier</u>	<u>Page No.</u>
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.3.a	96
b. Educational Facilities Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.3.b	104

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad Valorem Taxes				
Current year - General Fund	\$ 17,948,978	\$ 18,548,155	\$ 599,177	\$ 18,146,509
Prior years	280,000	441,378	161,378	375,035
Penalties, interest, and advertising, net	59,310	162,374	103,064	156,656
Subtotal Ad Valorem Taxes	18,288,288	19,151,907	863,619	18,678,200
Local Option Sales Taxes				
Article 39 & 44	1,550,000	1,905,426	355,426	1,226,100
Article 40	1,500,000	1,481,634	(18,366)	1,439,456
Article 42	800,000	814,713	14,713	783,716
Article 46	405,000	430,629	25,629	-
Medicaid hold harmless payment	-	248,968	248,968	191,578
Subtotal Local Option Sales Taxes	4,255,000	4,881,370	626,370	3,640,850
Other Taxes				
Beer and wine license tax	-	1,327	1,327	1,468
Rental vehicle gross receipts tax	-	722	722	714
Subtotal Other Taxes	-	2,049	2,049	2,182
Intergovernmental Revenues, unrestricted				
Beer and wine excise taxes	-	90,528	90,528	88,036
Payments in lieu of taxes	94,000	107,865	13,865	113,153
Disposal taxes, scrap tires	40,000	37,255	(2,745)	43,512
Property tax billing and collection fees	22,000	24,218	2,218	22,114
Federal and state forfeiture funds	-	7,142	7,142	5,139
Video program franchise distribution	20,000	14,545	(5,455)	19,476
Disposal taxes, solid waste	4,000	16,672	12,672	15,987
Sheriff & jail court fees	54,000	70,315	16,315	70,057
Profit distribution from local ABC boards	1,000	19,120	18,120	11,061
Subtotal Intergovernmental Revenues, unrestricted	235,000	387,660	152,660	388,535
Intergovernmental Revenues, restricted				
Federal and state grants	5,193,744	4,944,906	(248,838)	5,198,270
Lottery proceeds	250,000	599,700	349,700	250,000
Special loan interest subsidy	98,329	98,330	1	106,524
Court facilities fees	47,015	60,447	13,432	65,988
Library contribution fees	24,000	24,800	800	24,800
Municipal elections	-	-	-	10,561
ABC bottles tax distribution	5,000	6,094	1,094	5,848
Subtotal Intergovernmental Revenues, restricted	5,618,088	5,734,277	116,189	5,661,991
Subtotal Intergovernmental Revenues	5,853,088	6,121,937	268,849	6,050,526

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES (continued from previous page)				
Licenses, Fees, and Permits				
Landfill revenues	2,175,000	2,235,538	60,538	2,605,585
Inmate fees	220,000	285,871	65,871	294,122
Building permit and inspection fees	111,000	254,037	143,037	241,195
Register of Deeds fees and permits	182,500	332,643	150,143	229,026
Environmental Health permits	33,000	53,655	20,655	39,379
Civil, pistol, and concealed weapons permits	48,000	43,997	(4,003)	56,259
Library fines	6,000	3,351	(2,649)	7,182
Zoning permits and fees	10,000	11,315	1,315	8,054
Animal control fees	1,000	1,470	470	1,578
Elections fees	-	-	-	1,150
Subtotal Licenses, Fees, and Permits	2,786,500	3,221,877	435,377	3,483,530
Sales and Services				
Medicaid / Medicare service fees	283,731	326,162	42,431	401,711
Contracted revenues	88,000	53,890	(34,110)	48,130
Health Department fees	70,000	72,444	2,444	72,107
Rents, concessions, and fees	69,280	67,909	(1,371)	65,389
Social Services Department fees	250	11,521	11,271	18,182
County program fees	2,500	8,236	5,736	-
Subtotal Sales and Services	513,761	540,162	26,401	605,519
Investment Earnings	27,000	157,987	130,987	50,036
Miscellaneous				
Contributions / donations	253,857	196,895	(56,962)	35,520
Sale of used surplus equipment and vehicles	-	16,331	16,331	8,999
Vending & phone commissions	20,000	30,340	10,340	29,088
Insurance proceeds	23,395	22,897	(498)	-
Miscellaneous others	200	7,001	6,801	7,625
Subtotal Miscellaneous	297,452	273,464	(23,988)	81,232
Total Revenues	32,021,089	34,350,753	2,329,664	32,592,075
EXPENDITURES				
General Government				
Commissioners (includes non-departmental)				
Salaries and benefits	495,461	213,238	282,223	181,040
Other operating expenditures	714,817	614,052	100,765	469,329
Capital & equipment outlays	77,000	74,924	2,076	36,180
Subtotal Commissioners	1,287,278	902,214	385,064	686,549
County Manager / Administration				
Salaries and benefits	189,141	181,012	8,129	185,336
Other operating expenditures	27,050	23,689	3,361	15,037
Capital & equipment outlays	-	953	(953)	-
Subtotal County Manager / Administration	216,191	205,654	10,537	200,373

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Finance				
Salaries and benefits	256,413	257,129	(716)	251,837
Other operating expenditures	12,750	6,933	5,817	11,486
Subtotal Finance	269,163	264,062	5,101	263,323
Information Technology				
Salaries and benefits	124,238	121,416	2,822	120,234
Other operating expenditures	232,600	174,611	57,989	173,254
Capital & equipment outlays	289,400	127,032	162,368	91,254
Subtotal Information Technology	646,238	423,059	223,179	384,742
Human Resources				
Salaries and benefits	61,034	61,758	(724)	59,095
Other operating expenditures	18,000	2,254	15,746	2,682
Subtotal Human Resources	79,034	64,012	15,022	61,777
Tax Administration (assessing, listing, and collection)				
Salaries and benefits	367,972	369,185	(1,213)	364,099
Other operating expenditures	58,250	50,053	8,197	50,987
Subtotal Tax Administration	426,222	419,238	6,984	415,086
Property Tax Revaluation				
Salaries and benefits	7,282	6,974	308	6,946
Other operating expenditures	117,718	20,507	97,211	55,194
Subtotal Property Tax Revaluation	125,000	27,481	97,519	62,140
Elections				
Salaries and benefits	130,224	131,468	(1,244)	118,771
Other operating expenditures	76,280	55,566	20,714	79,268
Subtotal Elections	206,504	187,034	19,470	198,039
Register of Deeds (including Automation)				
Salaries and benefits	130,879	131,352	(473)	144,453
Other operating expenditures	33,000	30,541	2,459	33,746
Subtotal Register of Deeds	163,879	161,893	1,986	178,199
Housekeeping				
Salaries and benefits	142,214	142,539	(325)	140,548
Other operating expenditures	31,000	18,708	12,292	18,598
Subtotal Housekeeping	173,214	161,247	11,967	159,146
Facilities Maintenance (Public Buildings)				
Salaries and benefits	111,311	111,750	(439)	109,502
Other operating expenditures	583,000	474,137	108,863	921,639
Capital & equipment outlays	257,000	290,536	(33,536)	179,839
Subtotal Facilities Maintenance	951,311	876,423	74,888	1,210,980
Property & Liability Insurance, other expenditures	35,000	6,502	28,498	7,857
Court Facilities				
Other operating expenditures	12,015	6,224	5,791	8,482
Capital & equipment outlays	5,000	-	5,000	-
Subtotal Court Facilities	17,015	6,224	10,791	8,482
Total General Government	4,596,049	3,705,043	891,006	3,836,693

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Transportation				
Airport Operations	30,000	24,027	5,973	16,854
Rural Operating Assistance Program	138,361	138,358	3	125,087
Total Transportation	168,361	162,385	5,976	141,941
Public Safety				
Sheriff (including Schools Resource Officers)				
Salaries and benefits	1,630,115	1,577,396	52,719	1,579,457
Other operating expenditures	325,997	199,184	126,813	230,630
Capital & equipment outlays	135,940	135,570	370	100,157
Subtotal Sheriff	2,092,052	1,912,150	179,902	1,910,244
Jail / Detention Center				
Salaries and benefits	904,564	884,867	19,697	874,749
Other operating expenditures	383,406	305,315	78,091	361,344
Subtotal Detention Centers	1,287,970	1,190,182	97,788	1,236,093
Animal/Rabies Control				
Salaries and benefits	101,149	100,178	971	99,054
Other operating expenditures	27,500	21,498	6,002	17,080
Capital & equipment outlays	-	450	(450)	-
Subtotal Animal/Rabies Control	128,649	122,126	6,523	116,134
Volunteer Fire Departments				
Other operating expenditures	194,952	268,918	(73,966)	47,511
Capital & equipment outlays	400,000	-	400,000	645,240
Subtotal Volunteer Fire Departments	594,952	268,918	326,034	692,751
Inspections				
Salaries and benefits	168,420	179,680	(11,260)	178,495
Other operating expenditures	29,000	17,745	11,255	21,685
Subtotal Inspections	197,420	197,425	(5)	200,180
Medical Examiner, other expenditures	25,000	18,800	6,200	9,400
Ambulance / Rescue Squads				
Salaries and benefits	2,800	2,010	790	-
Other operating expenditures	1,441,536	1,431,580	9,956	1,390,346
Capital & equipment outlays	18,000	14,501	3,499	861
Subtotal rescue squads	1,462,336	1,448,091	14,245	1,391,207
Emergency Management				
Salaries and benefits	65,938	53,744	12,194	67,420
Other operating expenditures	4,500	1,746	2,754	12,007
Subtotal Emergency Management	70,438	55,490	14,948	79,427
E911 Communications				
Salaries and benefits	457,453	445,249	12,204	445,453
Other operating expenditures	26,000	21,840	4,160	14,629
Capital & equipment outlays	-	2,868	(2,868)	-
Subtotal E911 Communications	483,453	469,957	13,496	460,082
Juvenile Crime Prevention Council (JCPC)	100,000	95,344	4,656	70,347
Federal and State Forfeited Property	6,565	2,824	3,741	2,040
Total Public Safety	6,448,835	5,781,307	667,528	6,167,905

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Human Services				
Social Services:				
Social Services				
Salaries and benefits	2,785,852	2,498,719	287,133	2,599,793
Other operating expenditures	2,541,399	2,345,555	195,844	2,313,460
Capital & equipment outlays	104,398	87,317	17,081	2,673
Total Social Services	5,431,649	4,931,591	500,058	4,915,926
Health services				
Health Administration				
Salaries and benefits	217,566	212,249	5,317	215,366
School nurses at MCS	180,406	100,000	80,406	100,000
Other operating expenditures	102,000	88,151	13,849	82,152
Subtotal Health Administration	499,972	400,400	99,572	397,518
Communicable Diseases				
Salaries and benefits	95,025	98,437	(3,412)	89,750
Other operating expenditures	19,558	20,019	(461)	20,476
Subtotal Communicable Diseases	114,583	118,456	(3,873)	110,226
Public Health/Emergency Planning				
Salaries and benefits	2,561	2,514	47	2,495
Other operating expenditures	30,260	24,415	5,845	34,368
Subtotal Public Health/Emerg Planning	32,821	26,929	5,892	36,863
Health Promotions				
Salaries and benefits	41,944	42,293	(349)	37,426
Other operating expenditures	-	1,391	(1,391)	2,235
Subtotal Health Promotions	41,944	43,684	(1,740)	39,661
Women - Infants - Children (WIC)				
Salaries and benefits	212,701	209,836	2,865	208,315
Other operating expenditures	4,918	2,238	2,680	8,172
Subtotal Women - Infants - Children (WIC)	217,619	212,074	5,545	216,487
Child Health				
Salaries and benefits	225,906	217,607	8,299	228,476
Other operating expenditures	40,141	34,900	5,241	48,328
Subtotal Child Health	266,047	252,507	13,540	276,804
Maternal Health				
Salaries and benefits	189,624	187,203	2,421	189,508
Other operating expenditures	45,376	42,019	3,357	39,121
Subtotal Maternal Health	235,000	229,222	5,778	228,629
Adult Health				
Salaries and benefits	68,943	61,776	7,167	68,527
Other operating expenditures	35,300	34,494	806	28,503
Subtotal Adult Health	104,243	96,270	7,973	97,030
Family Planning				
Salaries and benefits	186,706	186,752	(46)	187,861
Other operating expenditures	69,426	64,549	4,877	63,494
Subtotal Family Planning	256,132	251,301	4,831	251,355

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Care Coordination for Children (CC4C)				
Salaries and benefits	67,350	67,864	(514)	55,063
Other operating expenditures	6,876	2,742	4,134	3,080
Subtotal Care Coord. for Children (CC4C)	74,226	70,606	3,620	58,143
Pregnancy Care Management				
Salaries and benefits	88,907	90,000	(1,093)	82,620
Other operating expenditures	10,077	4,501	5,576	5,262
Subtotal Pregnancy Care Management	98,984	94,501	4,483	87,882
Infant Health Improvement				
Other operating expenditures	140,539	72,411	68,128	54,647
Capital & equipment outlays	2,644	2,084	560	2,030
Subtotal Nutrition Grant	143,183	74,495	68,688	56,677
Total Health Services	2,084,754	1,870,445	214,309	1,857,275
Miscellaneous				
Environmental Health				
Salaries and benefits	174,594	183,989	(9,395)	138,183
Other operating expenditures	8,809	8,522	287	13,143
Subtotal Environmental Health	183,403	192,511	(9,108)	151,326
Mental Health (Sandhills), allocations	65,275	60,775	4,500	60,775
Home Community and Care Block Grant	276,238	274,900	1,338	291,672
Programs for the Aging, allocations	95,000	95,000	-	95,000
Youth Services				
Salaries and benefits	-	-	-	7,994
Other operating expenditures	-	-	-	18,307
Subtotal Youth Services	-	-	-	26,301
Total Human Services	8,136,319	7,425,222	711,097	7,398,275
Environmental Protection				
Landfill & Recycling, other expenditures	790,663	786,355	4,308	375,637
Forestry, other expenditures	88,200	88,200	-	88,200
Soil Conservation				
Salaries and benefits	75,458	71,858	3,600	74,684
Other operating expenditures	4,800	2,381	2,419	2,244
Subtotal Soil Conservation	80,258	74,239	6,019	76,928
Total Environmental Protection	959,121	948,794	10,327	540,765
Education (Intergovernmental)				
Public Schools				
Current expenses	5,125,000	5,125,000	-	5,175,804
Timber receipts from US Forest	68,000	36,315	31,685	-
Subtotal Public Schools	5,193,000	5,161,315	31,685	5,175,804
Community College, current expenses	750,800	750,800	-	736,080
Total Education	5,943,800	5,912,115	31,685	5,911,884

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Economic and Physical Development				
Planning and Zoning				
Salaries and benefits	60,743	60,072	671	57,883
Other operating expenditures	7,775	4,492	3,283	1,588
Subtotal Planning and Zoning	68,518	64,564	3,954	59,471
Economic Development				
Salaries and benefits	78,999	79,070	(71)	77,629
Future appropriations	350,000	-	350,000	-
Other operating expenditures	105,000	93,012	11,988	30,498
Subtotal Economic Development	533,999	172,082	361,917	108,127
Cooperative (Agricultural) Extension				
Salaries and benefits	197,959	192,655	5,304	168,212
Other operating expenditures	10,300	9,359	941	10,133
Subtotal Cooperative/ Agricultural Extension	208,259	202,014	6,245	178,345
Economic Development Grants, other expenditures	266,667	66,667	200,000	210,000
Total Economic and Physical Development	1,077,443	505,327	572,116	555,943
Cultural and Recreational				
Library System				
Salaries and benefits	229,369	226,131	3,238	222,965
Books and magazines	23,500	26,413	(2,913)	26,402
Other operating expenditures	46,500	41,356	5,144	35,176
Capital & equipment outlays	-	-	-	752
Subtotal Library System	299,369	293,900	5,469	285,295
Recreation				
Salaries and benefits	32,295	10,904	21,391	25,092
Contributions to area recreation groups	41,563	18,500	23,063	91,850
Other operating expenditures	14,205	5,340	8,865	9,846
Subtotal Recreation	88,063	34,744	53,319	126,788
Haltiwanger Retreat, other expenditures	15,000	-	15,000	10,967
County Gym Projects, allocations	11,000	10,493	507	10,705
Total Cultural and Recreational	413,432	339,137	74,295	433,755
Debt Service				
Principal reduction	1,974,820	1,983,401	(8,581)	1,710,681
Interest and fees	500,270	482,269	18,001	451,396
Bond issuance costs	8,500	4,964	3,536	3,537
Total Debt Service	2,483,590	2,470,634	12,956	2,165,614
Total Expenditures	30,226,950	27,249,964	2,976,986	27,152,775
Excess of Revenues Over (Under) Expenditures	1,794,139	7,100,789	5,306,650	5,439,300

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Excess of Revenues Over (Under)	1,794,139	7,100,789	5,306,650	5,439,300
Expenditures (repeated from prior page)				
OTHER FINANCING SOURCES (USES)				
Transfers In:				
from Emergency Telephone fund	-	-	-	55,507
from EMPG fund	-	-	-	34,742
from Child Support Incentives fund	-	-	-	107,723
Transfers Out:				
to Emergency Telephone fund	(3,000)	-	3,000	(8,482)
to Schools Projects fund	(485,054)	(535,992)	(50,938)	(599,868)
to Educational Facilities fund	(1,184,258)	(1,213,503)	(29,245)	(6,162,977)
to Airport Projects fund	(16,667)	(16,667)	-	(16,667)
to Capital Projects fund	(569,735)	(569,735)	-	(225,000)
Capital Lease Financing Issued	12,000	-	(12,000)	-
Fund Balance (Contingency) Appropriated	452,575	-	(452,575)	-
Total Other Financing Sources (Uses)	(1,794,139)	(2,335,897)	(541,758)	(6,815,022)
Net Change in Fund Balance	\$ -	4,764,892	\$ 4,764,892	(1,375,722)
FUND BALANCES				
Beginning fund balances (July 1)		12,522,376		13,898,098
Ending Fund Balances (June 30)		<u>17,287,268</u>		<u>\$ 12,522,376</u>

County of Montgomery, North Carolina

b. 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, 2017

With Comparative Totals from Project Inception to June 30, 2016

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 41,897	\$ 41,897
Total revenues	-	-	41,897	41,897
EXPENDITURES				
Education				
New high school				
Administration	-	-	1,871	1,871
Construction and renovation	54,873,103	-	56,702	56,702
Engineering, legal, & other professional services	4,618,000	124,550	1,743,683	1,868,233
Capital and equipment outlays	3,250,000	-	-	-
Other expenses	24,000	-	187,258	187,258
Contingency	13,356,008	-	-	-
Debt service				
Debt principal payments - construction loan	67,678,000	-	-	-
Debt interest payments	1,512,000	-	-	-
Total expenditures	145,311,111	124,550	1,989,514	2,114,064
Excess of revenues over (under) expenditures	(145,311,111)	(124,550)	(1,947,617)	(2,072,167)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (new high school)	7,610,008	6,162,977	1,213,503	7,376,480
Proceeds from construction loan issuance	67,678,000	-	-	-
Proceeds from USDA loan issuance	67,678,000	-	-	-
Fund balance appropriated	2,345,103	-	-	-
Total other financing sources (uses)	145,311,111	6,162,977	1,213,503	7,376,480
Net change in fund balance	\$ -	\$ 6,038,427	(734,114)	\$ 5,304,313
FUND BALANCES				
Beginning fund balances			6,038,427	
Ending fund balances			<u>\$ 5,304,313</u>	

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

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
4. Financial Statements for Non-major Governmental Funds

	<u>Identifier</u>	<u>Page No.</u>
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.4.a	106
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.4.b	108
c. Emergency Telephone System Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.c	110
d. EMPG Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.d	111
e. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.4.e	112
f. Badin Lake Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.f	113
g. Lake Tillery Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.g	114
h. Child Support Incentives Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.h	115
i. Golden LEAF - Aseptia Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.4.i	116
j. Schools Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.4.j	117
k. Airport Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.4.k	118
l. County Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since project's inception)	Exhibit II.D.4.l	119

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

June 30, 2017

With Comparative Totals as of June 30, 2016

	Special Revenue Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
ASSETS					
Cash and cash equivalents	\$ 210,511	\$ 118,920	\$ 60,216	\$ 2,152	\$ 1,043
Taxes receivable, net	-	-	-	10,357	4,370
Accounts receivable, net	18,328	-	-	-	-
Due from other governments	7,986	172	-	1,146	887
Prepaid items	31,912	-	-	-	-
Total assets	\$ 268,737	\$ 119,092	\$ 60,216	\$ 13,655	\$ 6,300
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 30,114	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-	-
Due to other taxing units	-	-	-	2,165	1,033
Total liabilities	30,114	-	-	2,165	1,033
Deferred inflows:					
Property taxes receivable	-	-	-	10,357	4,370
Total deferred inflows	-	-	-	10,357	4,370
Fund balances:					
Non-spendable					
Prepaid Items	31,912	-	-	-	-
Restricted					
Stabilization of State Statute	26,314	172	-	1,133	887
Public Safety	180,397	118,920	-	-	-
Human Services	-	-	-	-	-
Economic and Physical Development	-	-	60,216	-	-
Committed					
Transportation	-	-	-	-	-
Public Safety	-	-	-	-	10
Education (intergovernmental)	-	-	-	-	-
Assigned					
Incomplete projects	-	-	-	-	-
Total fund balances	238,623	119,092	60,216	1,133	897
Total liabilities, deferred inflows and fund balances	\$ 268,737	\$ 119,092	\$ 60,216	\$ 13,655	\$ 6,300

(continued on next page)

Child Support Incentives	Golden LEAF - Aseptia	Capital Projects Funds			Totals	
		Schools Projects	Airport Projects	County Projects	2017	2016
\$ 248,703	\$ 1,063,643	\$ 1,237,842	\$ 43,821	\$ 1,192,740	\$ 4,179,591	\$ 2,174,381
-	-	-	-	-	14,727	19,531
-	-	119,240	-	-	137,568	108,285
13	-	431	78,450	-	89,085	239,341
80	-	-	-	-	31,992	28,184
\$ 248,796	\$ 1,063,643	\$ 1,357,513	\$ 122,271	\$ 1,192,740	\$ 4,452,963	\$ 2,569,722
\$ 792	\$ -	\$ 200,524	\$ -	\$ -	\$ 231,430	\$ 6,354
-	727,392	-	-	-	727,392	180,388
-	-	-	-	-	3,198	4,803
792	727,392	200,524	-	-	962,020	191,545
-	-	-	-	-	14,727	19,531
-	-	-	-	-	14,727	19,531
80	-	-	-	-	31,992	28,184
13	-	119,671	78,450	-	226,640	235,186
-	-	-	-	-	299,317	292,978
247,911	-	-	-	-	247,911	205,343
-	336,251	-	-	-	396,467	300,653
-	-	-	43,821	-	43,821	-
-	-	-	-	-	10	10
-	-	1,037,318	-	-	1,037,318	990,706
-	-	-	-	1,192,740	1,192,740	305,586
248,004	336,251	1,156,989	122,271	1,192,740	3,476,216	2,358,646
\$ 248,796	\$ 1,063,643	\$ 1,357,513	\$ 122,271	\$ 1,192,740	\$ 4,452,963	\$ 2,569,722

(continued from previous page)

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2017

With Comparative Totals For the Year Ended June 30, 2016

	Special Revenue Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 418,874	\$ 199,591
Local option sales taxes	-	-	-	-	-
Intergovernmental revenues, restricted	219,932	38,584	50,000	-	-
Investment earnings	1,207	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	221,139	38,584	50,000	418,874	199,591
EXPENDITURES					
Transportation	-	-	-	-	-
Public safety	637,666	10,231	-	419,100	199,550
Human services	-	-	-	-	-
Education (intergovernmental)	-	-	-	-	-
Economic and physical development	-	-	400	-	-
Debt service, principal reduction	-	-	-	-	-
Debt service, interest and fees	-	-	-	-	-
Total expenditures	637,666	10,231	400	419,100	199,550
Excess of revenues over (under) expenditures	(416,527)	28,353	49,600	(226)	41
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(416,527)	28,353	49,600	(226)	41
FUND BALANCES					
Beginning fund balances (July 1)	245,771	90,739	10,616	1,359	856
Adjustment to prior period	-	-	-	-	-
Beginning fund balances-restated	245,771	90,739	10,616	1,359	856
Ending fund balances (June 30)	\$ (170,756)	\$ 119,092	\$ 60,216	\$ 1,133	\$ 897

(continued on next page)

Child Support Incentives	Golden LEAF - Aseptia	Capital Projects Funds			Totals	
		Schools Projects	Airport Projects	County Projects	2017	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 618,465	\$ 608,548
-	-	-	-	-	-	399,073
52,893	-	-	78,450	-	439,859	476,997
-	-	-	-	-	1,207	250
-	46,214	-	-	-	46,214	92,573
52,893	46,214	-	78,450	-	1,105,745	1,577,441
-	-	-	78,451	-	78,451	216,280
-	-	-	-	-	1,266,547	723,845
10,232	-	-	-	-	10,232	58,937
-	-	481,737	-	-	481,737	457,476
-	-	-	-	-	400	833
-	-	-	-	-	-	208,836
-	-	-	-	-	-	132,303
10,232	-	481,737	78,451	-	1,837,367	1,798,510
42,661	46,214	(481,737)	(1)	-	(731,622)	(221,069)
-	-	535,992	16,667	569,735	1,122,394	850,017
-	-	-	-	-	-	(197,972)
-	-	-	-	-	-	-
-	-	535,992	16,667	569,735	1,122,394	652,045
42,661	46,214	54,255	16,666	569,735	390,772	430,976
205,343	290,037	1,102,734	105,605	305,586	2,358,646	1,927,670
-	-	-	-	317,419	317,419	-
205,343	290,037	1,102,734	105,605	623,005	2,676,065	1,927,670
\$ 248,004	\$ 336,251	\$ 1,156,989	\$ 122,271	\$ 1,192,740	\$ 3,066,837	\$ 2,358,646

(continued from previous page)

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
System subscriber/surcharge fees	\$ 692,717	\$ 219,932	\$ (472,785)	\$ 169,390
Investment earnings	-	1,207	1,207	246
Total revenues	692,717	221,139	(471,578)	169,636
EXPENDITURES				
Public safety:				
Phone and furniture expenditures	40,000	38,639	1,361	36,042
Software maintenance expenditures	54,000	36,046	17,954	20,873
Hardware maintenance expenditures	20,000	31,503	(11,503)	17,348
Training expenditures	7,000	758	6,242	3,463
Other expenditures	5,000	5,650	(650)	16
Capital outlay, hardware	739,285	525,070	214,215	28,790
Total public safety expenditures	865,285	637,666	227,619	106,532
Excess of revenues over (under) expenditures	(172,568)	(416,527)	(243,959)	63,104
OTHER FINANCING SOURCES (USES)				
Implemental functions (transfer to General fund)	(55,500)	-	55,500	(55,507)
Transfers in:				
from General fund for prior year expenditures	-	-	-	4,714
from General fund for current year expenditures	3,000	-	(3,000)	3,768
Capital lease financing issued	-	409,379	409,379	-
Fund balance appropriated	225,068	-	(225,068)	-
Total other financing sources (uses)	172,568	409,379	236,811	(47,025)
Net change in fund balance	\$ -	(7,148)	\$ (7,148)	16,079
FUND BALANCES				
Beginning fund balances (July 1)		245,771		229,692
Ending fund balances (June 30)		<u>\$ 238,623</u>		<u>\$ 245,771</u>

RECONCILIATION TO PSAP REVENUE-EXPENDITURES REPORT

	Revenue	Expenditures
Totals (from above)	221,139	637,666
less Investment earnings	(1,207)	-
Totals reported to NC 911 Board	219,932	637,666

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 40,000	\$ 38,584	\$ (1,416)	\$ 35,556
Total revenues	40,000	38,584	(1,416)	35,556
EXPENDITURES				
Public safety:				
Salaries and benefits	10,765	-	10,765	1,131
Supplies	1,235	81	1,154	1,244
Travel-meeting registration	-	370	(370)	-
Memberships, dues, and subscriptions	10,000	7,325	2,675	-
Capital & equipment outlays	18,000	2,455	15,545	11,289
Total expenditures	40,000	10,231	29,769	13,664
Excess of revenues over (under) expenditures	-	28,353	28,353	21,892
OTHER FINANCING SOURCES (USES)				
Transfers out				
to General fund	-	-	-	(34,742)
Total other financing sources (uses)	-	-	-	(34,742)
Net change in fund balance	\$ -	28,353	\$ 28,353	(12,850)
FUND BALANCES				
Beginning fund balances (July 1)		90,739		103,589
Ending fund balances (June 30)		<u>\$ 119,092</u>		<u>\$ 90,739</u>

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2017

With Comparative Totals from Project Inception to June 30, 2016

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Project URP-1224	100,000	-	50,000	50,000
Miscellaneous (URP-1224)	10,616	10,616	-	10,616
Total revenues	110,616	10,616	50,000	60,616
EXPENDITURES				
Economic and physical development:				
Community Development Block Grant-2016 Urgent Repair Program, URP-1224				
Administration	18,616	-	400	400
Housing rehabilitation	92,000	-	-	-
Total expenditures	110,616	-	400	400
Net change in fund balance	\$ -	\$ 10,616	49,600	\$ 60,216
FUND BALANCES				
Beginning fund balances			10,616	
Ending fund balances			<u>\$ 60,216</u>	

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 411,000	\$ 413,729	\$ 2,729	\$ 396,237
Prior years	19,000	5,145	(13,855)	16,727
Total revenues	430,000	418,874	(11,126)	412,964
EXPENDITURES				
Public safety:				
Interest penalty	-	349	(349)	-
Contribution to Volunteer Fire Department	430,000	418,751	11,249	410,022
Total expenditures	430,000	419,100	10,900	410,022
Net change in fund balance	\$ -	(226)	\$ (226)	2,942
FUND BALANCES				
Beginning fund balances (July 1)		1,359		(1,583)
Ending fund balances (June 30)		<u>\$ 1,133</u>		<u>\$ 1,359</u>

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

For the Year Ended June 30, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 195,000	\$ 192,888	\$ (2,112)	\$ 185,773
Prior years	11,000	6,703	(4,297)	9,811
Total revenues	<u>206,000</u>	<u>199,591</u>	<u>(6,409)</u>	<u>195,584</u>
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	206,000	199,550	6,450	193,627
Net change in fund balance	<u>\$ -</u>	<u>41</u>	<u>\$ 41</u>	<u>1,957</u>
FUND BALANCES				
Beginning fund balances (July 1)		856		(1,101)
Ending fund balances (June 30)		<u>\$ 897</u>		<u>\$ 856</u>

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 37,895	\$ 52,893	\$ 14,998	\$ 54,020
Total revenues	<u>37,895</u>	<u>52,893</u>	<u>14,998</u>	<u>54,020</u>
EXPENDITURES				
Human services:				
IV-D child incentives	29,895	8,335	21,560	44,522
Adoption assistance payments	7,000	-	7,000	12,815
Other expenditures	250,288	1,897	248,391	1,600
Total expenditures	<u>287,183</u>	<u>10,232</u>	<u>276,951</u>	<u>58,937</u>
Excess of revenues over (under) expenditures	<u>(249,288)</u>	<u>42,661</u>	<u>291,949</u>	<u>(4,917)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out				
to General fund	-	-	-	(107,723)
Fund balance appropriated	249,288	-	(249,288)	-
Total other financing sources (uses)	<u>249,288</u>	<u>-</u>	<u>(249,288)</u>	<u>(107,723)</u>
Net change in fund balance	<u>\$ -</u>	<u>42,661</u>	<u>\$ 42,661</u>	<u>(112,640)</u>
FUND BALANCES				
Beginning fund balances (July 1)		205,343		317,983
Ending fund balances (June 30)		<u>\$ 248,004</u>		<u>\$ 205,343</u>

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2017

With Comparative Totals from Project Inception to June 30, 2016

	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	290,870	46,214	337,084
Total revenues	3,592,500	3,789,969	46,214	3,836,183
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	3,499,932	-	3,499,932
Net change in fund balance	\$ -	\$ 290,037	46,214	\$ 336,251
FUND BALANCES				
Beginning fund balances			290,037	
Ending fund balances			<u>\$ 336,251</u>	

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2017

With Comparative Totals from Project Inception to June 30, 2016

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings (QSCB)	\$ -	\$ 1,638	\$ -	\$ 1,638
Total revenues	-	1,638	-	1,638
EXPENDITURES				
Schools capital outlay				
QSCB (Qualified School Construction Bonds)				
Engineering, legal, & other professional services	37,053	37,053	-	37,053
Construction and renovation	3,077,488	3,079,126	-	3,079,126
Debt interest and fees	17,997	17,997	-	17,997
MCS building repairs				
Construction and renovation	260,852	-	348,844	348,844
Engineering, legal, & other professional services	175,000	34,375	72,143	106,518
MCC building repairs				
Capital and equipment outlays	25,626	-	25,625	25,625
Engineering, legal, & other professional services	2,721	-	2,721	2,721
Repairs and maintenance	549,042	406,688	30,404	437,092
Other expenses	-	-	2,000	2,000
Debt service:				
QSCB (Qualified School Construction Bonds)				
Debt principal retirement	626,350	626,508	-	626,508
Debt interest and fees	369,284	369,283	-	369,283
Total expenditures	5,141,413	4,571,030	481,737	5,052,767
Excess of revenues over (under) expenditures	(5,141,413)	(4,569,392)	(481,737)	(5,051,129)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (debt service)	995,634	995,791	-	995,791
from General fund (MCS building repairs)	435,852	999,506	389,191	1,388,697
from General fund (MCC building repairs)	577,389	544,291	146,801	691,092
Proceeds from debt issuance (QSCB)	3,132,538	3,132,538	-	3,132,538
Total other financing sources (uses)	5,141,413	5,672,126	535,992	6,208,118
Net change in fund balance	\$ -	\$ 1,102,734	54,255	\$ 1,156,989
FUND BALANCES				
Beginning fund balances			1,102,734	
Ending fund balances			<u>\$ 1,156,989</u>	

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. 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, 2017

With Comparative Totals from Project Inception to June 30, 2016

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Airport Block Grant, Land Acquisition	\$ 351,000	\$ 308,681	\$ 78,450	\$ 387,131
Total revenues	351,000	308,681	78,450	387,131
EXPENDITURES				
Transportation				
Airport Block Grant-Land Acquisition				
Administration	2,100	2,100	-	2,100
Construction	51,925	-	51,000	51,000
Engineering, legal, & other professional services	88,779	56,242	27,451	83,693
Land acquisition	358,196	250,642	-	250,642
Other expenses	-	45	-	45
Airport Block Grant-future project	83,335	-	-	-
Total expenditures	584,335	309,029	78,451	387,480
Excess of revenues over (under) expenditures	(233,335)	(348)	(1)	(349)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (past projects, unspent)	-	39,285	-	39,285
from General fund (Land Acquisition)	150,000	-	-	-
from General fund (upcoming projects)	83,335	66,668	16,667	83,335
Total other financing sources (uses)	233,335	105,953	16,667	122,620
Net change in fund balance	\$ -	\$ 105,605	16,666	\$ 122,271
FUND BALANCES				
Beginning fund balances			105,605	
Ending fund balances			<u>\$ 122,271</u>	

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2017

With Comparative Totals from Project Inception to June 30, 2016

	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	426,145	-	426,145
Contributions / donations (Animal Shelter)	90,000	90,000	-	90,000
Total revenues	1,191,423	1,207,436	-	1,207,436
EXPENDITURES				
General government:				
Future projects	794,735	-	-	-
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	154,272	150,407	-	150,407
Other capital and equipment outlays	5,180	3,875	-	3,875
Other expenses	375	375	-	375
Schools capital outlay:				
Green Ridge Elementary School				
Administration	1,106,005	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
Other capital and equipment outlays	1,478,632	1,467,632	-	1,467,632
Other expenses	23,292	10,516	-	10,516
Debt service:				
Green Ridge Elementary School				
Debt interest	2,203,984	518,985	-	518,985
Debt closing costs	60,000	59,500	-	59,500
Jail / Detention Center				
Debt interest	870,190	138,820	-	138,820
Debt closing costs	49,250	48,500	-	48,500
Total expenditures	30,613,891	26,405,829	-	26,405,829
Excess of revenues over (under) expenditures	(29,422,468)	(25,198,393)	-	(25,198,393)

(continued on next page)

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2017

With Comparative Totals from Project Inception to June 30, 2016

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(29,422,468)	(25,198,393)	-	(25,198,393)
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	1,043,547	-	1,043,547
from General fund (Animal Shelter)	69,827	69,827	-	69,827
from General fund (upcoming projects)	794,735	225,000	569,735	794,735
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)	(11,469,820)	-	(11,469,820)
Payment to refunded bond escrow agent, 2015	(6,002,042)	(6,472,135)	-	(6,472,135)
Fund balance appropriated	2,623,174	-	-	-
Total other financing sources (uses)	29,422,468	25,821,398	569,735	26,391,133
Net change in fund balance	\$ -	\$ 623,005	569,735	\$ 1,192,740

FUND BALANCES

Beginning fund balances (July 1), as previously reported	305,586
Prior period adjustment	317,419
Beginning fund balances (July 1), as restated	623,005
Ending fund balances (June 30)	<u><u>\$ 1,192,740</u></u>

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
5. Financial Schedules for Major Enterprise Fund

	<u>Identifier</u>	<u>Page No.</u>
a. Water Operations Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.a	122
b. Water Projects Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.b	124

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Operating revenues:				
Departmental fees-sales of services	\$ 3,926,500	\$ 4,441,442	\$ 514,942	\$ 4,426,554
Other fees	54,000	59,788	5,788	58,341
Total operating revenues	3,980,500	4,501,230	520,730	4,484,895
Non-operating revenues:				
Interest earned	1,663	14,529	12,866	1,989
Miscellaneous	1,300	9,111	7,811	997
Total non-operating revenues	2,963	23,640	20,677	2,986
Total revenues	3,983,463	4,524,870	541,407	4,487,881
EXPENDITURES				
Administration and operating expenditures:				
Salaries and employee benefits	783,564	744,186	39,378	798,631
Various professional services	80,640	132,025	(51,385)	28,348
Supplies and materials	239,250	182,105	57,145	328,244
Automotive fuels and supplies	30,000	23,925	6,075	21,962
Penalties and fines	-	20,164	(20,164)	2,900
Postage, shipping, delivery costs	1,000	41,777	(40,777)	-
Utilities	320,000	264,470	55,530	304,553
Repairs and maintenance	245,000	174,379	70,621	232,073
Rental/lease expenditures	35,750	12,629	23,121	33,639
Contracted services	130,590	116,426	14,164	152,559
Sludge removal	-	-	-	27,935
Furniture, equipment, and tools	650,000	18,353	631,647	(2,442)
Sewer processing charges	75,000	51,566	23,434	62,890
Other	40,669	42,146	(1,477)	39,680
Total administration and operating expenditures	2,631,463	1,824,151	807,312	2,030,972
Debt service:				
Debt principal retirement	836,211	827,003	9,208	826,413
Debt interest paid	278,230	278,230	-	296,222
Capital outlay expenditures	237,559	101,120	136,439	158,720
Total expenditures	3,983,463	3,030,504	952,959	3,312,327
Excess of revenues over (under) expenditures	-	1,494,366	1,494,366	1,175,554
OTHER FINANCING SOURCES (USES)				
Transfers out to Water Projects fund	(399,000)	(357,940)	41,060	-
Fund balance appropriated	399,000	-	(399,000)	-
Total other financing sources (uses)	-	(357,940)	(357,940)	-
Net change in fund balance (modified accrual basis)	\$ -	\$ 1,136,426	\$ 1,136,426	\$ 1,175,554

(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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	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)		\$ 1,136,426		\$ 1,175,554
Revenue and expenditure activity of capital projects		(359,940)		-
Transfer of funds to capital projects		357,940		317,842
Non-cash gain (loss) on disposals of capital assets		(651)		-
Acquisition of capital assets through project activity		436,662		(169,859)
Depreciation expense		(1,168,117)		(1,092,055)
Contributions to pension plan during this fiscal year		40,117		37,162
Pension expense		(51,461)		13,684
Change in compensated absences		(9,570)		(2,783)
Change in accrued retirement benefits		3,819		(7,128)
Retirement of debt principal		827,003		826,413
Change in accrued debt interest payable		3,113		3,145
Change in net position (full accrual basis)		<u>\$ 1,215,341</u>		<u>\$ 1,101,975</u>
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis				
Departmental fees (modified accrual basis)		\$ 4,441,442		\$ 4,426,554
Bad debt expense (reduces revenue under MA basis)		83,185		(47,215)
Departmental fees (full accrual basis)		<u>\$ 4,524,627</u>		<u>\$ 4,379,339</u>

(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, 2017

With Comparative Totals from Project Inception to June 30, 2016

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted				
NC Commerce IDF (61.804)	167,100	167,100	-	167,100
Departmental fees-sales of services (prior projects)	-	249,066	-	249,066
Investment earnings (prior projects)	-	520	-	520
Total revenues	167,100	416,686	-	416,686
EXPENDITURES				
Environmental protection:				
Alum Sludge Treatment, 61.804:				
Construction	2,228,013	2,095,716	-	2,095,716
Engineering, legal, & other professional services	239,400	234,000	2,000	236,000
Other expenses	-	46,630	-	46,630
Correll Road Hydraulic Improvements (61.806)				
Capital outlays for property and equipment	21,000	-	7,398	7,398
Construction	214,889	-	195,401	195,401
Engineering, legal, & other professional services	44,111	-	40,000	40,000
Biscoe Meter Vault (61.807)				
Construction	108,200	-	102,941	102,941
Engineering, legal, & other professional services	10,800	-	12,200	12,200
Total expenditures	2,866,413	2,376,346	359,940	2,736,286
Excess of revenues over (under) expenditures	(2,699,313)	(1,959,660)	(359,940)	(2,319,600)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from Water System fund (prior projects)	-	190,757	-	190,757
from Water System fund (61.806)	280,000	-	242,799	242,799
from Water System fund (61.807)	119,000	-	115,141	115,141
Proceeds from loan issues (61.804)	2,300,313	2,208,237	-	2,208,237
Fund balance appropriated (future proj)	-	-	-	-
Total other financing sources (uses)	2,699,313	2,398,994	357,940	2,756,934
Net difference	\$ -	\$ 439,334	(2,000)	\$ 437,334

FUND BALANCES

Beginning fund balances (July 1)

439,334

Ending fund balances (June 30)

\$ 437,334

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
6. Financial Statement for Fiduciary Funds

	<u>Identifier</u>	<u>Page No.</u>
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.6.a	126

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, 2017

	Beginning Balance 2016	Additions	Deductions	Ending Balance 2017
SSA Representative Payee Conserved Trust Fund				
Assets				
Cash and cash equivalents	\$ 30,628	\$ 154,737	\$ (162,990)	\$ 22,375
Liabilities				
Accounts payable	\$ 30,628	\$ 154,827	\$ (163,080)	\$ 22,375
Property Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 36,157	\$ 2,122,930	\$ (2,131,202)	\$ 27,885
Taxes receivable	281,282	3,754,662	(3,725,728)	310,216
Total assets	\$ 317,439	\$ 5,877,592	\$ (5,856,930)	\$ 338,101
Liabilities				
Accounts payable	\$ 36,157	\$ 2,122,930	\$ (2,131,202)	\$ 27,885
Due to other taxing units	281,282	3,680,668	(3,651,734)	310,216
Total liabilities	\$ 317,439	\$ 5,803,598	\$ (5,782,936)	\$ 338,101
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable	\$ -	\$ 348,056	\$ (348,056)	\$ -
Liabilities				
Due to other taxing units	\$ -	\$ 348,056	\$ (348,056)	\$ -
Inmate Trust Fund				
Assets				
Cash and cash equivalents	\$ 17,143	\$ 37,493	\$ (36,737)	\$ 17,899
Liabilities				
Accounts payable	\$ 17,143	\$ 37,493	\$ (36,737)	\$ 17,899
Soil & Water Conservation Trust Fund				
Assets				
Cash and cash equivalents	\$ 14,612	\$ 3,538	\$ (2,097)	\$ 16,053
Liabilities				
Accounts payable	\$ 14,612	\$ 18,796	\$ (17,355)	\$ 16,053

(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, 2017

	Beginning Balance 2016	Additions	Deductions	Ending Balance 2017
(continued from previous page)				
Agricultural Advisory Board Trust Fund				
Assets				
Cash and cash equivalents	\$ 5,982	\$ 1,000	\$ -	\$ 6,982
Liabilities				
Accounts payable	\$ 5,982	\$ 1,000	\$ -	\$ 6,982
TOTALS, All Agency Funds				
Assets				
Cash and cash equivalents	\$ 104,522	\$ 2,319,698	\$ (2,333,026)	\$ 91,194
Taxes receivable	281,282	3,754,662	(3,725,728)	310,216
Intergovernmental receivable	-	348,056	(348,056)	-
Total assets	\$ 385,804	\$ 6,422,416	\$ (6,406,810)	\$ 401,410
Liabilities				
Accounts payable	\$ 104,522	\$ 2,335,046	\$ (2,348,374)	\$ 91,194
Due to other taxing units	281,282	4,028,724	(3,999,790)	310,216
Total liabilities	\$ 385,804	\$ 6,363,770	\$ (6,348,164)	\$ 401,410

(continued from previous page)

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
7. Financial Statements for Component Unit

	<u>Identifier</u>	<u>Page No.</u>
a. Montgomery County Tourism Development Authority: Balance Sheet	Exhibit II.D.7.a	129
b. Montgomery County Tourism Development Authority: Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.D.7.b	130

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, 2017

With Comparative Totals as of June 30, 2016

		Totals	
		2017	2016
ASSETS			
Cash and cash equivalents	\$	112,482	\$ 81,607
Taxes receivable, net		-	3,927
Due from other governments		2,913	-
Prepaid items		2,706	338
Total assets	\$	118,101	\$ 85,872
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses		3,525	\$ -
Total liabilities	\$	3,525	\$ -
Fund balances:			
Non-spendable			
Inventories			-
Prepaid items	\$	2,706	\$ 338
Restricted			
Stabilization of State Statute		2,913	3,927
Tourism promotion		108,957	81,607
Total fund balances		114,576	85,872
Total liabilities, deferred inflows and fund balances	\$	118,101	\$ 85,872

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, 2017

With Comparative Totals For the Year Ended June 30, 2016

	2017		2016	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Occupancy taxes on overnight lodging facilities	\$ 35,000	\$ 38,629	\$ 3,629	\$ 36,212
Total revenues	<u>35,000</u>	<u>38,629</u>	<u>3,629</u>	<u>36,212</u>
EXPENDITURES				
Economic development (tourism promotion)				
Tourism and event promotion	27,500	9,042	18,458	23,055
Operating expenditures	42,500	883	41,617	5,255
Total expenditures	<u>70,000</u>	<u>9,925</u>	<u>60,075</u>	<u>28,310</u>
Excess of revenues over (under) expenditures	<u>(35,000)</u>	<u>28,704</u>	<u>63,704</u>	<u>7,902</u>
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	35,000	-	(35,000)	-
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>28,704</u>	<u>\$ 28,704</u>	<u>7,902</u>
FUND BALANCES				
Beginning fund balances (July 1)		85,872		77,970
Ending fund balances (June 30)		<u>\$ 114,576</u>		<u>\$ 85,872</u>

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
E. Other Supplementary Information

	<u>Identifier</u>	<u>Page No.</u>
1. Schedule of Cash and Investment Balances - Primary Government	Exhibit II.E.01	132
2. Schedule of Interfund Transfers	Exhibit II.E.02	133
3. Analysis of Current Tax Levy - County Government	Exhibit II.E.03	134
4. Schedule of Ad Valorem Taxes Receivable - County Government (11)	Exhibit II.E.04	135
5. Principal Taxpayers	Exhibit II.E.05	136

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, 2017

		Cash Distribution by Funds	
		Amounts Presented on Statements *	
	Fund Number		Totals
Cash and cash equivalents			
Unrestricted cash and cash equivalents			
General Fund	10-17	\$ 15,876,200	
Special Revenue Funds:		1,705,188	
Emergency Telephone System Fund	20	210,511	
EMPG Fund	23	118,920	
Community Development Fund	24	60,216	
Badin Lake Fire District Fund	26	2,152	
Lake Tillery Fire District Fund	29	1,043	
Child Incentives Fund	33	248,703	
Golden LEAF - Aseptia Fund	37	1,063,643	
Capital Projects Funds:		7,931,668	
School Projects	46	1,237,842	
Educational Facilities	47	5,457,265	
Airport Projects	48	43,821	
County Projects	49	1,192,740	
Enterprise Fund, unrestricted cash	60-61	4,975,346	
Total unrestricted cash and cash equivalents		\$	30,488,402
Restricted cash			
General Fund	10-17	458,264	
Total restricted cash			458,264
Total cash and cash equivalents of the Primary Government		\$	30,946,666
(see Exhibit II.C.1.a, Government-Wide Statement of Net Position)			
Other cash and cash equivalents			
Agency Funds	70-81	91,194	
Total cash and cash equivalents		\$	31,037,860

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

For the Year Ended June 30, 2017

	Transfers out from:					Total
	General Fund	Emergency Telephone Fund	EMPG Fund	Child Incentives Fund	Water System Fund	
Transfers in to:						
Schools Projects Fund	\$ 535,992	\$ -	\$ -	\$ -	\$ -	\$ 535,992
Educational Facilities Fund	1,213,503	-	-	-	-	1,213,503
Airport Projects Fund	16,667	-	-	-	-	16,667
County Projects Fund	569,735	-	-	-	-	569,735
Water Projects Fund	-	-	-	-	357,940	357,940
General Fund	-	-	-	-	661	661
Total	\$ 2,335,897	\$ -	\$ -	\$ -	\$ 358,601	\$ 2,694,498

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

For the Year Ended June 30, 2016

	Transfers out from:				Total
	General Fund	Emergency Telephone Fund	EMPG Fund	Child Incentives Fund	
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

3. Analysis of Current Tax Levy - County Government

For the Year Ended June 30, 2017

	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	\$ 3,065,980,694	0.62000	\$ 19,012,967	\$ 17,524,237	\$ 1,488,730
Penalties (late charges)			32,890	32,890	-
Subtotals	<u>3,065,980,694</u>		<u>19,045,857</u>	<u>17,557,127</u>	<u>1,488,730</u>
Discoveries, Late Listings, and Other Supplements					
Property taxed at current year's rate	3,534,549	0.62000	21,914	21,914	-
Property taxed at prior year's rate	6,053,703	0.57000	34,506	34,506	-
Property taxed at prior year's rate	1,009,542	0.67000	6,764	6,764	-
Subtotals	<u>10,597,794</u>		<u>63,184</u>	<u>63,184</u>	<u>-</u>
Abatements					
Property taxed at current year's rate	(2,900,725)	0.62000	(18,220)	(18,220)	-
Property taxed at prior year's rate	(29,822)	0.57000	(170)	(170)	-
Subtotals	<u>(2,930,547)</u>		<u>(18,390)</u>	<u>(18,390)</u>	<u>-</u>
Totals	<u>\$ 3,073,647,941</u>		<u>19,090,651</u>	<u>17,601,921</u>	<u>1,488,730</u>
Net Levy			19,090,651	17,601,921	1,488,730
Less Uncollected Taxes, Current Year, at June 30			(386,630)	(386,630)	-
Current Year's Taxes Collected			<u>\$ 18,704,021</u>	<u>\$ 17,215,291</u>	<u>\$ 1,488,730</u>
Current Levy Collection Percentage (current year's taxes collected / net levy)			97.975%	97.803%	100.000%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio 100%

Real Property \$ 2,459,210,842 0.62000 \$ 15,247,107

Personal Property (current rate) 516,464,352 0.62000 3,202,856

Personal Property (prior rate) 7,033,423 43,974

Public Service Companies 90,939,324 563,824

Penalties 32,890

Totals \$ 3,073,647,941 \$ 19,090,651

County of Montgomery, North Carolina

4. Schedule of Ad Valorem Taxes Receivable - County Government (11)

June 30, 2017

Fiscal Year Ended June 30	Uncollected Balance 2016	Additions		Deductions		Uncollected Balance 2017
		Original Levy	Supplements	Collections	Abatements and Other Credits	
County Government (11+14)						
2017	\$ -	\$ 19,045,857	\$ 63,184	\$ (18,704,021)	\$ (18,390)	\$ 386,630
2016	435,318		40,775	(215,958)	(50,511)	209,624
2015	203,881		29,164	(68,413)	(34,656)	129,976
2014	176,893		29,154	(44,193)	(34,649)	127,205
2013	153,082		29,154	(36,343)	(34,619)	111,274
2012	117,760		-	(13,165)	-	104,595
2011	90,295		-	(6,065)	-	84,230
2010	68,687		-	(3,377)	-	65,310
2009	59,176		-	(1,271)	-	57,905
2008	62,094		-	(508)	-	61,586
2007	43,552		-	(217)	-	43,335
older	84,440		-	(104)	(40,910)	43,426
	1,495,178	\$ 19,045,857	\$ 191,431	\$ (19,093,635)	\$ (213,735)	1,425,096
	(688,954)	Less allowance for uncollectible ad valorem taxes receivable				(737,074)
	\$ 806,224	Ad valorem taxes receivable, net				\$ 688,022

Reconciliation with revenues:

Total reported ad valorem tax revenues (see Exhibit II.C.2.b)	\$ 19,151,907
Collections of taxes from years already written off as uncollectible	308
DMV collection charges, refunds, and other adjustments	103,794
Penalties, interest, and advertising fees	(162,374)
Total collections of taxes (as above)	<u>\$ 19,093,635</u>

Reconciliation with receivables:

Total reported taxes receivable, net (see Exhibit II.C.2.a)	\$ 689,828
Property tax discovery receivable for subsequent year	1,806
Total ad valorem taxes receivable (as above)	<u>\$ 688,022</u>

County of Montgomery, North Carolina

5. Principal Taxpayers

For the Year Ended June 30, 2017

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Alcoa Power Generating	Utilities	\$ 96,007,865	3.124%	\$ 595,249	1
2. Duke Energy Progress	Utilities	55,033,828	1.791%	341,210	2
3. Unilin N.A.	Manufacturing	40,519,616	1.318%	251,222	3
4. Jordan Lumber & Supply	Manufacturing	35,760,475	1.163%	221,715	4
5. Troy Lumber Co	Manufacturing	18,491,833	0.602%	114,649	8
6. Mountaire Farms	Manufacturing	15,967,347	0.519%	98,997	6
7. Wright Foods	Manufacturing	15,142,298	0.493%	93,882	5
8. Redus NC Land	Real Estate Development	12,963,100	0.422%	80,371	7
9. Montgomery Solar	Utilities	12,350,937	0.402%	76,576	n/a
10. Uwharrie Environmental	Manufacturing	10,527,914	0.343%	63,279	n/a
11. Randolph EMC	Utilities	10,224,492	0.333%	63,392	9
12. Tillery Tradition	Real Estate Development	9,828,295	0.320%	60,935	10
Totals		<u>\$ 332,818,000</u>	<u>10.828%</u>	<u>\$ 2,061,477</u>	

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	
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	n/a
12. Paperwork Industries	Manufacturing	8,382,381	0.279%	51,971	n/a
Totals		<u>\$ 328,783,001</u>	<u>10.942%</u>	<u>\$ 2,037,451</u>	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

	<u>Identifier</u>	<u>Page No.</u>
A. Reports from the Independent Auditor	Subsection III.A.	138
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	138
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	140
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	143
B. Schedule of Findings, Responses, and Questioned Costs	Subsection III.B.	146
C. Corrective Action Plan	Subsection III.C.	153
D. Summary Schedule of Prior Year Findings	Subsection III.D.	155
E. Schedule of Expenditures of Federal and State Awards	Subsection III.E.	156
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit III.E.1	160

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.

**INDEPENDENT AUDITORS' 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***

To the Board of County Commissioners
County of Montgomery

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Montgomery, North Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the County of Montgomery, North Carolina's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Montgomery, North Carolina'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 the County of Montgomery, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Montgomery, North Carolina's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2017-1.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as item 2017-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Montgomery, North Carolina's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-1 and 2017-2.

County of Montgomery's Response to Findings

County of Montgomery, North Carolina's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. County of Montgomery, North Carolina'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 results 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.

A handwritten signature in black ink that reads "Thomas, Judy & Duckert, P.A." The signature is written in a cursive, flowing style.

November 30, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION
ACT**

To the Board of County Commissioners
County of Montgomery

Report on Compliance for Each Major Federal Program

We have audited the County of Montgomery, North Carolina's 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 the County of Montgomery, North Carolina's major federal programs for the year ended June 30, 2017. County of Montgomery, North Carolina's major federal programs are identified in the summary of auditors' 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 the County of Montgomery, North Carolina'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, 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 the County of Montgomery, North Carolina'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 the County of Montgomery, North Carolina's compliance.

Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the County of Montgomery did not comply with requirements regarding the CFDA #93.778 Medical Assistance Program as described in finding number 2017-3 for Internal Review and 2017-4 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County of Montgomery to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of Montgomery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County of Montgomery, North Carolina, 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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-3, 2017-4, and 2017-5. Our opinion on each major federal program is not modified with respect to these matters.

The County of Montgomery, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County of Montgomery, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County of Montgomery, North Carolina, 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 County of Montgomery, North Carolina'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 of Montgomery, North Carolina's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-3 and 2017-4 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-5 to be significant deficiencies.

The County of Montgomery, North Carolina's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The County of Montgomery, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Thomas, Judy & Duck, P.A." The signature is written in a cursive, flowing style.

November 30, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH UNIFORM GUIDANCE AND THE STATE
SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of County Commissioners
County of Montgomery

Report on Compliance for Each Major State Program

We have audited the County of Montgomery, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County of Montgomery, North Carolina's major State programs for the year ended June 30, 2017. The County of Montgomery, North Carolina's major State programs are identified in the summary of auditors' 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 the County of Montgomery, North Carolina'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 the applicable sections of Title 2 U.S. *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 County of Montgomery, North Carolina'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 the County of Montgomery, North Carolina's compliance.

Basis for Qualified Opinion on Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, the County of Montgomery did not comply with requirements regarding the CFDA #93.778 Medical Assistance Program as described in finding number 2017-3 for Internal Review and 2017-4 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County of Montgomery to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of Montgomery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major State Programs

In our opinion, the County of Montgomery, North Carolina, 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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-3, 2017-4, and 2017-5. Our opinion on each major state program is not modified with respect to these matters.

The County of Montgomery, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The County of Montgomery, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County of Montgomery, North Carolina, 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 County of Montgomery, North Carolina'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 of Montgomery, North Carolina's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-3 and 2017-4 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-5 to be significant deficiencies.

The County of Montgomery, North Carolina's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The County of Montgomery, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Thomas, Judy & Duck, P.A.

November 30, 2017

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness identified? ☒ Yes ☐ No
 - Significant deficiencies identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☒ Yes ☐ No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified, for all federal programs except for Medical Assistance Program, which was modified.

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? ☒ Yes ☐ No

Identification of major federal programs:

CFDA #
93.778
10.557

Program Name
Medical Assistance Program
Special Supplemental Nutrition Program
for Women, Infants, and Children

Dollar threshold used to distinguish
Between Type A and Type B Programs:

\$925,014

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

State Awards

Internal control over major State programs:

- Material weakness identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Type of auditors' 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? X Yes No

Identification of major State programs:

Public School Building Capital Fund - Lottery Proceeds
Medical Assistance Program

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Finding 2017-1

Restatement of previously issued financial statements

Criteria: Accounting books and records should be maintained in accordance with U.S. Generally Accepted Accounting Principles.

Condition: During the year ended June 30, 2017 management determined that assets and fund balance were understated by \$317,419 within the County capital projects fund as of June 30, 2016.

Effect: A prior period adjustment of \$317,419 was recorded to increase cash and fund balance within the County projects fund as of June 30, 2016 to adjust for the error.

Cause: During 2015, restricted cash was incorrectly recorded within the County projects fund. This represented cash held with an escrow agent in relation to advanced refundings that occurred on defeased debt. As such, fund balance was restated as of June 30, 2015 to remove the restricted cash within the June 30, 2016 financial statements. This fund also included unspent dollars on completed projects. In 2017 management discovered errors that were made in the calculation of the cash to be retained in the fund exclusive of the restricted cash held with the escrow agent.

Identification of a repeat finding: This is a repeat finding from the June 30, 2016 audit referenced as Finding 2016-001.

Questioned Costs: None

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

Recommendation: The County should ensure that amounts recorded within the projects fund agree within the general ledger and to account reconciliations.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will implement the recommendation.

SIGNIFICANT DEFICIENCIES
SIGNIFICANT NONCOMPLIANCE

Finding 2017-2
Fixed Asset Inventory

Criteria: Accounting books and records should be maintained in accordance with U.S. Generally Accepted Accounting Principles.

Condition: The County performed a fixed asset inventory during the year ended June 30, 2017 and identified capital assets that were not included within the capital assets accounts within the general ledger.

Effect: Vehicles in the amount of \$198,000 that were purchased during 2009 and 2010 were added to the fixed asset listing in 2017 at their remaining residual value in the amount of \$0.

Cause: The County had not performed a physical inventory county in several years.

Questioned Costs: None.

Recommendation: We recommend that the County perform a physical fixed asset inventory count on an annual basis to ensure that the books and records are complete as it relates to capital assets.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will implement the recommendation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

US Department of Health and Human Services

Passed through the North Carolina Department of Health and Human Services
Program Name: Medical Assistance Program
CFDA#: 93.778

MATERIAL WEAKNESS
MATERIAL NONCOMPLIANCE

Finding 2017-3
Internal Review

Criteria: Proper and effective controls should be in place and operating in order to ensure that appropriate checks and balances occur in relation to eligibility determinations for Medicaid case files.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

Condition: The County did not have a formal process for performing second party reviews on casefiles until April 2017.

Effect: Applicants for Medicaid could be improperly denied or accepted due to human and system error.

Cause: During the year ended June 30, 2017, there was turnover in the supervisory position. No formal process was followed during the year until the position was filled in April 2017. The State issued further guidance and direction regarding second party review of Medicaid eligibility with a required effective date of April 1, 2017.

Recommendation: We recommend that the County ensure that all State requirements for second party reviews be followed, including proper documentation and reporting of the reviews be maintained.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will implement the recommendation.

Finding 2017-4
Eligibility

Criteria: In accordance with the requirements and policies established for this program, residency, resources and income should be properly verified and calculated in order to determine whether an applicant is or is not eligible to participate in the applicable Medicaid program.

Condition: Forty five applicants were found to have errors that were due to either system or human error.

Questioned Costs: \$17,943

Context: Out of 129 adult Medicaid files that were reviewed the following findings were noted:

- One case had a bank account that was verified via paper evidencing \$8.09 but entered in the NCFast as \$20. Did not affect eligibility.
- Fourteen cases were listed in NCFast as having the North Carolina Residency Application Form as verification, however the paper file had two other acceptable forms of verification rather than the application form.
- One case was incorrectly given eligibility by another county. When the County of Montgomery received the transfer and noticed the error, they closed the case.
- One application was shown as a withdrawal within the system when it should have been an approval. It was noted by the caseworker that the application was approved; however the system locked the case as pending and there was no other way to move it from pending to apply benefits.
- Five cases reviewed had the amount in categories of resources as "incorrect," however the amount of total resources was correct in most.
- Six cases reviewed had asset that were visible when an OLV report is generated however the assets do not show up when an OVS is generated. Amounts are entered into NCFast based upon OVS and therefore total resources are not complete.
- Three cases were missing both forms of State residence verification or form DMA-5153.
- One case did not have an AVS generated. We requested a new one be run and bank accounts were listed as unknown.
- Six cases had an AVS generated that did not match resource amounts entered into NCFast.
- Two cases had a property verification worksheet which listed property that wasn't included in NCFast.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

- One case had a checking account % entered as 1% rather than 100% in NCFast for total resources
- One case had unearned income over the established limit which should turn the case into a deductible case however no active deductible shown in NCFast.
- One case was from another county and we were unable to obtain the documents to review the case.
- One case had an OVS that showed vehicles in the system however no documentation in the case showed the vehicle.
- One case had a system error whereby the income was being calculated as greater than actual.

Effect: Applicants for Medicaid could be improperly denied or accepted due to human and/or system error.

Cause: There appear to be inherent errors within the NCFast system and OVS generated reports used to determine eligibility. Additionally, the lack of internal review can lead to error within the inputs that are recorded within the system that are used to determine eligibility.

Recommendation: We recommend that the County conduct a second party review on all applications processed prior to approving or denying eligibility and provide timely feedback to caseworkers in order to help alleviate the number of future errors. Additionally, the NCFast system needs to be reviewed at the State level for possible changes and/or updates to alleviate system errors.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will implement the recommendation.

US Department of Health and Human Services

Passed through the North Carolina Department of Health and Human Services

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children

CFDA#: 10.557

SIGNIFICANT DEFICIENCY

SIGNIFICANT NONCOMPLIANCE

Finding 2017-5

Internal Controls Over Payroll

Criteria: Proper and effective controls should be in place and operating in order to ensure that appropriate checks and balances occur in relation to time studies used to request reimbursement.

Condition: Ten time studies did not have evidence of a supervisor signature.

Questioned Costs: None

Cause: The County did not have a formal process for requiring supervisory signatures on time studies that were tested.

Context: The WIRM reports for the months of October 2016 and April 2017 were tested and 100% of the time studies for those two months were reviewed. Out of 19 total time studies reviewed, ten did not provide evidence of a supervisor signature on the time study.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

Effect: Requests for reimbursement could be incorrect due to no management review of time studies.

Recommendation: We recommend that the County ensure that all time studies provide evidence of a supervisor signature on the time study used to requested reimbursement within the WIRM report. Additionally, the supervisor should require another appropriate member of management to provide evidence of their review of the form.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will implement the recommendation.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

Refer to Finding 2017-3

Refer to Finding 2017-4

Refer to Finding 2017-5

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
C: Corrective Action Plan

SECTION II- FINANCIAL STATEMENT FINDINGS

Finding: **2017-1**

Name of Contact Person: C.D. Crepps, Finance Director

Corrective Action: Financial management vehemently matches amounts between the general ledger and all financial statements each year. No more exceptions will be tolerated.

Proposed Date of Completion: June 30, 2017

Finding: **2017-2**

Name of Contact Person: C.D. Crepps, Finance Director

Corrective Action: County policy outlines an annual physical inventory regarding capital and other assets. Management will continue to ensure that the annual physical inventory takes place each year.

Proposed Date of Completion: June 1, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding: **2017-3**

Name of Contact Person: Leigh Ann Hogan, Medicaid Supervisor

Corrective Action: Management will continue to adhere to state requirements for second party reviews. These second party reviews are completed quarterly and documentation is retained in a centralized location for any necessary review. For the first 2 months or more, a supervisor or other responsible person will review 100% of applications processed by new employees (the time period will be extended when errors persist).

Proposed Date of Completion: April 1, 2017

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
C: Corrective Action Plan (Continued)

Finding: 2017-4

Name of Contact Person: Leigh Ann Hogan, Medicaid Supervisor

Corrective Action: Management will continue to report errors within the State's NC FAST system to the State's designated help desk. Workers will continue having access to OLV in addition to OVS, since the OLV system is more reliable and provides more information. The internal review practices for second partying set by the state will be followed.

Proposed Date of Completion: July 1, 2017

Finding: 2017-5

Name of Contact Person: Morgan Payne, WIC Director

Corrective Action: As it relates to this program, management will enforce the requirement that supervisors sign time studies each month.

Proposed Date of Completion: December 1, 2017

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

Refer to Finding 2017-3

Refer to Finding 2017-4

Refer to Finding 2017-5

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2017
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
D: Summary Schedule of Prior Audit Findings

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding: **2016-1**

Status: This is a repeat finding. Refer to finding 2017-1

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2017
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>U.S. Dept. of Agriculture</u>						
<u>Direct program:</u>						
Secure Rural Schools-National Timber Receipts	10.665	-	\$ 36,315	\$ -	\$ (36,315)	\$ -
<u>Passed-Through N.C. Department of Health and Human Services:</u>						
<u>Division of Public Health:</u>						
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	667,830	-	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children - administration	10.557	5403, -4, -5, -9	205,639	-	-	-
<u>Total Division of Public Health</u>			<u>873,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Passed-Through N.C. Department of Health and Human Services:</u>						
<u>Division of Social Services:</u>						
<u>Administration:</u>						
<u>Supplemental Nutrition Assistance Program Cluster:</u>						
Supplemental Nutrition Asst. Program - State	10.561	404, 417	317,982	-	-	317,981
Supplemental Nutrition Assistance Program - Fraud	10.561	405	31,852	-	-	31,852
<u>Total Supplemental Nutrition Assistance Program Cluster</u>			<u>349,834</u>	<u>-</u>	<u>-</u>	<u>349,833</u>
<u>Total U.S. Department of Agriculture</u>			<u>1,259,618</u>	<u>-</u>	<u>(36,315)</u>	<u>349,833</u>
<u>U.S. Department of Health and Human Services</u>						
<u>Passed-Through N.C. Department of Health and Human Services:</u>						
<u>Divisions of Aging and Social Services (thru Piedmont Triad Regional Council):</u>						
<u>Aging Cluster:</u>						
III-B Grants for Supportive Services	93.044	-	24,240	21,358	(45,598)	-
Congregate Nutrition	93.045	-	21,353	1,257	(22,610)	-
Home Delivered Nutrition	93.045	-	64,411	27,369	(91,780)	-
NSIP Supplement	93.053	-	18,089	-	(18,089)	-
<u>Total Aging Cluster</u>			<u>128,093</u>	<u>49,984</u>	<u>(178,077)</u>	<u>-</u>
Social Services Block Grant - In Home Services	93.667	022, 030	11,728	106,420	(118,148)	462
<u>Total Division of Aging</u>			<u>139,821</u>	<u>156,404</u>	<u>(296,225)</u>	<u>462</u>
<u>Division of Child Development:</u>						
<u>Subsidized Child Care Cluster:</u>						
<u>Child Care Development Fund Sub-Cluster:</u>						
Child Care and Development Fund -- Administration - via Division of Social Services	93.596	364	74,124	-	-	-
Child Care and Development Fund -- Discretionary	93.575	D*23, TB23	345,387	-	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	120,765	-	-	-
Child Care and Development Fund -- Match	93.596	V*23	111,030	38,997	-	-
<u>Total Child Care Development Fund Sub-Cluster</u>			<u>651,306</u>	<u>38,997</u>	<u>-</u>	<u>-</u>
<u>Temporary Assistance for Needy Families Cluster:</u>						
Temporary Assistance for Needy Families - Child Care	93.558	T223	99,045	-	-	-
Foster Care Title IV-E	93.658	Q423, 460, 467	8,843	4,437	-	-
State and Local Appropriations	-	0023	-	14,183	-	-
TANF-MOE	-	T623	-	85,325	-	-
<u>Total Subsidized Child Care Cluster</u>			<u>759,194</u>	<u>142,942</u>	<u>-</u>	<u>-</u>
<u>Centers for Medicare and Medicaid Services:</u>						
<u>Division of Medical Assistance:</u>						
Health Choice Program - direct benefit payments	93.767	-	681,627	3,923	-	-
<u>Division of Medical Assistance:</u>						
<u>Medicaid Cluster:</u>						
Medicaid Assistance Program - direct benefit payments	93.778	-	25,772,513	13,878,863	-	-
<u>Division of Social Services:</u>						
Adult Care Home Case Mgmt/Spec	93.778	211, 213, 396	2,270	1,135	-	1,135
Medical Assistance Services (MAC)	93.778	477	1,688	-	-	1,688
Medical Assistance Administration	93.778	412, 422, 441	519,851	-	-	173,284
Medical Transportation Administration	93.778	375	37,913	-	-	37,913
State-County Special Assistance	93.778	128, 131, 151	17,262	-	-	5,754
<u>Total Medicaid Cluster</u>			<u>26,351,497</u>	<u>13,879,998</u>	<u>-</u>	<u>219,774</u>

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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
Federal Awards: (continued from previous page)						
<u>Centers for Medicare and Medicaid Services:</u>						
<u>Division of Public Health:</u>						
Public Health Emergency Preparedness	93.074	2680, 2784	30,500	-	-	-
Tuberculosis Control Programs	93.116	272A, 272E	35,933	-	-	-
Community-Based Injury Prevention	93.136	837X	1,500	-	-	-
Immunization Program/Aid to County Funding	93.268	623C, 625C, 631X	11,090	-	-	-
PPHF: Preventive Health Services	93.758	5503	26,708	-	-	-
HIV Prevention Activities	93.940	981C	2,942	-	-	-
Maternal and Child Health Services Block Grant	93.994	5107,5318,5735,-40,-45	87,542	84,035	-	-
<u>Total Division of Public Health</u>			<u>196,215</u>	<u>84,035</u>	<u>-</u>	<u>-</u>
<u>Division of Social Services:</u>						
<u>Foster Care and Adoption Assistance Cluster:</u>						
IV-E Foster Care Training	93.658	96, 97	113,161	-	-	113,161
IV-E Child Protective Services	93.658	072, 074	15,592	10,288	-	6,437
IV-E Admin County Paid - direct benefit payments	93.658	-	11,059	5,530	-	5,530
IV-E Family Foster Max - direct benefit payments	93.658	-	1,062	-	-	526
IV-E Foster Care - direct benefit payments	93.658	-	54,329	13,569	-	13,569
IV-E Adoption Subsidy - direct benefit payments	93.659	-	49,397	12,301	-	12,301
IV-E Adoption Training	93.659	-	318	-	-	318
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	31,175	-	4,370
State Child Welfare/CPS/Caseload	-	-	-	74,257	-	-
State-County / Special Assistance Domiciliary Care Payments - direct benefit payments	-	-	-	301,629	-	301,629
State Foster Home and Families Maximization - direct benefit payments	-	-	-	13,437	-	13,437
Foster Care, Caseworker	-	109	29,498	-	-	36,847
<u>Total Foster Care and Adoption Assistance Cluster</u>			<u>274,416</u>	<u>462,186</u>	<u>-</u>	<u>508,125</u>
Family Preservation	93.556	-	1,250	-	-	-
<u>TANF Cluster:</u>						
TANF Payments and Penalties - direct benefit payments	93.558	-	140,800	-	-	975
TANF Public Health Services	93.558	5151	5,452	-	-	-
Work First Services	93.558	047, '049	147,196	-	-	200,717
Work First Administration	93.558	046, '048	43,210	-	-	57,752
<u>Total TANF Cluster</u>			<u>336,658</u>	<u>-</u>	<u>-</u>	<u>259,444</u>
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(23)	(6)	-	(6)
AFDC Incentives / Program Integrity	-	267	-	829	-	-
IV-D Offset Fees Federal	93.563	-	1,110	(1)	-	572
IV-D Offset Fees ESC	93.563	-	47	1	-	23
IV-D Admin-Government Service Contract	93.563	423, 449	330,085	-	-	170,044
Refugee Assistance Administration	93.566	-	376	-	-	-
Low-Income Home Energy Assistance Program	93.568	372	119,700	-	-	-
LIHEAP Administration	93.568	-	18,601	-	-	-
Crisis Intervention Planning Services	93.568	372	119,673	-	-	-
Energy Assistance - private grants	-	-	-	3,977	-	-
Permanency Planning - Services and Administration	93.645	368, 464, 465	978	-	-	326
Social Services Block Grant	93.667	10, 394, 395, 607, 608	100,317	5,510	-	35,276
LINKS	93.674	290, 291	2,487	622	-	-
N. C. Health Choice	93.767	440, 441, 483, 10126	5,943	8	-	-
<u>Office of Population Affairs:</u>						
Family Planning	93.217	592C, 592D	25,703	-	-	-
<u>Total U.S. Department of Health and Human Services</u>			<u>29,465,675</u>	<u>14,740,428</u>	<u>(296,225)</u>	<u>1,194,040</u>

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Federal Awards: (continued from previous page)						
<u>U.S. Department of Housing and Urban Development</u>						
<u>Passed-Through N.C. Department of Commerce,</u>						
Community Development Block Grant -	14.228	09-E-2081	50,000	-	-	-
Urgent Repair Program						
<u>Total U.S. Department of Housing and Urban Development</u>			50,000	-	-	-
<u>U.S. Department of Justice</u>						
<u>Direct Program:</u>						
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0824	5,716	-	-	-
Bulletproof Vests	16.607	-	4,208	-	-	-
<u>Total U.S. Department of Justice</u>			9,924	-	-	-
<u>U.S. Department of Transportation</u>						
<u>Passed-Through N.C. Department of Public Safety:</u>						
HMEP Hazardous Material Training	20.703	-	9,800	1,100	-	-
<u>Total U.S. Department of Transportation</u>			9,800	1,100	-	-
<u>U.S. Department of the Treasury</u>						
<u>Direct program:</u>						
U.S. Immigration and Customs Enforcement	16.578	NC0230000	211	-	-	-
<u>Total U.S. Department of the Treasury</u>			211	-	-	-
<u>U.S. Federal Emergency Management Agency</u>						
<u>Passed-Through N.C. Department of Public Safety:</u>						
Emergency Management Program	83.552	-	38,584	-	-	-
<u>Total U.S. Federal Emergency Management Agency</u>			38,584	-	-	-
<u>Total Federal Awards</u>			30,833,812	14,741,528	(332,540)	1,543,873
State Awards:						
<u>N.C. 911 Board</u>						
State E911 Charges Distributed		-	-	219,932	-	1,206
<u>N.C. Department of Administration</u>						
Veteran Services		-	-	1,525	-	-
<u>N.C. Department of Commerce</u>						
Building Reuse Grant/Infrastructure Program		-	-	50,000	(50,000)	16,667
<u>N.C. Department of Environmental Quality</u>						
Recycling Grant		-	-	2,608	-	-
Funds for Soil and Water Conservation District		-	-	19,930	-	54,400
Scrap Tire Disposal		-	-	37,255	-	-
Solid Waste Disposal Tax Share		-	-	16,672	-	-
<u>Total N.C. Department of Environment and Natural Resources</u>			-	76,465	-	54,400

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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)						
<u>N.C. Department of Health and Human Services</u>						
<u>Division of Public Health:</u>						
Food and Lodging Fees		1153-4752-SZ62	-	3,686	-	-
Environmental Health			-	1,809	-	-
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	-	18,169	-	-
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	-	603	-	-
School Nurse Funding Initiative		1332-5358-0062	-	100,000	-	-
Tuberculosis (TB)		1460-4551-0062	-	5,295	-	-
TB Medical Service		1460-4554-0062	-	1,034	-	-
<u>Division of Social Services:</u>						
Enterprise Program Integrity Control System		-	-	3,249	-	-
<u>Total N. C. Department of Health and Human Services</u>			-	<u>251,254</u>	-	-
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		-	-	599,700	-	640,150
<u>N.C. Department of Public Safety</u>						
Juvenile Crime Prevention Council		-	-	95,851	(95,851)	-
<u>N.C. Department of Transportation</u>						
<u>Rural Operating Assistance Program Cluster:</u>						
Elderly and Disabled Transportation Assistance Program		-	-	57,675	(57,675)	-
Rural General Public Program		-	-	62,500	(62,500)	10,000
Employment Transportation Assistance Program		-	-	8,183	(8,183)	-
<u>Total Rural Operating Assistance Program Cluster:</u>			-	<u>128,358</u>	<u>(128,358)</u>	<u>10,000</u>
State/Federal Block Grant Program		-	-	-	-	-
State Aid to Airports		-	-	78,451	-	-
<u>Total N.C. Department of Transportation</u>			-	<u>206,809</u>	<u>(128,358)</u>	<u>10,000</u>
<u>N.C. Office of State Controller</u>						
Controlled Substances Tax		-	-	6,931	-	-
<u>Total State Awards</u>			-	<u>1,508,466</u>	<u>(274,209)</u>	<u>722,422</u>
<u>Total Federal and State Awards</u>			<u>\$ 30,833,812</u>	<u>\$ 16,249,995</u>	<u>\$ (606,749)</u>	<u>\$ 2,266,295</u>

Note: The dollar threshold used to distinguish major federal programs was \$925,014.

County of Montgomery, North Carolina

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For the Year Ended June 30, 2017

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, 2017. 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	-	\$ 667,830	\$ -	\$ -
Medical Assistance	93.778	-	25,772,513	13,878,863	-
Health Choice Claim Expenditures	93.767	-	681,627	3,923	-
Participation in Budgeted County Expenditures , Public Assistance					
IV-E Adoption Subsidy	93.659	-	49,397	12,301	12,301
IV-E Admin County Paid	93.658	-	11,059	5,530	5,530
IV-E Family Foster Max	93.658	-	1,062	-	526
IV-E Foster Care & Extend	93.658	-	54,329	13,569	13,569
AFDC Payments and Penalties	93.560	-	(23)	(6)	(6)
TANF Payments and Penalties	93.558	-	140,800	-	975
Child Welfare Services Adoption Subsidy	n/a	-	-	31,175	4,370
Special Assistance HB 1030	n/a	-	-	2,584	-
Special Assistance Domicillary Care	n/a	-	-	301,629	301,629
State Foster Home Families Maximization	n/a	-	-	5,390	5,390
State Foster Home	n/a	-	-	8,047	8,047
Total participation in budgeted county expenditures			256,624	380,219	352,331
Total direct benefit payments			\$ 27,378,594	\$ 14,263,005	\$ 352,331